

ANNUAL REPORT & ACCOUNTS 2022



WE ARE SENIOR

We are an international, market-leading, engineering solutions provider with 26 operating businesses in 12 countries.

OUR PURPOSE

We help engineer the transition to a sustainable world for the benefit of all our stakeholders.

We do this by:

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

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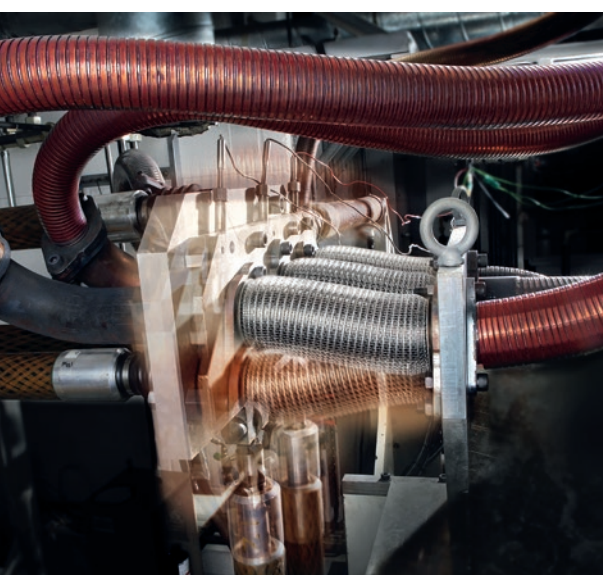


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HIGHLIGHTS

FINANCIAL
HIGHLIGHTS

Revenue

+29%

£848.4m

2021 – £658.7m

Adjusted operating margin⁽¹⁾

+250 bps

3.4%

2021 – 0.9%

Adjusted profit before tax⁽²⁾

£20.1m

2021 – £(1.9)m loss

Profit before tax

£22.4m

2021 – £23.7m

Adjusted earnings per share⁽³⁾

4.36p

2021 – 0.17p

Basic earnings per share

4.86p

2021 – 5.82p

Return on capital employed⁽⁴⁾

+370 bps

4.7%

2021 – 1.0%

Dividend per share

1.30p

2021 – nil p

Free cash flow⁽⁵⁾

£27.7m

2021 – £14.0m

Net debt⁽⁵⁾

£26m increase

£178.9m

2021 – £153.1m

Adjusted operating profit and adjusted profit/loss before tax are stated before £4.2m net restructuring income (2021 – £4.4m) 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). In 2021, Adjusted earnings per share is also stated before exceptional non-cash tax credit of £0.6m.

EBITDA is defined as adjusted profit/loss before tax, and before interest, depreciation, amortisation, and profit or loss on sale of property, plant and equipment. It also excludes EBITDA from businesses which have been disposed and includes 12 months EBITDA for businesses acquired and it is based on frozen GAAP

(pre-IFRS 16). This measure is used for the purpose of assessing covenant compliance and is reported to the Group Executive Committee.

- (1) Adjusted operating margin is the ratio of adjusted operating profit to revenue. A reconciliation of adjusted operating profit to operating profit is shown in Note 9.
- (2) A reconciliation of adjusted profit/loss before tax to profit before tax is shown in Note 9.
- (3) A reconciliation of adjusted earnings per share to basic earnings per share is shown in Note 12.
- (4) See page 59 for the derivation of return on capital employed.
- (5) See Notes 32b and 32c for the derivation of free cash flow and of net debt respectively.

The US Dollar exchange rate applied in the translation of revenue, profit and cash flow items at average rates for 2022 was \$1.24 (2021 – \$1.38). The US Dollar exchange rate applied to the balance sheet at 31 December 2022 was \$1.21 (31 December 2021 – \$1.35).

Cautionary statement

The Annual Report & Accounts 2022 contains certain forward-looking statements. Such statements are made by the Directors in good faith based on the information available to them at the date of this Report and they should be treated with caution due to the inherent uncertainties underlying any such forward-looking statements.

