Senior plc

Results for the year ended 31 December 2022

Strong results as recovery continues

FINANCIAL HIGHLIGHTS	Year ended 31 December 2022	2021	change	change (constant currency) (4)
REVENUE	£848.4m	£658.7m	+29%	+20%
OPERATING PROFIT	£32.5m	£10.5m	+210%	+164%
ADJUSTED FOR:				
NET RESTRUCTURING INCOME	£(4.2)m	£(4.4)m		
AMORTISATION OF INTANGIBLE ASSETS FROM ACQUISITIONS	£0.2m	£nil		
ADJUSTED OPERATING PROFIT (1)	£28.5m	£6.1m	+367%	+285%
ADJUSTED OPERATING MARGIN (1)	3.4%	0.9%	+250 bps	+240 bps
PROFIT BEFORE TAX	£22.4m	£23.7m	-5%	-18%
ADJUSTED PROFIT/(LOSS) BEFORE TAX (1)	£20.1m	£(1.9)m	+1,158%	+1,775%
BASIC EARNINGS PER SHARE	4.86p	5.82p	-16%	
ADJUSTED EARNINGS PER SHARE (1)	4.36p	0.17p	+2,465%	
TOTAL DIVIDEND (PAID AND PROPOSED) PER SHARE	1.30p	Nil p		
FREE CASH FLOW (2)	£27.7m	£14.0m	+98%	
NET DEBT EXCLUDING CAPITALISED LEASES (2)	£100.5m	£79.9m	£20.6m increase	
NET DEBT / EBITDA(5)	1.47x	1.87x		
NET DEBT (2)	£178.9m	£153.1m	£25.8m increase	
ROCE (3)	4.7%	1.0%	+370 bps	

Highlights

- Strong trading performance compared to prior year with significantly improved profitability
- Healthy book-to-bill of 1.24
- Excellent free cash flow of £27.7m, double prior year
- Acquired Spencer Aerospace with initial cash outlay of $30m
- Healthy balance sheet, with net debt / EBITDA(5) of 1.47x (prior year 1.87x)
- Achieved class "A" rating for our climate disclosure from CDP
- Another year of strong recovery and growth anticipated for 2023
- Final dividend of 1.00p proposed, reflecting improved performance

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

"We have delivered a strong set of results for 2022, overcoming what was a difficult macroeconomic environment. We significantly improved profitability, generated excellent free cashflow, strengthened our balance sheet and continued to make very good progress on our sustainability goals, maintaining our sector leading position.

As we start 2023, our order book is healthy, reflecting favourable market dynamics, with commercial aerospace recovery in full swing with other important markets remaining buoyant. Demand is currently holding up well, though we remain mindful of the potential impact of the ongoing supply chain pressures in aerospace, as well as the broader macro-economic situation and geopolitical uncertainty.

With aircraft build rates increasing through the year, and the continuing aerospace supply chain challenges, we anticipate trading in our Aerospace Division to be more weighted to the second half of the year. Overall, the Board anticipates strong growth for the Group in 2023 in line with its expectations.

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

Our strategy and positioning in attractive and structurally resilient core markets, combined with our sector leading sustainability credentials and highly relevant technical capabilities, is delivering a strong recovery across our Aerospace and Flexonics Divisions and enhanced value for our stakeholders."

Further information

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Notes

This Release represents the Company's dissemination announcement in accordance with the requirements of Rule 6.3.5 of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. The full Annual Report & Accounts 2022, together with other information on Senior plc, can be found at: www.seniorplc.com

The information contained in this Release is an extract from the Annual Report & Accounts 2022, however, some references to Notes and page numbers have been amended to reflect Notes and page numbers appropriate to this Release.

The Directors' Responsibility Statement has been prepared in connection with the full Financial Statements and Directors' Report as included in the Annual Report & Accounts 2022. Therefore, certain Notes and parts of the Directors' Report reported on are not included within this Release.

(1) Adjusted operating profit and adjusted profit/loss before tax are stated before £4.2m net restructuring income (2021 - £4.4m, see Note for further detail) and £0.2m amortisation of intangible assets from acquisitions (2021 - £nil). Adjusted profit/loss before tax is also stated before costs associated with corporate undertakings of £1.7m (2021 - £21.2m income, see Note 4 for further detail). Adjusted operating margin is the ratio of adjusted operating profit to revenue. In 2021, Adjusted earnings per share is also stated before exceptional non-cash tax credit of £0.6m.

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

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

(4) 2021 results translated using 2022 average exchange rates - constant currency.

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

- EBITDA is adjusted profit/loss before tax (defined in Note 4) before interest (defined below), depreciation, amortisation and profit or loss on sale of property, plant and equipment. It also excludes EBITDA from businesses which have been disposed and includes 12 months EBITDA for businesses acquired and it is based on frozen GAAP (pre-IFRS 16). EBITDA for 2022 was £66.8m (2021 - £42.1m).
- Net debt is defined in Note 12c. It is based on frozen GAAP (pre-IFRS 16) and as required by the covenant definition, it is restated using 12-month average exchange rates.
- Interest is adjusted finance costs and investment income before net finance income of retirement benefits. It also excludes interest from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16).

The Group's principal exchange rate for the US Dollar applied in the translation of Income Statement and cash flow items at average 2022 rates was $1.24 (2021 - $1.38) and applied in the translation of balance sheet items at 31 December 2022 was $1.21 (31 December 2021 - $1.35).

Annual Report

The full Annual Report & Accounts 2022 is now available online at www.seniorplc.com. Printed copies will be distributed on or soon after 10 March 2023.

Webcast

There will be a presentation on Monday 27 February 2023 at 11.00am GMT 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 Release 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 the Release 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.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview of 2022 results

Senior has continued to make good strategic, operational, and financial progress, with strong delivery across the Group reflected in significantly improved profitability, excellent free cash flow generation and further strengthening of our balance sheet.

With commercial aerospace markets recovering and other important end markets remaining buoyant, we saw order intake increase and a book to bill ratio of 1.24 for the Group, which underpins our confidence in continued growth in 2023 and beyond. Both divisions recorded good order intake demonstrating the broad, diversified, and high-quality nature of our business.

Senior's Purpose is "we help engineer the transition to a sustainable world for the benefit of all our stakeholders." Our strategic focus and industry-leading expertise in fluid conveyance and thermal management technology was enhanced by the acquisition of Spencer Aerospace in November 2022. Additionally, we made good progress on our technology roadmap with many new products in development and significant technology and engineering milestones achieved: for example, the development of the bleed air system for the supersonic X-59 flight demonstrator utilising our advanced additive manufacturing capability.(1)

In our Post-close Trading Update on 24 January 2023, we reported a strong end to the year with outperformance in the Flexonics Division and the Aerospace Division performing in line with expectations. During 2022, Group revenue increased 20% on a constant currency basis to £848.4m, with growth in both divisions. The year-on-year increase reflected the ongoing recovery in our core markets as well as recent programme wins entering series production. The Group benefited from the increase in civil aircraft production rates, growth in land vehicle, power & energy, semi-conductor equipment and space markets, as well as price increases of £28.6m to offset inflationary costs. Additionally, favourable exchange rates added £46.3m (9%) to total sales.

In Aerospace, revenue increased 18% year-on-year on a constant currency basis. Excluding Senior Aerospace Connecticut, which was divested in April 2021, revenue for the full year on a constant currency basis increased by 20%. The year-on-year increase reflected the ramp up in civil aircraft production rates, growth from semi-conductor equipment markets and higher volumes for space programmes. This more than offset the decline in defence, which was affected by the delay in spending as a consequence of the Continuing Resolution being in place in the USA during the first half of the year.

In Flexonics, revenue grew 26% compared to prior year, on a constant currency basis. The performance in 2022 was driven by strong customer demand in the land vehicle and power & energy markets. In land vehicles, Senior outgrew end market demand due to recent contract wins entering series production. In power & energy markets, activity increased in upstream oil and gas and levels of maintenance and overhaul activity improved.

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

The Group generated an adjusted operating profit of £28.5m (2021 - £6.1m), an increase of 367% over the prior year. This resulted in the Group's adjusted operating margin increasing by 250 basis points, to 3.4% in 2022 (2021 – 0.9%). Overall, in 2022, price increases of £28.6m offset material and other inflationary cost increases of £26.0m. The improved profitability principally reflected the volume related operating leverage across our businesses. Supply chain constraints and inflationary pressures persisted throughout 2022: our operating businesses worked diligently and proactively to navigate these challenges, mitigate their impact on the business and ensure service levels for customers were maintained to the best extent possible. As we enter 2023, supply chain constraints have eased somewhat in our Flexonics Division but continue to require relentless management in a number of our Aerospace businesses. We see that continuing to be the situation for some time, given the welcome increase in civil aircraft production rates required by the industry to satisfy the strong demand from airlines and aircraft lessors. We continue to work closely with our suppliers and customers to minimise any potential disruption. Very recently, the situation has been compounded by a fire at one of our key suppliers in Thailand. We are working closely with the supplier and our customers to assess and mitigate the specific impact of the fire.

Adjusted profit before tax increased to £20.1m (2021 - £(1.9)m loss). The adjusted tax charge was £2.0m (2021 - £2.6m credit). Adjusted earnings per share increased to 4.36 pence (2021 – 0.17 pence).

Reported profit before tax was £22.4m. The 2021 reported profit before tax was £23.7m, having benefited from the profit on the sale of our Senior Aerospace Connecticut business during that period. Basic earnings per share was 4.86 pence (2021 – 5.82 pence).

(1) This is discussed further in the Technology section of the 2022 Annual Report and Accounts on page 48.