NON-FINANCIAL HIGHLIGHTS

CDP

(climate disclosure project)

A

(2021 A-)

Leadership rating "Implementing best practices"

Lost time injury rate

(per 100 employees)

0.38

2021 – 0.32

Women in leadership – Board of Directors

55%

2021 – 50%

Global Employee Opinion Survey

(percentage of employees completing the survey)

81%

2021 – 81%

Total Scope 1 and 2 Carbon Dioxide Emissions

(tonnes CO₂ equivalent emitted)

44,878 tonnes

2021 – 46,540 tonnes

(Scope 1, Scope 2 – market based)

Waste recycled

94.8%

2021 – 93.1%

Women in leadership – Executive Committee

29%

2021 – 38%

Ethics

(percentage of employees who completed Annual Code of Conduct Training)

94%

2021 – 94%

- Read more about the progress we are making on our purpose on [pages 8, 11, 12, 16, 18, 20 & 42](#)
- Read more about our people and culture on [pages 18, 34, 39, 42 & 51](#)
- Read more about our investment case on [page 40](#)
- Read more about our strategic priorities on [page 42](#)
- Read more about how we are performing in Aerospace on [page 72](#)
- Read more about how we are performing in Flexonics on [page 76](#)

STRATEGIC REPORT

IN THIS SECTION



“Senior has continued to make good strategic, operational and financial progress, with strong delivery across the Group, in 2022.”

David Squires

Group Chief Executive Officer

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Intermediate Case (IMC) for Aerospace Turbine Engine

A modern turbofan engine is a highly complex assembly of stationary and rotating components. Various casings are fundamental structural components of the engine core, and as such, have complicated geometries with thousands of very close-tolerance features. Very few suppliers have the technical competence to be strategic suppliers of casings to major engine OEMs.



Ducting

Bellows

Every aircraft has hundreds, if not thousands of bellows used extensively in expansion joints, actuators, mechanical seals, exhaust systems, manifolds, fluid management devices (i.e. accumulators, volume compensators and reservoirs).

These critical components absorb vibration, compensate for both lineal and radial movements, absorb thermal expansion and contraction and precisely measure movement.

These bellows come in all variety of shapes including circular, rectangular and even oval shaped bellows in a single or multi-ply configuration.



Business Class Seat Frames

Every long-haul airline regards its business class seats as its premium offering. As airlines realised that passengers were requiring seats that easily convert into lie-flat beds, the seat manufacturers updated their old designs with both minor and major changes. The exact specifications change not only from one airline to another, but also from one aircraft type to another. In addition, some airlines will have one type of seat on one aircraft variant, and a completely different type on another.

Flexibility in manufacturing multiple designs is paramount to competitiveness.



Ducting

In order for people to be able to withstand the extreme temperatures and pressures encountered in flight, aerospace ducting facilitates the distribution of critical fluids and air throughout the aircraft, thus ensuring proper temperature regulation, ventilation, humidity, and/or containment control, anti-icing and noise attenuation.

Modern flight would not be possible without high- and low-pressure ducting throughout the aircraft.



Ducting

GROUP AT A GLANCE

OUR PURPOSE

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.

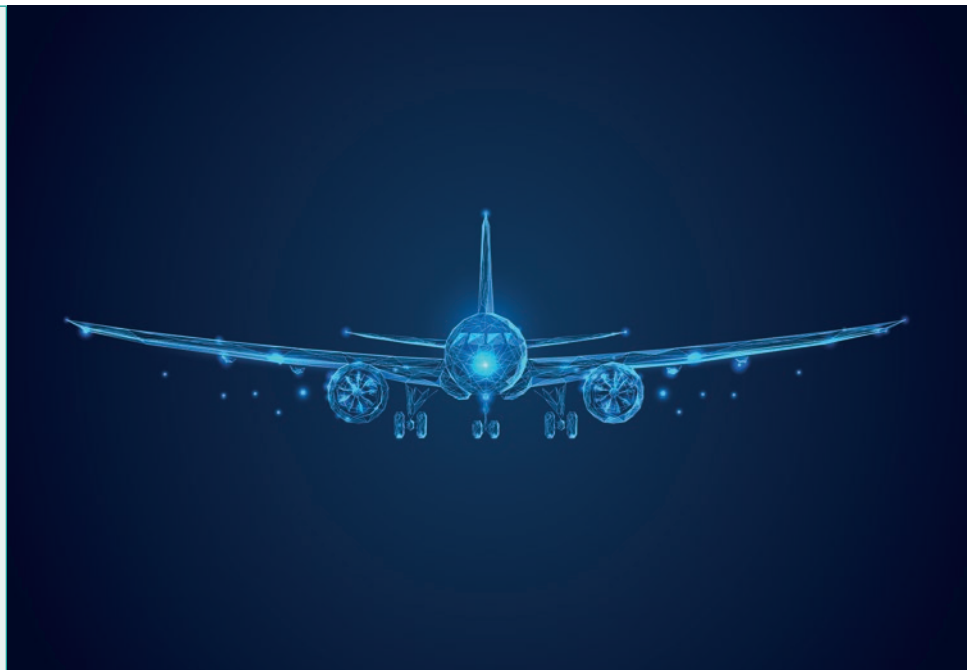
AEROSPACE



Providing high technology products and systems for demanding applications in civil aerospace & defence and adjacent markets.