The Group delivered an excellent cash performance in 2022 generating free cash inflow of £27.7m (2021 - £14.0m), an increase of 98% over the prior year, driven by the significant increase in profits. Gross investment in capital expenditure was £30.5m (2021 - £21.3m), which was 0.8 times depreciation excluding the impact of IFRS 16 (2021 - 0.6 times). Cash outflows from working capital were £12.1m (2021 - £2.6m) reflecting increased activity levels and the need to hold some tactical buffer stocks. However, our effective management of working capital helped to deliver a small decrease as a percentage of sales to 15.5% (2021 - 15.6%). The Group had net cash outflow of £2.6m (2021 - £57.7m inflow) in 2022, due to free cash inflow of £27.7m (2021 - £14.0m), offset by £30.3m cash outflows related to corporate undertakings and restructuring activity, interim dividend payments and purchase of own shares (2021 - £43.7m inflows).

Net debt at the end of December 2022 was £178.9m (including capitalised leases of £78.4m), an increase of £25.8m from December 2021, after taking into account £25.3m consideration for the acquisition of Spencer Aerospace, adverse currency movements of £14.2m and a £9.0m increase for lease movements. The Group's financial position remains robust, with a healthy balance sheet and period end net debt to EBITDA of 1.47x (December 2021 – 1.87x).

Return on capital employed ("ROCE") increased by 370 basis points to 4.7% (2021 – 1.0%). The increase in ROCE reflected the significant increase in profitability, while managing the increase in capital employed which was mainly due to the acquisition of Spencer Aerospace. This improvement in ROCE is an important step to delivering our Group ROCE target of 13.5% over the medium term.

In line with the Board's decision from earlier in the year to reinstate dividends, and reflecting confidence in the Group's performance, financial position and future prospects, the Board is proposing a final dividend of 1.00 pence per share (2021 - nil pence) and this will be paid on 26 May 2023 to shareholders on the register at close of business on 28 April 2023. This would bring total dividends, paid and proposed for 2022 to 1.30 pence per share. We will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover over the medium term.

Market Overview

Our core markets across the Group proved resilient in 2022 and are buoyant as we commence 2023 despite ongoing macro-economic challenges and geopolitical uncertainty.

Civil Aerospace (40% of Group)

The rebound in flight departure levels in 2022 was testament to the resilience of global air travel demand, with the subsequent recovery across commercial aerospace now in full swing. The strong growth in passenger numbers seen in most domestic markets and other short-haul routes was sustained throughout 2022 and is expected to continue. International, long-haul traffic has been accelerating, particularly between North America and Europe and the recent easing of travel restrictions in China has immediately provided added momentum. IATA continues to expect domestic passenger numbers to reach 2019 levels by 2024 and international passenger numbers to return to 2019 levels by 2025.

Production volumes for civil aerospace accelerated in 2022, driven by increased single aisle build rates. Both Boeing and Airbus announced production rate increases for wide-bodies starting from the end of 2022 and further increases on single-aisle rates in 2023 and beyond.

In the medium and longer term, structural growth in air travel of c. 4% per annum is expected to be driven by growing air traffic demand in Asia and supported by the replacement of older aircraft with latest generation, more fuel-efficient models. IATA anticipates that Asia Pacific will be the fastest growing region over the next two decades, buoyed by favourable income growth and demographic factors.

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

Defence (14% of Group)

Senior's sales to the Defence sector are primarily focused on the US defence market. The approved budget for US defence in Fiscal Year 2022 was $778bn. However, the 2022 Appropriations Bill was not passed until March 2022 which meant that up to that point, spending was restricted to 2021's levels under a Continuing Resolution which led to a delay in some ordering activity. For Fiscal Year 2023, the National Defense Authorisation Act has approved $858bn of spend, 10% higher than the budget in 2022.

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

Other Aerospace (11% of Group)

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

The semi-conductor equipment market reached a new sales record in 2022, growing by an estimated 4%, reflecting the increase in global demand for microchips. While wafer fab, foundry and logic equipment sales increased, memory and storage demand weakened as post-pandemic related consumer and work-from-home trends normalise and inflation rises. According to the World Semiconductor Trade Statistics ("WSTS"), the global semi-conductor market is forecast to contract by 4% in 2023 as a result of challenging macroeconomic conditions leading to weaker end market demand.

The galactic low earth orbit satellites market revenue is expected to accelerate at a compound annual growth rate of 15% between 2022 and 2030. Rising demand for high-speed and low-cost broadband, growing advancements in satellite network and potential uses for laser-based space optical communications are key factors driving revenue growth of the market.

Land Vehicle (19% of Group)

The land vehicle market experienced good momentum in 2022. All segments grew in 2022, as markets in North America and Europe were buoyant, aided by signs of supply chain constraints easing compared to prior year.

According to Americas Commercial Transportation ("ACT") research, the heavy-duty truck market grew by 19% in 2022 compared to 2021. The market is expected to decline by 3% in 2023 as pent-up demand for more fuel efficient engines and modest pre-buy activity ahead of tighter emission standards coming to be introduced in 2024 are expected to be offset by slowing macroeconomic indicators in the US. According to IHS Markit Inc. ("IHS"), European truck and bus market production declined by 1% and is forecast to decline by a further 1% in 2023.

Light vehicle production in 2022 continued to be impacted by semi-conductor shortages, although this is showing signs of improvement. Production rates were further impacted by interruptions in the supply of wire harnesses due to the Ukraine crisis. According to IHS, European light vehicle production grew by 5% in 2022 compared to 2021, despite being forecasted to decline. It is forecast to grow by 6% in 2023 as semiconductor availability improves.

According to the International Energy Agency ("IEA"), global electric car sales have continued their strong growth in 2022. The Bloomberg NEF Electric Vehicle Outlook 2022 report predicts that by 2025, plug-in vehicles will represent 23% of new passenger vehicle sales globally and electric vehicles will represent 6% of the fleet. With the increasing adoption of electrification for both land vehicle and stationary power applications continuing, this market is fast growing and represents a major opportunity for Senior in the medium and long term, particularly for our proprietary battery cooling technology.

Power & Energy (16% of Group)

Power & energy markets grew in 2022, and in particular, activity in upstream oil and gas increased and the levels of maintenance and overhaul improved.

The Ukraine crisis brought pressure to energy supply in key markets, adding political impetus to build energy security and to accelerate the energy transition to renewables.

Electricity demand is forecast to continue growing steadily and the IEA predicts an even stronger push for renewables in the power sector and faster electrification of industrial processes and heating. In 2022, 30% of global electricity generation came from renewable sources and the IEA predicts this rising to about 50% by 2030 and 80% by 2050.

According to the IEA, in 2022, world oil demand grew 2% and is expected to surpass pre-pandemic levels in 2023 and subsequently grow 1% per year until 2030. Global refining capacity expanded slightly in 2022 with similar growth anticipated in 2023, although shortages in individual products may well persist due to uneven rates of demand growth and limits in the refining system. This tight supply, coupled with a limited appetite for new US refining capacity due to the US federal government's policies on energy, has led businesses to focus on upgrading and expanding existing facilities, thereby increasing maintenance and overhaul work.

Amid soaring fuel prices and growing energy security concerns, momentum is building for nuclear power in many countries. According to the IEA, nuclear power generation has the potential to play a significant role in helping countries to securely transition to energy systems dominated by renewables. In their global pathway to reach Net Zero Emissions by 2050, the IEA predicts that nuclear power generation will double between 2020 and 2050, with construction of new plants needed in all countries that are open to the technology. Whilst extending lifetimes of nuclear plants will be an indispensable part of a cost-effective path to Net Zero by 2050, it is feasible that half of the emission reductions by 2050 may come from small modular reactors (SMRs) due to their lower cost, smaller size, and reduced project risks.

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

Delivery of Group Strategy

Senior has a compelling strategy to maximise value for shareholders.

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

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

Complementing this, our vision is to be a trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, cash flow and shareholder value.

To achieve our strategy, we will:

- strengthen our strategic focus on IP-rich fluid conveyance and thermal management products;
- organically grow the Aerostructures business by fully utilising our world class global footprint;
- maintain a strong focus on lean manufacturing and operational efficiency through our Senior Operating System;
- execute on our portfolio optimisation strategy to maximise value creation;
- maintain our sector leading sustainability performance; and
- drive intrinsic strong cash generation and deliver a minimum of 13.5% ROCE over the medium term.

Our strategic focus and expertise in fluid conveyance and thermal management technology and capabilities is supported by extensive design and manufacturing process intellectual property and know-how. We develop and supply proprietary products, sub-systems and systems for our customers' demanding applications across a range of diverse and attractive end markets. Our products are key enablers of pivotal technologies which are delivering emissions reduction and environmental efficiency and are highly relevant as the world transitions towards a low carbon economy. Senior has developed novel solutions for low and zero carbon applications and we are involved in a range of research and development projects that support the drive for electrification and hydrogen propulsion systems on land and in the air. This is discussed further in the "Technology and product design and development" section below.

As well as our businesses being actively focused on new product offerings for the transition to a low-carbon world, we continue to be actively involved in making conventional technology cleaner to bridge the gap between both worlds. In addition, Senior's end-markets are evolving to reflect the global effort to achieve net zero carbon emissions. Senior's technology and product roadmap is aligned to these trends with a product development strategy that is compatible with our focus on sustainability.

This well-defined strategy, along with our well-capitalised businesses, provides a solid foundation to support our future growth aspirations.

In June 2022, we announced the strategic acquisition of substantially all of the assets of Spencer Aerospace Manufacturing, LLC ("Spencer Aerospace"), which completed in November. The acquisition marks a further step in our well-defined strategy and is part of our wider objective of optimising our portfolio and maximising value for shareholders. The acquisition enhances Senior's industry-leading fluid conveyance capabilities, expanding our capability to produce higher level assemblies and sub-systems and with the potential to penetrate new markets such as hydrogen fittings for power and infrastructure applications. While Senior has existing hydraulic fluid fittings expertise, our customers have been strongly encouraging us to increase our presence and, following the acquisition, our combined expertise and market reach will allow us to respond decisively and accelerate growth as we leverage Senior's strong relationships with OEMs, Tier 1 integrators, and aftermarket customers around the world to open new opportunities for Spencer Aerospace.

The strategy for Aerostructures as its core markets continue to recover is to focus and drive:

- filling our existing capacity;
- pursuing some further diversification into Space and Defence; and
- growing market share profitably in Civil Aerospace.