The Aerospace portfolio spans a wide range of fluid conveyance and thermal management components and sub-systems, as well as complex structural parts and assemblies, for fixed-wing and rotary aircraft, aero-engines, spacecraft and a variety of other industrial applications.

➤ Read more about Aerospace on [page 72](#)



65%

(2021 – 66%)

■ Civil Aircraft	40%
■ Military/defence aerospace	14%
■ Other aerospace division	11%

Fluid conveyance systems

Design and manufacture:

- high-pressure and low-pressure ducting systems (metal and composite)
- control bellows, sensors and assemblies

Structures

- Precision-machined airframe components and assemblies

Gas turbine engines

- Precision-machined and fabricated engine components (rotating and structural)
- Fluid systems ducting and control products

➤ Read more on [pages 44 to 49](#)



OUR VALUES

"Our Core Values underpin our culture."

David Squires

Group Chief Executive Officer



➤ Read more about our values on [page 38](#)

OUR PEOPLE WORLDWIDE

North America

42%

UK and Europe

34%

Asia

21%

Rest of the world

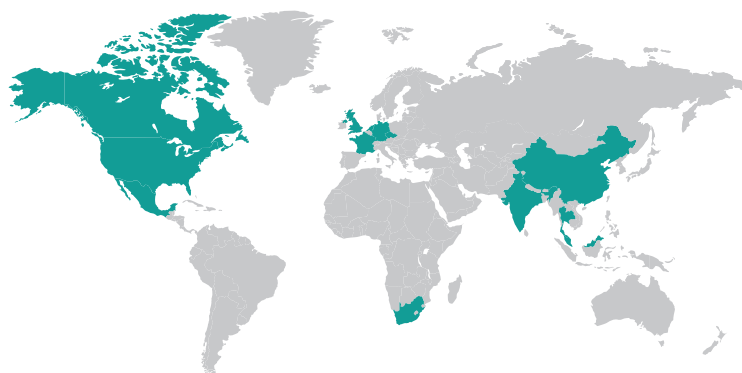
3%

Worldwide
operating
businesses

26

Countries

12



➤ Read more about our people and culture on [page 34](#)

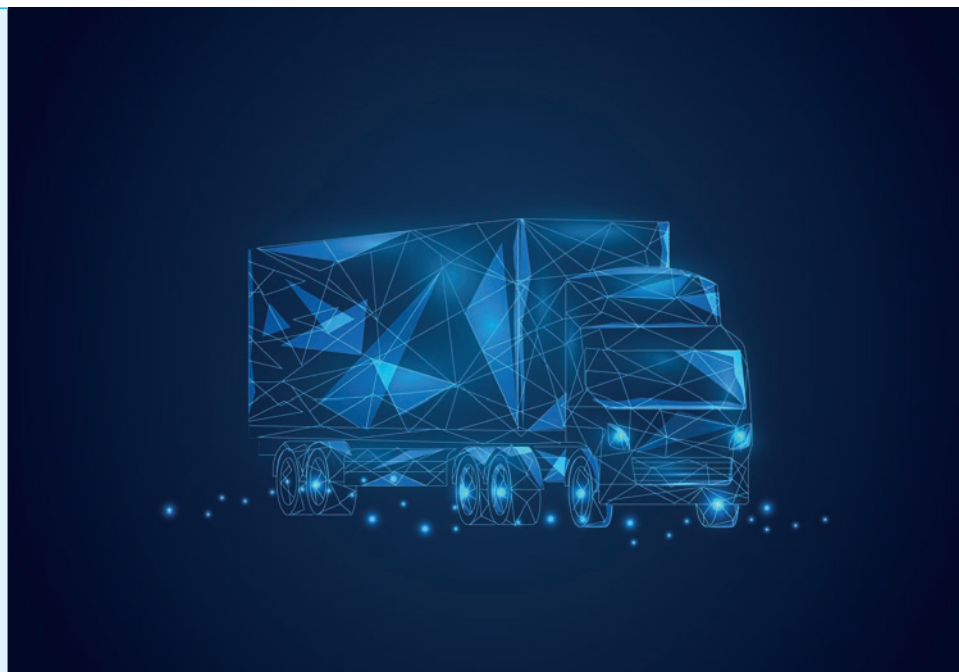
FLEXONICS



Providing high technology products and systems for demanding applications in land vehicle, power & energy and adjacent markets.