We saw good progress in our Aerostructures businesses in 2022 and remain confident of further performance improvement as production volumes continue to ramp.

Considered and effective capital deployment

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

To maximise the Group's operating efficiency and overall effectiveness we actively review our overall portfolio of operating businesses and evaluate them in terms of their strategic fit within the Group. In December 2019, Senior confirmed that it was reviewing strategic options for its Aerostructures business, which included a potential divestment. Although we received strong interest for the business, the Group determined that, with the onset of the pandemic, it was in the best interests of Senior and its stakeholders for the Aerostructures business to remain within the Group at that time. We are considering the best time to relaunch the process to ensure we optimise value for shareholders, taking into account financing markets and end market conditions.

Technology and product design and development on the road to Net Zero

Senior's fluid conveyance and thermal management businesses have design IP (intellectual property) and our structures businesses have manufacturing IP and know-how. Both are underpinned by our investment in advanced manufacturing technology and supported by our extensive design and engineering expertise, and collaboration through our Technology Council.

In support of our core technology themes, Senior has identified two key enabling technologies that underpin innovation throughout our product development and manufacturing lifecycle: Additive Manufacturing and Digitisation. Our Technology Council ensures that these technologies are collaboratively developed for the benefit of all business in the Group.

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

Aerospace

- Our traditional fluid conveyance products are entirely compatible with sustainable aviation fuels, the increasing adoption of which appears to be the fastest route to lowering aviation emissions.
- Our Additive Manufacturing capabilities are enabling advances in complex product design for improved performance and weight reduction for the benefit of our customers across a number of product applications.
- Our world-class capability in thermal management and fluid conveyance provides opportunities to support the further development of electric/hybrid air vehicle applications.
- We are building upon our long experience of providing hydrogen fluid handling and distribution products for industrial markets to support development of both on-aircraft and off-aircraft hydrogen technologies as this alternative propulsion ecosystem evolves.

Land Vehicles

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

Power & Energy

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

Sustainability

A commitment to sustainability is rooted in our core values and underpins our Purpose. Sustainability is an integral part of our strategy, embedded within the behaviours of our people and the culture of Senior. We believe with conviction that how you do business is every bit as important as what you do. Across the Group we always put safety and ethics first, and we strongly encourage and promote diversity and inclusivity across our international operations.

We continuously aim to deliver our products in a manner that is both environmentally sustainable and supports economic growth and long-term value creation for shareholders through sustainable methods. In implementing our strategy, we are committed to using natural resources responsibly, investing for the long-term wellbeing of the planet and ensuring that all people involved in our business process' are treated fairly. Our Environmental, Social and Governance ("ESG") programmes continue to evolve; this year we have been awarded a class leading "A" rating by CDP for our work on climate disclosure and action, having already previously achieved the highest leadership rating for our Supplier Engagement programme. We were also highly commended by the UK Investor Relations Society in their annual best practice awards for how we communicate our sustainability programmes and commitments to our stakeholders.

Our engineering expertise is key in helping to tackle the climate change and clean air challenge as the world transitions to a lower carbon economy. We achieve this by applying our expertise and technology across many different applications in hard-to-decarbonise sectors ranging from aviation through to land vehicle and power & energy markets. We work in close partnership with our customers' developing solutions which support both their commercial and sustainability objectives as we all strive to achieve our individual Net Zero goals.

In 2022, we have again made good progress with our key sustainability metrics and activities:

Environment

- Awarded the top 'A' score by CDP in its global annual ranking for transparency on climate change; Senior is one of only 283 companies which achieved an A out of nearly 15,000 scored, putting us in the top 2% of disclosing companies. We were the only Aerospace and Defence company to achieve an A rating in 2022. In February 2022, we were informed by CDP that Senior was awarded the highest leadership status in its annual supplier engagement ratings, putting us in the top 8% of companies on this metric.
- We remain on track to achieve our Scope 1, 2 and 3 Science Based Target Initiative ("SBTi") verified Near Term Targets.
- We have submitted our Long-Term Net Zero Targets to SBTi for validation. The targets, to be achieved by 2040, are aligned to keep global warming to 1.5 degrees centigrade, the most ambitious goal of the Paris Agreement.
- 41% of our electricity was sourced from renewable energy, an increase from 36% in 2021.
- Recycled 94.8% of waste produced.

Social

- Recognising the impact of high rates of inflation, Senior has taken steps to help the broader workforce including salary settlements that reflected regional cost of living pressures, a more flexible approach to working hours and promoting employee assistance and wellbeing initiatives.
- Building on the success of our first Global Employee Opinion Survey in 2021 and the actions taken as a result of the feedback, we undertook our second Global Employee Opinion Survey in September 2022.
- We remain on track to achieve our 2025 Lost Time Injury Rate reduction target.
- In 2022, we introduced additional safety initiatives involving ergonomics and hand protection to support our 2025 Lost Time Injury Rate reduction goal.
- Currently, 55% of the Board Directors are female and two of the Directors are from ethnic minority backgrounds.

Governance

- In 2022, employees received refresher training on Senior's Code of Conduct.
- Employees continue to receive training and regular reminders about the risks related to information/cyber security.
- In 2022, we developed our Climate Change training to improve awareness of climate related matters across the Group.

Outlook

As we start 2023, our order book is healthy, reflecting favourable market dynamics, with commercial aerospace recovery in full swing and other important markets remaining buoyant. Demand is currently holding up well, though we remain mindful of the potential impact of the ongoing supply chain pressures in aerospace, as well as the broader macro-economic situation and geopolitical uncertainty.

With aircraft build rates increasing through the year, and the continuing supply chain challenges in aerospace, including the recent fire at one of our key suppliers, we anticipate trading in our Aerospace Division to be more weighted to the second half of the year. Overall, the Board anticipates strong growth for the Group in 2023 in line with its expectations.

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

Our strategy and positioning in attractive and structurally resilient core markets, combined with our sector leading sustainability credentials and highly relevant technical capabilities, is delivering a strong recovery across our Aerospace and Flexonics Divisions and enhanced value for our stakeholders.

DAVID SQUIRES
Group Chief Executive Officer

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 65% (2021 – 66%) of Group revenue and consists of 14 operating businesses. These are located in North America (six), the United Kingdom (four), continental Europe (two), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby 2021 results have been translated using 2022 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions and net restructuring income. The Division's operating results on a constant currency basis are summarised below:

	2022	2021 [(1)]	Change
	£m	£m	
Revenue	**553.6**	471.0	+18%
Adjusted operating profit	**20.3**	8.4	+142%
Adjusted operating margin	**3.7%**	1.8%	+190bps

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

Divisional revenue increased by £82.6m (17.5%) to £553.6m (2021 – £471.0m) whilst adjusted operating profit increased by £11.9m (141.7%) to £20.3m (2021 – £8.4m).

Revenue Reconciliation	**£m**
2021 revenue	471.0
Civil aerospace	81.4
Defence	(6.6)
Other	16.8
Disposal of business	(9.0)
2022 revenue	**553.6**

Revenue in the Aerospace Division increased by 17.5% year-on-year on a constant currency basis, reflecting the overall recovery in demand. Excluding the prior year £9.0m revenue from Senior Aerospace Connecticut, which was divested in April 2021, revenue on a constant currency basis increased by 19.8%. The year-on-year increase reflected the ramp up in civil aircraft production rates, growth from semi-conductor equipment markets and ramp up in space programmes reflecting end market growth. This more than offset the decline in defence, which was affected by the delay in spending as a consequence of the Continuing Resolution being in place in the USA during the first half of the year.

The civil aerospace sector had the strongest growth during the period with Senior's sales increasing by 31.6% compared to prior year. This was reflective of the significant ramp up in aircraft production rates from the OEMs resulting in rates being higher in 2022 compared to 2021, driven particularly by single aisle aircraft including regional and large business jets, with widebody production rate increases announced towards the end of the year. In 2022, 21% of civil aerospace sales were from widebody aircraft, with the other 79% sales being from single aisle, regional and business jets.

Excluding the divestment of Senior Aerospace Connecticut, total revenue from the defence sector decreased by £6.6m (5.1%) as purchase orders were delayed due to the late approval of the Appropriations Bill which resulted in the Continuing Resolution coming into force as well as our sales to F-35 programme being impacted by customer inventory levels of some of the parts we supply.

Revenue derived from other markets such as space, power & energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products, increased by £16.8m as a result of increased demand in the semi-conductor equipment market and the ramp up in space satellite programmes reflecting end market growth.

During the period, adjusted operating profit increased by 141.7% to £20.3m (2021 - £8.4m) and the adjusted operating margin increased by 190 basis points to 3.7% (2021 – 1.8%). The improved profitability reflected the volume related operating leverage across our businesses, while price increases helped offset the impact of material and other inflationary cost increases. Our operating businesses worked hard to address the persistent supply chain challenges and mitigate their impact, ensuring service levels for customers were maintained to the best extent possible. These supply chain constraints are likely to be evident throughout 2023 and continue to require relentless management in a number of our operations. These challenges are a function of the welcome increase in civil aircraft production rates required by the industry to satisfy the strong demand from airlines and aircraft lessors. We will continue to work closely with our suppliers and customers to minimise disruption. Very recently, the situation has been compounded by a fire at one of our key suppliers in Thailand. We are working closely with the supplier and our customers to assess and mitigate the specific impact of the fire.

Both Airbus and Boeing are planning further increases in aircraft production programmes in 2023 and beyond which gives confidence that civil aerospace revenue will continue to grow in 2023. With aircraft build rates increasing through the year, and the continuing supply chain challenges in aerospace, including the recent fire at one of our key suppliers, we anticipate Aerospace Division trading to be more weighted to the second half of the year.

The most fuel-efficient single aisle aircraft are in high demand which underpins planned rate increases:

- Airbus announced at their FY 2022 results that on the A320 Family programme, they are now progressing towards a monthly production rate of 65 aircraft by the end of 2024 and 75 in 2026. For the entry-into-service of the A321XLR, Airbus announced that they expect this to take place in Q2 2024. Airbus ended 2022 with a backlog of 6,093 A320 Family (2021: 5,839).
- Boeing announced at their full year results that the 737 programme is stabilising production rate at 31 per month, which is on steady course to being achieved, with plans to ramp production to approximately 50 per month in the 2025/2026 timeframe. At their Investor Day in November 2022, they announced a target of 400-450 737 MAX deliveries in 2023, rising from the low 30s deliveries per month in the beginning of the year and reaching near 40 deliveries per month in H2 2023. As at the end of 2022, Boeing had a 737 firm order backlog of around 3,653 units (2021: 3,414) and 250 737 MAX aircraft in inventory.
- During 2022, the first customer delivery of the COMAC C919 was completed. COMAC announced that they have received orders for more than 1200 units and expect to reach annual production capacity of 150 aircraft in five years.

Recovery in long-haul routes, which typically use widebody aircraft, has been accelerating in 2022. With the easing of travel restrictions in Asia, especially recently in China, this is expected to provide added momentum over the coming year. IATA has signalled that this segment will return to 92% of 2019 levels by 2025 and 104% of 2019 levels by 2026. As a result, both Boeing and Airbus have announced production rate increases for wide bodies starting from the end of 2022.

- On widebody aircraft, Airbus announced at their FY 2022 results that the A330 monthly production rate increased to around 3 at the end of 2022 as planned and they are now targeting to reach a monthly production rate of 4 in 2024. On the A350 platform, Airbus confirmed the monthly rate is now around 6 aircraft. In order to meet growing demand for widebody aircraft as international air travel recovers, and following a feasibility study with the supply chain, it is now targeting a monthly production rate of 9 A350s at the end of 2025.The company's total widebody backlog was 619 at the end of 2022 (2021: 766).
- Boeing resumed 787 programme deliveries in August 2022, after receiving approval from the FAA for their plan on inspections and retrofit work. The 787 programme continues at a low production rate with plans to ramp up to five per month in late 2023 and to 10 per month in the 2025/2026 timeframe. At their Investor Day in November 2022, they announced a target of 70-80 787 deliveries for 2023. Boeing confirmed at the full year earnings call that they had 100 787 aircraft in inventory at the end of 2022, which they stated will be delivered by the end of 2024.
- Boeing reaffirmed on their full year earnings call that the 777X programme timeline is holding for delivery of the first plane in 2025.

Global business jet activity in 2022 was resilient, continuing the pandemic bounce. According to WingX Advance, 2022 was a record year as sales were up 10% year-on-year and 14% above pre-pandemic 2019 levels. In 2023, demand is forecast to normalise to 2019 levels in Europe, with North America sustaining higher than pre-pandemic activity. Airbus continues to ramp-up A220 production, having increased to 6 per month during 2022. They announced at their FY 2022 results that they are still on track for rate 14 which they envisaged by the middle of the decade.

We expect defence revenue to be stable in 2023 compared to prior year.

- Lockheed Martin delivered 141 F-35 aircraft in 2022, below its stated target of 147-153, as they experienced supplier performance challenges and a delivery pause & suspension of the Government Furnished Equipment (GFE) engine. At their full year results, they announced an intention of producing 147-153 aircraft in 2023 and 2024, although deliveries in 2023 will be determined pending the resumption of engine deliveries and other factors. They continue to anticipate annual deliveries of 156 aircraft in 2025 and for the foreseeable future. In Q4 2022, they finalised the F-35 Low-Rate Initial Production (LRIP) Lots 15-17 production contract with the U.S. Government for up to 398 aircraft.

In November 2022, Senior completed its acquisition of Spencer Aerospace, expanding Senior's presence in hydraulic fluid fittings and allowing Senior to meet customer demand in an area that closely complements existing fluid conveyance products. Initial integration activities are proceeding well.

Senior Aerospace has a diversified product portfolio of innovative offerings with many growth opportunities as our customers value Senior's financial resilience, stability, design and manufacturing expertise and global footprint. We continue to secure new contracts and contract extensions on civil platforms and other aerospace markets that will drive our growth. In 2022, new contracts of note that were signed include:

- Senior Aerospace Ketema was awarded multi-year contracts worth in excess of $30m to supply cryogenic valves for space launch vehicles.
- Senior Aerospace AMT was awarded repeat production contracts worth c.$10m to supply floor beam assemblies and frames for large commercial aircraft.
- Senior Aerospace Jet Products increased market share for v-blade production for large commercial aircraft.
- Senior Metal Bellows won a development and certification contract for implantable medication delivery pumps. This included a proof-of-design bellow for an intra-aortic balloon pump assembly.

Good progress continues to be made with our fluid conveyance and thermal management product and technology developments: one example of this is shown below.

Case study: Proof of concept development for Aerospace Heat Exchangers

Senior's extensive experience in the design and manufacture of fluid conveyance applications provides significant insight into the system requirements for various aerospace applications. Our fluid conveyance products frequently connect to heat exchangers within airframe and engine applications and, in response to customer requests for a single-source system provider, we are investing in the design and manufacture of a proof of concept high-temperature heat exchanger for aerospace applications, building on our extensive experience gained in producing high performance heat exchangers for land vehicles and battery thermal management.

We have been able to demonstrate significant performance and weight advantages by leveraging our Additive Manufacturing (AM) expertise to outperform 'conventional', commonly available, heat exchanger designs. Developing this new product capability will open significant new markets for Senior and complements our existing expertise and knowledge in fluid conveyance system and component design, demonstrating how we can leverage AM techniques and apply our land vehicles expertise to new aerospace applications.

Flexonics Division

The Flexonics Division represents 35% (2021 – 34%) of Group revenue comprising 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 is on a constant currency basis[(2)], whereby 2021 results have been translated using 2022 average exchange rates and on an adjusted basis to exclude net restructuring income/costs. The Division's operating results on a constant currency basis are summarised below:

	2022	2021 [(1)]	Change
	£m	**£m**	
Revenue	**295.6**	234.6	+26%
Adjusted operating profit	**25.4**	13.9	+83%
Adjusted operating margin	**8.6%**	5.9%	+270bps

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

Divisional revenue increased by £61.0m (26.0%) to £295.6m (2021 – £234.6m) and adjusted operating profit increased by £11.5m (82.7%) to £25.4m (2021 – £13.9m).

Revenue Reconciliation	**£m**
2021 revenue	234.6
Land vehicles	37.1
Power & energy	23.9
2022 revenue	295.6

In Flexonics, strong customer demand in the land vehicle and power & energy markets in 2022 drove an increase in sales of 26.0% compared to prior year.

Group sales to land vehicle markets increased by 29.2% as Senior outgrew end market demand due to higher market share. Senior's sales to the North American truck and off-highway market increased by £18.7m (25.8%), with strong demand for on-highway vehicles as production of heavy-duty trucks increased by 19%. Sales to other truck and off-highway regions, including Europe and India, increased by £12.0m (45.6%), helped by recent contract wins entering series production, and end market production growth as supply chain constraints eased through the year. Group sales to passenger vehicle markets increased by £6.4m (22.8%) in the year, benefiting from recent contract wins entering series production in North America and Europe.

In the Group's power & energy markets, sales increased by £23.9m (22.2%) in the year. Sales to power generation and nuclear markets increased by £9.3m (26.7%) as efforts to extend powerplant life and maintenance grew. Sales to oil and gas markets increased by £8.8m (27.1%), as a result of higher production volumes for upstream. Sales to other power & energy markets increased by £5.8m.

Adjusted operating profit increased by £11.5m compared to prior period and the divisional adjusted operating margin increased by 270 basis points to 8.6% (2021 – 5.9%). This significant improvement in profitability reflected the volume related operating leverage across our operating businesses and agreed price increases to offset the impact of inflationary cost increases.

In 2023, Senior's overall sales to land vehicle markets are expected to outperform end markets due to the launch and ramp up of new programmes. In terms of the end markets:

- ACT Research is forecasting a 3% decline in North American heavy-duty truck production in 2023. Pent-up demand for more fuel-efficient engines and modest pre-buy activity ahead of tighter emission standards coming to be introduced in 2024 are expected to be offset by slowing macroeconomic indicators in the US.
- The North American medium-duty diesel truck production is forecast to be stable in 2023 as backlogs remain elevated, indicating solid pent-up demand.
- IHS Markit Inc. forecasts that European truck and bus production will fall by 1% in 2023 in line with the slowing macroeconomic indicators, while light vehicle production is forecast to grow by 6% in 2023 with semiconductor availability improving.
- Indian light vehicle production is forecasted to grow by 8% in 2023.

(2) The divisional review is presented before the share of the joint venture results.

Positive momentum is expected in power & energy markets given higher activity levels in the upstream oil & gas and nuclear sectors:

- The IEA expects world oil demand in 2023 to surpass pre-pandemic levels.
- According to the IEA, global refining capacity is anticipated to expand slightly in 2023. Tight supply, coupled with a limited appetite for new refining capacity due to the US federal government's policies on energy, has led businesses to focus on upgrading and expanding existing facilities, thereby increasing maintenance and overhaul work.
- In power generation, the IEA forecasts global electricity demand growth in 2023 to be similar as 2022, albeit with some uncertainty around how macroeconomic growth rates will impact demand.
- In the nuclear sector, 2023 will see nations focus on energy security through ensuring the smooth operating of existing powerplant and look to further develop SMRs.

Our innovative technology is a key point of differentiation for the Group, and we continue to focus our development efforts, with our products applicable across a diverse range of attractive industrial markets. In 2022, we made good progress with new product development:

- Senior Flexonics Crumlin supplied prototype Battery Cooling Plates to several European car companies.
- Senior supplied Prototype Heat Sinks to several tier one electric vehicle inverter suppliers.
- Senior Flexonics Crumlin secured a production order for Battery Cooling Plates for a premium sports car manufacturer.
- Senior Flexonics Kassel was named as a partner for the development of a marine hydrogen powered fuel cell fluid management system.
- Senior Flexonics Bartlett was nominated to supply assemblies for a Solid Oxide Fuel Cell being developed to replace diesel powered generators.