The Flexonics portfolio spans a wide range of fluid conveyance and thermal management components & sub-systems, as well as complex precision-machined parts, for conventional and advanced land vehicle propulsion systems, petrochemical, renewable energy and a variety of other industrial applications.

➤ Read more about Flexonics on [page 76](#)



35%

(2021 – 34%)

■ Land vehicles 19%
■ Power and energy 16%

Land vehicle emission control

- Exhaust gas recycling coolers
- Fuel mixing and distribution systems
- Flexible couplings

Industrial process control

Design and manufacture:

- Engineered expansion joints, dampers and diverters
- Flexible hose assemblies and control bellows
- Fuel cells and heat exchangers
- Precision-machined components

➤ Read more on [pages 44 to 49](#)

CHAIR'S STATEMENT

CONTINUED RECOVERY AND GROWTH DURING A CHALLENGING YEAR



"We remain confident in delivery of our strategy and that it will maximise value for shareholders, as our markets recover, over the medium term."

Ian King
Chair

Overview

Our consistent resolute approach to managing the effects of significant external factors continued through 2022 and enabled us to deliver a strong operational and financial performance in the year. We continued to contend with the effects of the pandemic and the disruption and deglobalisation of the supply chain was also exacerbated by the conflict in Ukraine and the consequent energy crisis. The resulting major inflationary pressures across our cost base continue to be managed diligently and proactively by the business, whilst also recognising the impact that the pressures have on the cost of living for our employees.

Once again, the operating businesses under David and Bindi's leadership have risen to the occasion and delivered significantly improved profitability during the period, exceeding market expectations. Attractive and structurally resilient core markets, evidenced by increasing production volumes in both Aerospace and Flexonics, underpinned a Group revenue growth of 29% and a healthy order intake. The book to bill ratio of 1.24 is strong.

The Group's strategy continues to be compelling and along with our well-capitalised businesses provides a solid foundation to support our future growth aspirations. The acquisition of Spencer Aerospace is a very considered step in this direction. Spencer's capabilities in highly engineered, high-pressure hydraulic fluid fittings for use in commercial and military aerospace applications have strong synergies with Senior's existing fluid conveyance business; the opportunities for further growth in this sector are exciting.

The Board revisited Senior's Purpose this year and aligned it further with our ongoing strategy. 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.

What Senior offers is pivotal technologies for emissions reduction and environmental efficiency; capabilities that continue to be highly relevant as the world transitions towards a low carbon economy. Our continued investment in the right technologies ensures that we not only provide solutions for today's challenges but equally for future requirements.

Our strategy and our positioning in attractive and structurally resilient core markets, combined with sector-leading sustainability credentials and highly relevant technical capabilities, delivers a strong financial recovery across both Aerospace and Flexonics Divisions. With markets recovering, we will continue to see improving profitability through volume related operating leverage, while managing inflationary impacts through our focus on cost and pricing management.

We are a well-capitalised Group, with intrinsically strong cash flows and operating businesses that have capacity to benefit from end market recoveries. The Group maintains a strong financial position and the balance sheet remains robust, further enhanced by the renewal of the UK revolving credit facility and the well-funded nature of the UK pension plan.

The Board continues to review the portfolio within the Group, understanding the importance of considered and effective capital deployment to maximise shareholder value creation. Expanding Senior's high-quality fluid conveyance and thermal management businesses remains an ongoing priority. Investments are supported by a business case and are assessed using a rigorous investment appraisal process.

The Board is confident in our strategy and that it will deliver enhanced value for all stakeholders.

STAKEHOLDER ENGAGEMENT

The success of the Group is enabled by mature and progressive engagement with all of our stakeholders. A key priority for the Group is ensuring that their viewpoints are fully considered when assessing the impact of our decisions and strategies.