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

Case study: Senior Flexonics development of Solid Oxide Fuel Cells

Senior's engineering teams continue to be innovative and develop new products and processes across a variety of key decarbonisation technologies. One important innovation relates to solid oxide fuel cells for stationary power generation. Senior Flexonics is working with a leading OEM to develop a scalable, cutting-edge assembly and brazing process to enable their system to reach market leading performance and value. Low volume production will commence in the next two years and the medium and long-term growth potential represents a significant opportunity for Senior Flexonics.

OTHER FINANCIAL INFORMATION

Group revenue

Group revenue was £848.4m (2021 – £658.7m). Excluding the favourable exchange rate impact of £46.3m, Group revenue increased by £143.4m (20.3%), of which £28.6m related to pricing. Revenue grew in both Aerospace and Flexonics year-on-year.

Operating profit

Adjusted operating profit increased by £22.4m (367.2%) to £28.5m (2021 – £6.1m). Excluding the favourable exchange rate impact of £1.3m, adjusted operating profit increased by £21.1m (285.1%) on a constant currency basis. After accounting for £0.2m amortisation of intangible assets from acquisitions (2021 – £nil) and £4.2m net restructuring income (2021 – £4.4m), reported operating profit was £32.5m (2021 – £10.5m).

The Group's adjusted operating margin increased by 250 basis points, to 3.4% for the full year. This improved profitability principally reflected volume related operating leverage across our businesses. Inflationary pressures were successfully mitigated by diligently managing costs and by increasing prices and surcharges where possible. Overall price increases of £28.6m offset material and other inflationary cost increases of £26.0m.

Finance costs and investment income

Finance costs, net of investment income and before interest unwind of deferred and contingent consideration increased to £8.4m (2021 – £8.0m) and comprise IFRS 16 interest charge on lease liabilities of £2.5m (2021 – £2.6m), net finance income on retirement benefits of £1.2m (2021 – £0.4m) and net interest charge of £7.1m (2021 – £5.8m). This increase was mainly due to higher underlying interest rates on variable rate debt and foreign exchange movements on fixed rate USD Private Placement Notes denominated in US Dollars.

Gross finance costs, including interest unwind of deferred and contingent consideration were £10.6m (2021 – £8.5m) and investment income was £1.9m (2021 – £0.5m).

Tax charge

The adjusted tax rate for the year was 10.0% (2021 – 136.8% credit), being a tax charge of £2.0m (2021 – £2.6m credit) on adjusted profit before tax of £20.1m (2021 – £1.9m loss). The adjusted tax rate benefitted from enhanced deductions for R&D expenditure in the US, the super-deduction for capital expenditure in the UK, as well as prior year items.

The reported tax rate was 9.8% charge, being a tax charge of £2.2m on reported profit before tax of £22.4m. This included £0.2m net tax charge against items excluded from adjusted profit before tax, of which £0.7m charge related to net restructuring income and a £0.5m credit related to corporate undertakings in the year. The 2021 reported tax rate was 2.1% credit, being a tax credit of £0.5m on reported profit before tax of £23.7m. This included £2.1m net tax charge against items excluded from adjusted loss before tax, of which £2.9m related to the corporate undertakings in the year and £0.6m credit to the revaluation of UK deferred tax assets at the substantially enacted 25% corporation tax rate effective from 1 April 2023.

Cash tax paid was £3.5m (2021 – £5.3m) and is stated net of refunds received of £1.1m (2021 – £0.9m) of tax paid in prior periods, including refunds arising from the offset of tax losses against taxable profits of prior periods. Tax payments in 2021 were £2.3m higher than they would otherwise have been as a result of coronavirus relief measures in some countries which allowed the deferral of tax bills normally due in 2020 into 2021.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, decreased to 415.3 million (2021 – 415.7 million). The decrease arose principally due to the purchase of shares held by the employee benefit trust during 2022. The adjusted earnings per share was 4.36 pence (2021 – 0.17 pence). Basic earnings per share was 4.86 pence (2021 – 5.82 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 370 basis points to 4.7% (2021 – 1.0%). The increase in ROCE was mainly a result of the significant increase in adjusted operating profit compared to prior year.

Cash flow

The Group generated excellent free cash flow of £27.7m in 2022 (2021 – £14.0m) as set out in the table below:

	2022 **£m**	2021 £m
Operating profit	**32.5**	10.5
Amortisation of intangible assets from acquisitions	**0.2**	–
Net restructuring income	**(4.2)**	(4.4)
Adjusted operating profit	**28.5**	6.1
Depreciation (including amortisation of software)	**49.6**	47.8
Working capital and provisions movement, net of restructuring items	**(12.1)**	(2.6)
Pension payments above service cost	**(1.4)**	(5.1)
Other items[(1)]	**5.6**	2.2
Interest paid, net	**(9.0)**	(8.0)
Income tax paid, net	**(3.5)**	(5.3)
Capital expenditure	**(30.5)**	(21.3)
Sale of property, plant and equipment	**0.5**	0.2
Free cash flow	**27.7**	14.0
Corporate undertakings	**(26.7)**	46.9
Net restructuring proceeds/(cash paid)	**2.1**	(0.9)
US Class action lawsuits	**-**	(2.3)
Dividends paid	**(1.2)**	-
Purchase of shares held by employee benefit trust	**(4.5)**	-
Net cash flow	**(2.6)**	57.7
Effect of foreign exchange rate changes	**(14.2)**	0.7
IFRS 16 non-cash additions and modifications including acquisition	**(9.0)**	(5.6)
Change in net debt	**(25.8)**	52.8
Opening net debt	**(153.1)**	(205.9)
Closing net debt	**(178.9)**	(153.1)

(1) Other items comprises £4.3m share-based payment charges (2021 – £3.5m), £(0.4m) profit on share of joint venture (2021 – £(0.2m)), £1.8m working capital and provision currency movements (2021 – £(1.1m)) and £(0.1m) profit on sale of fixed assets (2021 – £nil).

Capital expenditure

Gross capital expenditure of £30.5m (2021 – £21.3m) was 0.8 times depreciation excluding the impact of IFRS 16 (2021 – 0.6 times). The disposal of property, plant and equipment raised £0.5m (2021 – £0.2m). 2023 capital investment is expected to be in line with depreciation (excluding the impact of IFRS 16). We are prioritising new investment on sustainability related items; important replacement equipment for current production; and growth projects where contracts have been secured.

Working capital

Working capital increased by £28.3m in 2022 to £131.3m (2021 – £103.0m), of which £9.3m related to foreign currency movements. As expected, the underlying increase was reflective of increased activity in our key end markets along with some supply chain lead times increasing. In 2022, our effective management of working capital reduced it as a percentage of sales by 10 basis points to 15.5% (2021 – 15.6%). Although we may continue to see an increase in working capital over the coming year, we will continue our relentless and effective focus on working capital management.

Retirement benefit schemes

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan ("the UK Plan") decreased by £20.4m to £51.8m (31 December 2021 – £72.2m) due to £23.2m net actuarial losses, partly offset by £1.4m cash contributions by the Group, in excess of running costs, and £1.4m net interest income. Retirement benefit deficits in respect of the US and other territories increased by £1.1m to £12.1m (31 December 2021 – £11.0m).

The latest 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). As a result, and effective from April 2022, 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 2023 in the US funded plans is £2.3m (£0.4m was paid in 2022).

Net debt

Net debt which includes IFRS 16 lease liabilities increased by £25.8m to £178.9m at 31 December 2022 (31 December 2021 – £153.1m). As noted in the cash flow above, the Group generated net cash outflow of £2.6m (as defined in Note 32(c) of the Financial Statements), after £14.2m adverse foreign currency movements and £9.0m non-cash changes in lease liabilities due to additions and modifications of which £4.7m relates to acquisition leases.

Net debt excluding IFRS 16 lease liabilities of £78.4m (31 December 2021 – £73.2m) increased by £20.6m to £100.5m at 31 December 2022 (31 December 2021 – £79.9m), due to free cash inflow of £27.7m being more than offset by £26.7m cash outflow in respect of corporate undertakings, £9.1m capital repayment of leases, £3.6m net cash outflows for dividends and purchase of shares net of restructuring income and £8.9m adverse foreign currency movements.

Funding and Liquidity

As at 31 December 2022, the Group's gross borrowings excluding leases and transaction costs directly attributable to borrowings were £145.3m (31 December 2021 – £132.0m), with 64% of the Group's gross borrowings denominated in US Dollars (31 December 2021 – 62%). Cash and bank balances were £43.2m (31 December 2021 – £51.1m).

The maturity of these borrowings, together with the maturity of the Group's committed facilities, can be analysed as follows:

	Gross borrowings (1) £m	Committed facilities £m
Within one year	0.5	-
In the second year	-	-
In years three to five	120.0	255.1
After five years	24.8	24.8
	145.3	279.9

(1) Gross borrowings include other loans and committed facilities, but exclude leases of £78.4m and transaction costs directly attributable to borrowings of £(1.6)m.

At the year-end, the Group had committed facilities of £279.9m comprising private placement debt of £126.2m and revolving credit facilities of £153.7m. The Group is in a strong funding position, with headroom at 31 December 2022 of £179.4m in cash and undrawn facilities.

During the first half of 2022, the Group refinanced its US revolving credit facility of $50.0m (£41.3m at year end exchange rate) and extended the maturity to June 2025. In October 2022, the US private placement debt of $20m (£16.5m at year end exchange rate) was repaid. In November 2022 the Group refinanced its UK revolving credit facility and extended the maturity to November 2026 with a commitment of £115m and in support of the strong ESG commitments made by Senior and its lenders, we have jointly agreed appropriate sustainability linked key performance indicators.

The weighted average maturity of the Group's committed facilities at 31 December 2022 was 3.5 years.

The Group has £0.5m (2021 – £nil) of uncommitted borrowings which are repayable on demand.

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 on page 2 must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 31 December 2022, the Group's net debt to EBITDA was 1.47x and interest cover was 9.4x, both comfortably within covenant limits.

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

Going concern and viability

In accordance with provisions 30 and 31 of the 2018 UK Corporate Governance Code, the Directors have concluded that there is a reasonable expectation as to the Group's longer-term viability and have continued to adopt the going concern basis in preparing the Financial Statements. The full viability statement can be found on page 82 of the Annual Report & Accounts 2022.

In assessing going concern, taking into account the level of cash and available committed facilities the Directors concluded that the Group has sufficient funds, and is forecast to be in compliance with debt covenants at all measurement dates, to allow it to operate for the foreseeable future (a period of at least 12 months from the date of approval of the Financial Statements), even in a severe but plausible downside scenario.

In forming their conclusion, the Board has undertaken a rigorous assessment of the financial forecasts, key uncertainties, sensitivities, and has reviewed a severe but plausible downside scenario, which reflects the probability weighted and cumulative estimated effects of the Group's principal risks and uncertainties as disclosed on pages 60 to 71 of the Annual Report & Accounts 2022.

Risks and uncertainties

The principal risks and uncertainties faced by the Group are set out in detail on pages 60 to 71 of the Annual Report & Accounts 2022.

Responsibility statement of the Directors in respect of the Annual Report & Accounts 2022

We confirm that to the best of our knowledge:

1. the Financial Statements, as included in the Annual Report & Accounts 2022, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. the Strategic Report, set out in the Annual Report & Accounts 2022, includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report & Accounts 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By Order of the Board

David Squires
Group Chief Executive Officer

24 February 2023

Bindi Foyle
Group Finance Director

24 February 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Notes	Year ended 2022 £m	Year ended 2021 £m
Revenue	3	848.4	658.7
Trading profit		32.1	10.3
Share of joint venture profit	9	0.4	0.2
Operating profit (1)	3	32.5	10.5
Investment income		1.9	0.5
Finance costs		(10.6)	(8.5)
Corporate undertakings	4	(1.4)	21.2
Profit before tax (2)		22.4	23.7
Tax (charge)/credit	5	(2.2)	0.5
Profit for the period		20.2	24.2
Attributable to:			
Equity holders of the parent		20.2	24.2
Earnings per share			
Basic (3)	7	4.86p	5.82p
Diluted (4)	7	4.73p	5.73p

(1) Adjusted operating profit	4	28.5	6.1
(2) Adjusted profit/(loss) before tax	4	20.1	(1.9)
(3) Adjusted earnings per share	7	4.36p	0.17p
(4) Adjusted and diluted earnings per share	7	4.24p	0.17p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Year ended 2022	Year ended 2021
	£m	£m
Profit for the period	20.2	24.2
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Losses on foreign exchange contracts - cash flow hedges during the period	(4.5)	(2.1)
Reclassification adjustments for losses/(gains) included in profit	2.2	(1.3)
Losses on foreign exchange contracts - cash flow hedges	(2.3)	(3.4)
Foreign exchange gain recycled to the Income Statement on disposal and restructuring (business closures)	-	(2.9)
Exchange differences on translation of overseas operations	24.5	(3.8)
Tax relating to items that may be reclassified	0.7	0.8
	22.9	(9.3)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on defined benefit pension schemes	(23.1)	19.7
Tax relating to items that will not be reclassified	5.7	(6.4)
	(17.4)	13.3
Other comprehensive income for the period, net of tax	5.5	4.0
Total comprehensive income for the period	25.7	28.2
Attributable to:		
Equity holders of the parent	25.7	28.2

Consolidated Balance Sheet

As at 31 December 2022

	Notes	Year ended 2022 £m	Year ended 2021 £m
Non-current assets			
Goodwill	8	199.7	150.2
Other intangible assets		36.2	4.2
Investment in joint venture	9	4.4	3.9
Property, plant and equipment	10	307.2	294.6
Deferred tax assets		10.9	5.7
Retirement benefits	13	51.8	72.2
Trade and other receivables		0.4	0.1
Total non-current assets		610.6	530.9
Current assets			
Inventories		194.3	145.2
Current tax receivables		2.1	2.6
Trade and other receivables		126.7	98.0
Cash and bank balances	12c)	43.2	51.1
Total current assets		366.3	296.9
Total assets		976.9	827.8
Current liabilities			
Trade and other payables		191.2	143.0
Current tax liabilities		17.7	14.6
Lease liabilities		12.7	0.4
Bank overdrafts and loans	12c)	0.5	14.8
Provisions		16.7	13.8
Deferred consideration		23.4	-
Total current liabilities		262.2	186.6
Non-current liabilities			
Bank and other loans	12c)	143.2	116.2
Retirement benefits	13	12.1	11.0
Deferred tax liabilities		4.7	10.5
Lease liabilities		65.7	72.8
Provisions		2.9	2.2
Contingent consideration		28.9	-
Others		7.8	3.4
Total non-current liabilities		265.3	216.1
Total liabilities		527.5	402.7
Net assets		449.4	425.1
Equity			
Issued share capital	11	41.9	41.9
Share premium account		14.8	14.8
Equity reserve		6.4	5.8
Hedging and translation reserve		51.5	28.6
Retained earnings		346.5	343.2
Own shares		(11.7)	(9.2)
Equity attributable to equity holders of the parent		449.4	425.1
Total equity		449.4	425.1

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

All equity is attributable to equity holders of the parent

	Issued share capital	Share premium account	Equity reserve	Hedging reserve	Trans-lation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	41.9	14.8	5.1	(37.2)	75.1	305.1	(11.5)	393.3
Profit for the year 2021	-	-	-	-	-	24.2	-	24.2
Losses on foreign exchange contracts - cash flow hedges	-	-	-	(3.4)	-	-	-	(3.4)
Foreign exchange loss/(gain) recycled to the Income Statement on disposal	-	-	-	2.6	(5.5)	-	-	(2.9)
Exchange differences on translation of overseas operations	-	-	-	-	(3.8)	-	-	(3.8)
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	19.7	-	19.7
Tax relating to components of other comprehensive income	-	-	-	0.8	-	(6.4)	-	(5.6)
Total comprehensive income/(expense) for the period	-	-	-	-	(9.3)	37.5	-	28.2
Share-based payment charge	-	-	3.5	-	-	-	-	3.5
Tax relating to share-based payments	-	-	-	-	-	0.1	-	0.1
Use of shares held by employee benefit trust	-	-	-	-	-	(2.3)	2.3	-
Transfer to retained earnings	-	-	(2.8)	-	-	2.8	-	-
Dividends paid	-	-	-	-	-	-	-	-
Balance at 31 December 2021	41.9	14.8	5.8	(37.2)	65.8	343.2	(9.2)	425.1
Profit for the year 2022	-	-	-	-	-	20.2	-	20.2
Losses on foreign exchange contracts - cash flow hedges	-	-	-	(2.3)	-	-	-	(2.3)
Exchange differences on translation of overseas operations	-	-	-	-	24.5	-	-	24.5
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(23.1)	-	(23.1)
Tax relating to components of other comprehensive income	-	-	-	0.7	-	5.7	-	6.4
Total comprehensive income/(expense) for the period	-	-	-	(1.6)	24.5	2.8	-	25.7
Share-based payment charge	-	-	4.3	-	-	-	-	4.3
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	(4.5)	(4.5)
Use of shares held by employee benefit trust	-	-	-	-	-	(2.0)	2.0	-
Transfer to retained earnings	-	-	(3.7)	-	-	3.7	-	-
Dividends paid	-	-	-	-	-	(1.2)	-	(1.2)
Balance at 31 December 2022	41.9	14.8	6.4	(38.8)	90.3	346.5	(11.7)	449.4

Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Notes	Year ended 2022 £m	Year ended 2021 £m
Net cash from operating activities	12a)	57.7	27.0
Investing activities			
Interest received		0.7	0.1
Proceeds on disposal of property, plant and equipment		0.5	0.2
Purchases of property, plant and equipment		(28.7)	(20.2)
Purchases of intangible assets		(1.8)	(1.1)
Acquisition of Spencer	14	(25.3)	-
Proceeds on disposal activities net of cash balances	14	-	51.7
Net cash (used)/generated in investing activities		(54.6)	30.7
Financing activities			
Dividends paid		(1.2)	-
New loans		90.8	20.0
Repayment of borrowings		(90.4)	(41.1)
Purchase of shares held by employee benefit trust		(4.5)	-
Repayment of lease liabilities		(9.1)	(8.4)
Net cash used in financing activities		(14.4)	(29.5)
Net (decrease)/increase in cash and cash equivalents		(11.3)	28.2
Cash and cash equivalents at beginning of period		51.1	23.2
Effect of foreign exchange rate changes		2.9	(0.3)
Cash and cash equivalents at end of period	12c)	42.7	51.1

Notes to the above Financial Statements

For the year ended 31 December 2022

1. General information

These results for the year ended 31 December 2022 are an excerpt from the Annual Report & Accounts 2022 and do not constitute the Group's statutory accounts for 2022 or 2021. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 will be delivered following the Company's Annual General Meeting. The Auditor has reported on both those accounts; their reports were 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 or equivalent preceding legislation.

2. Significant accounting policies

Whilst the financial information included in this Annual Results Release has been prepared in accordance with UK-adopted international accounting standards, this announcement does not itself contain sufficient information to comply with UK-adopted international accounting standards. Full Financial Statements that comply with UK-adopted international accounting standards are included in the Annual Report & Accounts 2022 which is available online at www.seniorplc.com. Printed copies will be distributed on or soon after 10 March 2023.

At the date of authorisation of the Group's Financial Statements, there are no relevant and material new standards, amendments to standards or interpretations which are effective for the year ended 31 December 2022.

3. Segment information

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.