➤ Pages 50 to 57 explain more on this

SUSTAINABILITY REPORT

A commitment to sustainability underpins our purpose, and is a key objective of the Executive and the Board. Our programme is well defined and being delivered. Our progress is measured by metrics, targets and an annual scorecard.

➤ To find out more on our sector leading sustainability programme read [pages 16 to 37](#).

Our performance

In 2022, the Board and the Executive team continued to make good strategic, operational, and financial progress. With strong delivery across the Group, we significantly improved profitability, generated excellent free cash flow and further strengthened our balance sheet.

Group revenue increased 29% to £848.4m, with growth in both divisions. Our adjusted operating profit increased to £28.5m which resulted in the Group's adjusted operating margin increasing by 250 basis points, to 3.4%.

We generated an excellent free cash inflow of £27.7m. The Group's financial position remains robust, with a healthy balance sheet and period end net debt to EBITDA of 1.47x, after taking into account the consideration for the acquisition of Spencer Aerospace.

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). This would bring total dividends, paid and proposed for 2022 to 1.30 pence per share. The Board 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.

Our sector leading sustainability credentials

Our Purpose underpins our commitment to sustainability. The Board continues to recognise the importance of adopting a bold and comprehensive sustainability programme. We firmly believe that our leadership in this area provides a distinct commercial competitive advantage as the world transitions to a low carbon economy. Sustainability remains an integral part of our strategy, embedded within the behaviours of our people and the culture of our organisation.

In 2022, we have again made good progress with our key sustainability metrics and activities. We were awarded the top 'A' score by CDP in its global annual ranking for transparency on climate change, 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 addition, we have submitted our Long Tern Net Zero Targets to the Science Based Targets Initiative 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.

The Sustainability Report on pages 16 to 37 explains how Senior has achieved significant improvement against our non-financial targets in 2022.

Our Board

I remain confident we have a cohesive, diverse and high performing Board in place to work with the Executive Leadership Team to implement the Company's strategy. The non-executive Directors continued to bring very strong, broad, professional and complementary qualities to the Board in 2022, and I look forward to continue working with the Board in 2023 to deliver long-term sustainable growth.

As previously highlighted, this year we thank Celia Baxter and Giles Kerr for their tenure as highly valued members of the Board; having reached their nine-year anniversaries on the Board in 2022, in order to ensure a suitable transition period with their successors, it was agreed they remain in office until the conclusion of the 2023 AGM. Mary Waldner and Barbara Jeremiah, having joined the Board at the end of 2021 and the beginning of 2022 respectively, have been given a full and comprehensive induction programme and are now fully established members of the Board.

The Board has completed a comprehensive externally conducted Board evaluation during 2022. The Board was found to be functional, effective, engaged and motivated and with clear progress being made against prior actions. Non-Executive Director (NED) succession had been handled smoothly and it was agreed that the process should be extended to hire an additional NED with relevant industrial and business experience aligned to our strategy. The Board is to also review the structure of the Board meetings schedule and agenda to ensure more time is allocated on the agenda to achieve debate and engagement. To find more detail on these improvements, please refer to page 99 in the Governance section.

The Corporate Governance Report pages 86 to 129 explains how the Board sets the tone and takes the lead on governance matters. We continue to ensure the health, well-being and safety of our employees is a priority and that our operations conduct themselves with integrity and in an ethical, sustainable and socially responsible manner.

Stakeholder Engagement

The Board continues to focus on our responsibility to all of Senior's stakeholder groups – our employees, customers, suppliers, communities and shareholders. We believe that engaging with our stakeholders is key to the long-term success of the Group.

In 2022, the Group increased its engagements with shareholders, both by the Executive team, the Group Chair and the Chair of the Remunerations Committee, through a diverse and tailored range of channels.

This year we launched our second Global Employee Opinion Survey. We had excellent participation and engagement, and feedback was positive, valuable, and constructive. Celia Baxter, together with our Group HR Director, Jane Johnston, participated in 19 employee engagement focused groups with four of our US operating businesses and our German business. Feedback from the meetings was provided to local Management, the Executive Leadership Team and to the Company's Board of Directors, who were given the opportunity to ask questions on the findings.

Looking forward

Our compelling strategy and positioning in attractive and structurally resilient core markets, combined with our sector leading sustainability credentials and highly relevant technical capabilities, underpins our commitment to continuing to deliver a strong recovery across our Aerospace and Flexonics Divisions, which in turn will deliver enhanced value for our stakeholders.