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
	Year ended 2022 £m	Year ended 2022 £m	Year ended 2022 £m	Year ended 2022 £m	Year ended 2021 £m	Year ended 2021 £m	Year ended 2021 £m	Year ended 2021 £m
External revenue	553.0	295.4	-	848.4	438.9	219.8	-	658.7
Inter-segment revenue	0.6	0.2	(0.8)	-	0.4	0.1	(0.5)	-
Total revenue	553.6	295.6	(0.8)	848.4	439.3	219.9	(0.5)	658.7
Adjusted trading profit	20.3	25.4	(17.6)	28.1	7.9	12.9	(14.9)	5.9
Share of joint venture profit	-	0.4	-	0.4	-	0.2	-	0.2
Adjusted operating profit (Note 4)	20.3	25.8	(17.6)	28.5	7.9	13.1	(14.9)	6.1
Amortisation of intangible assets from acquisitions	(0.2)	-	-	(0.2)	-	-	-	-
Net restructuring income (Note 4)	4.2	-	-	4.2	2.2	2.2	-	4.4
Operating profit	24.3	25.8	(17.6)	32.5	10.1	15.3	(14.9)	10.5
Investment income				1.9				0.5
Finance costs				(10.6)				(8.5)
Corporate undertakings				(1.4)				21.2
Profit before tax				22.4				23.7
Tax (charge)/credit (Note 5)				(2.2)				0.5
Profit after tax				20.2				24.2

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.

3. Segment information (continued)

Segment information for assets and liabilities is presented below:

Assets	Year ended 2022 £m	Year ended 2021 £m
Aerospace	647.8	506.6
Flexonics	217.3	184.9
Segment assets for reportable segments	865.1	691.5
Unallocated		
Central	3.6	4.6
Cash	43.2	51.1
Deferred and current tax	13.0	8.3
Retirement benefits	51.8	72.2
Others	0.2	0.1
Total assets per Consolidated Balance Sheet	976.9	827.8

Liabilities	Year ended 2022 £m	Year ended 2021 £m
Aerospace	189.5	148.1
Flexonics	79.7	63.9
Segment liabilities for reportable segments	269.2	212.0
Unallocated		
Central	19.2	15.4
Loans and Overdrafts	143.7	131.0
Deferred and current tax	22.4	25.1
Retirement benefits	12.1	11.0
Deferred and Contingent consideration	52.3	-
Others	8.6	8.2
Total liabilities per Consolidated Balance Sheet	527.5	402.7

3. Segment information (continued)

Total revenue is disaggregated by market sectors as follows:

	Year ended 2022	Year ended 2021
	£m	£m
Civil Aerospace	339.4	244.5
Defence	122.1	125.0
Other	92.1	69.8
Aerospace	553.6	439.3
Land Vehicles	164.1	118.8
Power & Energy	131.5	101.1
Flexonics	295.6	219.9
Eliminations	(0.8)	(0.5)
Total revenue	848.4	658.7

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

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

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, have been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, net restructuring income and the costs and income associated with corporate undertakings. The Board has adopted a policy to separately disclose those items, where significant in size, that it considers are outside the results for the particular year under review and against which the Board measures and assesses the performance of the business.

The adjustments are made on a consistent basis and also reflect how the business is managed on a day-to-day basis.

The amortisation charge relates to acquisition of Spencer Aerospace. It is charged on a straight-line basis and reflects a non-cash item for the reported year. The Group implemented a restructuring programme in 2019, which continued through 2020 and 2021 in response to the impact of the COVID-19 pandemic on some of the Group's end markets. Some residual restructuring activity has continued in 2022. The aerospace manufacturing grant, within net restructuring income, represents incentives specific to only part of the Group for a limited time period. Corporate undertakings relate to business acquisition activities, gain on disposal of a business, bid defence and other costs relating to corporate activities. None of these charges are reflective of in year performance. Therefore, they are excluded by the Board and Executive Committee when measuring the operating performance of the businesses.

	Year ended 2022 £m	Year ended 2021 £m
Operating profit	32.5	10.5
Amortisation of intangible assets from acquisitions	0.2	-
Net restructuring income	(4.2)	(4.4)
Adjusted operating profit	28.5	6.1
Profit before tax	22.4	23.7
Adjustments to profit/loss before tax as above	(4.0)	(4.4)
Corporate undertakings	1.4	(21.2)
Corporate undertakings – Interest	0.3	-
Total Corporate undertakings	1.7	(21.2)
Adjusted profit/(loss) before tax	20.1	(1.9)

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

Net restructuring income

In 2020 the Group had focused on taking actions to conserve cash to manage through the pandemic, including curtailing capital expenditure, tightly managing working capital and implementing further cost cutting actions. In 2022 there were still some residual activities associated with that. The decisive actions which we took on restructuring and cost management delivered the expected benefits. In addition, the Group has continued to review inventory and asset exposures on programmes that have been reduced, cancelled or where the Group will no longer participate. As part of the restructuring focus, we have assessed critically any inventory or asset exposures on these programmes and written down the carrying values on excess holdings and assets where there is no alternate use. Where demand has picked up on previously reduced or cancelled programmes, inventory impairments have been reversed to the extent that there are confirmed orders in place.

The restructuring resulted in net income of £4.2m (2021 - £4.4m). Of this, £4.0m income (2021 - £4.2m) related to an aerospace manufacturing grant and £1.2m net charge related to consultancy and other costs (2021 - £0.4m net charge). For certain specific programmes, and in conjunction with the focus on restructuring, management has also identified inventory impairment reversals of £2.7m (2021 - £1.4m) where customer demand has increased, and further impairment provisions on property, plant and equipment in 2022 with a charge of £1.3m (2021 - £0.8m) to cover the risk where there are no alternative uses.

Net cash inflow related to restructuring activities was £2.1m (2021 - £0.9m net cash outflow). At 31 December 2022, a restructuring provision of £0.2m (31 December 2021: £1.3m) was recognised and is expected to be utilised in 2023.

Corporate undertakings

Costs associated with corporate undertakings were £1.7m in 2022, of which £1.2m of acquisition costs and £0.3m interest unwind of deferred and contingent consideration relates to the acquisition of Spencer Aerospace in November 2022 and £0.2m costs relate to other corporate activities. In 2021, net income of £21.2m was recognised, of which £24.2m gain relates to the disposal of Senior Aerospace Connecticut in April 2021, partly offset by £3.0m bid defence and costs relating to other corporate activities. See Note 14 for further details.

5. Tax charge

	Year ended 2022	Year ended 2021
	£m	£m
Current tax:		
Current year	8.2	7.0
Adjustments in respect of prior periods	(1.9)	(6.0)
	6.3	1.0
Deferred tax:		
Current year	(3.5)	(1.7)
Adjustments in respect of prior periods	(0.6)	0.2
	(4.1)	(1.5)
Total tax charge/(credit)	2.2	(0.5)

The adjusted tax rate for the year was 10.0% (2021 – 136.8% credit), being a tax charge of £2.0m (2021 –£2.6m credit) on adjusted profit before tax of £20.1m (2021 – £1.9m loss).

The adjusted tax rate benefits from enhanced deductions for R&D expenditure in the US, the super-deduction for capital expenditure in the UK, as well as prior year items.

The reported tax rate was 9.8%, being a tax charge of £2.2m on reported profit before tax of £22.4m. This included £0.2m net tax charge on items excluded from adjusted profit before tax. The 2021 reported tax rate was 2.1% credit, being a tax credit of £0.5m on reported profit before tax of £23.7m.

Cash tax paid was £3.5m (2021 – £5.3m) and is stated net of refunds received of £1.1m (2021 – £0.9m) of tax paid in prior periods, including refunds arising from the offset of tax losses against taxable profits of prior periods. Tax payments in 2021 were £2.3m higher than they would otherwise have been as a result of coronavirus relief measures in some countries which allowed the deferral of tax bills ordinarily due in 2020 into 2021.

6. Dividends

No dividends were recorded in the prior period.

	Year ended 2022 £m	Year ended 2021 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2021 of £nil per share (2020 -£nil)	-	-
Interim dividend for the year ended 31 December 2022 of 0.30p per share (2021 -£nil)	1.2	-
	1.2	-
Proposed final dividend for the year ended 31 December 2022 of 1.00p per share (2021 - £nil)	4.1	-

7. Earnings per share

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

Number of shares	Year ended 2022 million	Year ended 2021 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	415.3	415.7
Effect of dilutive potential ordinary shares:		
Share options	11.6	6.8
Weighted average number of ordinary shares for the purposes of diluted earnings per share	426.9	422.5

	Year ended 2022		Year ended 2021	
Earnings and earnings per share	Earnings	EPS	Earnings	EPS
	£m	pence	£m	pence
Profit for the period	20.2	4.86	24.2	5.82
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £nil (2021 - £nil)	0.2	0.05	-	-
Net restructuring income net of tax of £0.7m (2021 - £0.2m tax credit)	(3.5)	(0.84)	(4.6)	(1.11)
Corporate undertakings net of tax of £0.5m (2021 - £2.9m)	1.2	0.29	(18.3)	(4.40)
Non-cash tax credit	-	-	(0.6)	(0.14)
Adjusted earnings after tax	18.1	4.36	0.7	0.17
Earnings per share				
- basic		4.86p		5.82p
- diluted		4.73p		5.73p
- adjusted		4.36p		0.17p
- adjusted and diluted		4.24p		0.17p

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 income, the costs and income associated with corporate undertakings and non-cash tax credit. The Board has adopted a policy to separately disclose those items, where significant in size, that it considers are outside the earnings for the particular year under review and against which the Board measures and assesses the performance of the business. See Note 4 for further details.

8. Goodwill

Goodwill increased by £49.5m during the year to £199.7m (2021 - £150.2m) due to the acquisition of Spencer Aerospace of £42.0m (see Note 14) and exchange translation differences of £7.5m.

9. Investment in joint venture

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China which was set up in 2012. The Group's investment of £4.4m represents the Group's share of the joint venture's net assets as at 31 December 2022 (2021 - £3.9m).

10. Property, plant and equipment

During the period, the Group spent £28.7m (2021 - £20.2m) on the acquisition of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying value of £0.4m (2021 - £0.2m) for proceeds of £0.5m (2021 - £0.2m). At 31 December 2022, right-of-use assets were £70.8m (2021 - £67.4m).

11. Share capital

Share capital as at 31 December 2022 amounted to £41.9m. No shares were issued during 2021 and 2022.

12. Notes to the Consolidated Cash Flow statement

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

	Year ended 2022 £m	Year ended 2021 £m
Operating profit	32.5	10.5
Adjustments for:		
Depreciation of property, plant and equipment	48.1	46.3
Amortisation of intangible assets	1.7	1.5
Profit on sale of fixed assets	(0.1)	-
Share-based payment charges	4.3	3.5
Pension payments in excess of service cost	(1.4)	(5.1)
Corporate undertaking costs	(1.4)	(4.8)
Share of joint venture	(0.4)	(0.2)
Increase in inventories	(34.2)	(7.2)
Increase in receivables	(18.8)	(16.1)
Increase in payables and provisions	37.5	11.6
Restructuring impairment of property, plant and equipment and software	1.3	3.8
US class action lawsuits	-	(2.3)
Working capital and provisions currency movements	1.8	(1.1)
Cash generated by operations	70.9	40.4
Income taxes paid	(3.5)	(5.3)
Interest paid	(9.7)	(8.1)
Net cash from operating activities	57.7	27.0

12. Notes to the Consolidated Cash Flow statement (continued)

b) Free cash flow

Free cash flow, a non-statutory item, enhances the reporting of the cash-generating ability of the Group prior to corporate activity such as acquisitions, restructuring, disposal activities, financing and transactions with shareholders. It is used as a performance measure by the Board and Executive Committee and is derived as follows:

	Year ended 2022 £m	Year ended 2021 £m
Net cash from operating activities	57.7	27.0
Corporate undertaking costs	1.4	4.8
Net restructuring cash (received)/paid	(2.1)	0.9
US class action lawsuits	-	2.3
Interest received	0.7	0.1
Proceeds on disposal of property, plant and equipment	0.5	0.2
Purchases of property, plant and equipment	(28.7)	(20.2)
Purchases of intangible assets	(1.8)	(1.1)
Free cash flow	27.7	14.0

c) Analysis of net debt

	At 1 January 2022	Net cashflow	Non cash	Exchange movement	Other movements[1]	At 31 December 2022
	£m	£m	£m	£m	£m	£m
Cash and bank balances	51.1	(10.8)	-	2.9	-	43.2
Overdrafts	-	(0.5)	-	-	-	(0.5)
Cash and cash equivalents	51.1	(11.3)	-	2.9	-	42.7
Debt due within one year	(14.8)	17.2	-	(2.4)	-	-
Debt due after one year	(116.2)	(17.6)	-	(9.4)	-	(143.2)
Lease Liabilities[1]	(73.2)	9.1	-	(5.3)	(9.0)	(78.4)
Liabilities arising from financing activities	(204.2)	8.7	-	(17.1)	(9.0)	(221.6)
Total	(153.1)	(2.6)	-	(14.2)	(9.0)	(178.9)

(1) Other movements include lease additions and modifications of £4.3m and £4.7m related to lease acquired on acquisition. Following a review of the lease liability disclosures in 2022 the presentation of current and non-current liabilities within the Consolidated Balance Sheet for 31 December 2022 now reflects the timing of the underlying lease payments. Comparative information has not been restated as the adjustment is not deemed material.

	Year ended 2022 £m	Year ended 2021 £m
Cash and cash equivalents comprise:		
Cash and bank balances	43.2	51.1
Overdrafts	(0.5)	-
Total	42.7	51.1

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

12. Notes to the Consolidated Cash Flow statement (continued)

d) Analysis of working capital and provisions

Working capital comprises the following:

	Year ended 2022 £m	Year ended 2021 £m
Inventories	194.3	145.2
Trade and other receivables	126.7	98.0
Trade and other payables	(191.2)	(143.0)
Working capital, including derivatives	129.8	100.2
Items excluded:		
Foreign exchange contracts	1.5	2.8
Total	131.3	103.0

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

	Year ended 2022 £m	Year ended 2021 £m
Increase in inventories	(34.2)	(7.2)
Increase in receivables	(18.8)	(16.1)
Increase in payables and provisions	37.5	11.6
Working capital and provisions movement, excluding currency effects	(15.5)	(11.7)
Items excluded:		
Decrease in restructuring related inventory impairment	2.7	1.5
Decrease in net restructuring provision and other receivables	0.7	7.6
Total	(12.1)	(2.6)

13. Retirement benefit schemes

At 31 December 2022, aggregate retirement benefit liabilities of £12.1m (2021 - £11.0m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £6.7m (2021 - £5.3m) and other unfunded schemes, with a deficit of £5.4m (2021 - £5.7m). The retirement benefit surplus of £51.8m (2021 - £72.2m) comprises the Group's UK defined benefit pension funded scheme.

The liability and asset values of the funded schemes have been assessed by independent actuaries using current market values and discount rates.

14. Acquisition and Disposal activities

Acquisition of Spencer Aerospace Manufacturing, LLC.

On 25 November 2022, the Group acquired substantially all of the assets of Spencer Aerospace Manufacturing, LLC, a leading manufacturer of highly engineered, high-pressure hydraulic fluid fittings for use in commercial and military aerospace applications, located in Valencia, California, USA. This acquisition enhances Senior's industry leading fluid conveyance capabilities and is an important step in our strategy to optimise our portfolio and maximise value for shareholders. Integration plans are well defined, and we are now focused on delivering the growth opportunities we have identified.

The initial consideration was $30m (£24.8m) paid in cash at completion, with a net working capital adjustment of $0.2m (£0.2m), of which $0.6m (£0.5m) was paid in cash initially and $0.4m (£0.3m) cash adjustment was received in January 2023. A further $30m (£24.8m) is to be paid 12 months after completion. Additionally, there is contingent consideration of $40m (£33.1m) potentially payable, in milestone amounts, dependent on the financial performance of Spencer Aerospace during the period between completion and 31 December 2026. The most likely range of this contingent element is estimated between $30m and $40m. The amortised cost of deferred consideration is £23.2m and the fair value of contingent consideration is £28.7m at the acquisition date. The fair value of contingent consideration assumes expanding the relationship with Spencer's established customers and leveraging Senior's strong relationships with OEMs, Tier 1 integrators, and aftermarket customers around the world to exploit opportunities for Spencer Aerospace. The acquisition was funded using the Group's existing borrowing facilities.

Set out below is a summary of the fair value of identified assets acquired and liabilities assumed:

	£m
Identifiable intangible assets	31.0
Property, plant and equipment	5.8
Inventories	2.2
Financial assets, excluding cash and cash equivalents	1.7
Cash and cash equivalents	-
Lease liabilities	(4.7)
Financial liabilities	(1.1)
Net assets acquired	34.9
Goodwill	42.0
Total consideration	76.9
Consideration satisfied by:	
Cash paid	25.3
Working capital adjustment receivable	(0.3)
Deferred and Contingent consideration payable	51.9
Total consideration	76.9
Net cash outflow arising on acquisition:	
Cash consideration	25.3
Less: cash and cash equivalents acquired	-
Net cash outflow arising on acquisition	25.3

The goodwill of £42.0m represents the premium paid in anticipation of future profitability from assets that are not capable of being separately identified and separately recognised such as the assembled workforce as well as the expectation that the Group will be able to leverage its wider market access and strong financial position to generate sustainable financial growth beyond what Spencer would have potentially achieved as a stand-alone company. The strong customer relationships that the Group has with OEMs, Tier 1 integrators, and aftermarket customers around the world, will open new opportunities for Spencer Aerospace. The combined capabilities will provide greater access to developing market opportunities such as hydrogen infrastructure and fluid handling. There are strong synergies with Senior's existing fluid conveyance businesses, and the combination of expertise will accelerate growth in aerospace and adjacent markets. Goodwill is expected to be fully tax deductible in accordance with US tax rules.

14. Acquisitions and disposals (continued)

The intangible assets acquired as part of the acquisition relate mainly to qualified parts lists and customer relationships, the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows, and are being amortised over 18 and 16 years. The fair value has also been assigned to the order backlog which are being amortised over 1 year.

The financial assets acquired include trade receivables with a fair value of £1.6m and a gross contractual value of £1.6m, all of which is currently expected to be collectible.

Acquisition-related costs of £1.2m are included within corporate undertakings in the Group's Consolidated Income Statement for the 12 months ended 31 December 2022 (See Note 4).

From the date of acquisition to 31 December 2022, Spencer contributed £0.7m of external revenue and £(0.1)m to the Group's operating profit before amortisation of intangible assets from the acquisition of £0.2m. If the acquisition had been completed on 1 January 2022, Group revenue for the 12 months ended 31 December 2022 would have been £855.9m and Group operating profit would have been £31.2m.

Disposal activities

On 22nd April 2021, the Group sold its stand alone, build-to-print helicopter structures operating business, Senior Aerospace Connecticut, based in the USA. The decision to sell was based on its primary focus on build-to-print parts for the rotary sector, with proceeds from the sale strengthening the Group's balance sheet and providing greater flexibility for the Group to operate within its capital deployment framework. For the year ended 31 December 2021, Senior Aerospace Connecticut external revenue was £8.1m and operating profit was £0.8m.

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

In 2021 the Group received £0.2m deferred consideration relating to the disposal of its Aerospace business Senior Aerospace Absolute Manufacturing.

15. Provisions

Provisions include warranty costs of £10.8m (2021 - £6.9m), restructuring of £0.2m (2021 - £1.3m), and other provisions including contractual matters, claims and legal costs that arise in the ordinary course of business of £8.6m (2021 - £7.8m).

16. Contingent liabilities

The Group is subject to various claims which arise from time to time in the course of its business including, for example, in relation to commercial matters, product quality or liability, and tax audits. Where the Board has assessed there to be a more likely than not outflow of economic benefits, provision has been made for the best estimate as at 31 December 2022 (see Note 15). For all other matters, the Board has concluded that it is not more likely than not that there will be an economic outflow of benefits. While the outcome of some of these matters cannot be predicted with any certainty, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.

17. Related party transactions

The Group has related party relationships with a number of pension schemes and with Directors and Senior Managers of the Group.