As we enter 2023, we will continue to focus on delivering good strategic, operational, and financial progress. We remain on track to drive the Group ROCE to a minimum of 13.5% in line with our previously stated ambition.

On behalf of the Board, I would like to thank all of our people for their substantial contribution to Senior over the last year. I would also like to extend this to all of our stakeholders for their continued support.

Ian King

Chair

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

STRONG RESULTS AS RECOVERY CONTINUES



"We have delivered a strong set of results for 2022.

We significantly improved profitability, generated excellent free cash flow, strengthened our balance sheet and continued to make very good progress on our sustainability goals."

David Squires

Group Chief Executive Officer

Revenue

£848.4m

(2021 – 658.7m)

Adjusted profit before tax

£20.1m

(2021 – £(1.9)m loss)

Adjusted earnings per share

4.36p

(2021 – 0.17p)

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. (This is discussed further in the Technology section on page 48.)

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 9). 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).

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.

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;
- 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 on pages 18 to 21 and 44 to 49.

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.

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 continued to make good progress on our sustainability goals, maintaining our sector leading position."

David Squires

Group Chief Executive Officer

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.



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.

Outlook

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 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

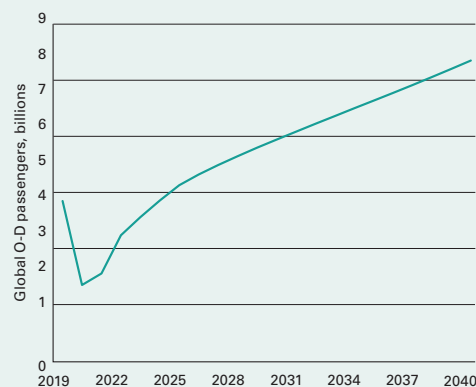
Group Chief Executive Officer

MARKET OVERVIEW

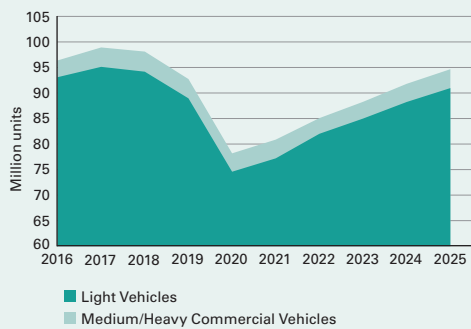
Our core markets across the Group proved resilient in 2022 and are buoyant as we commence 2023 despite ongoing macro-economic challenges and geopolitical uncertainty.

ONGOING MARKET RECOVERY ACROSS THE GROUP WITH STRONG OPERATING LEVERAGE

World passengers flows long run outlook

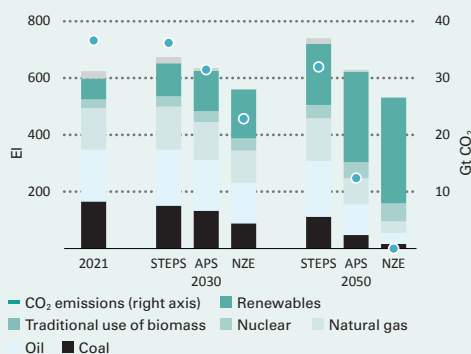


World vehicles production forecast



SOURCE: Data sourced from IHS Markit, Feb 2022.

World Energy Demand



SOURCE: IEA, "World Energy Outlook", Oct 2022 – Describes the total energy supply by fuel and CO2 emissions by each scenario – Stated Policies Scenario, Announced Pledges Scenario and Net Zero Emissions Scenario by 2050. Illustrates that renewable energy increases more than any other energy source in each scenario.

CIVIL AEROSPACE

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

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

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

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

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

POWER & ENERGY

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.

CIVIL AEROSPACE

40% of Group



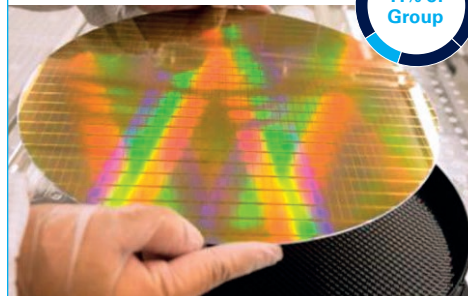
DEFENCE

14% of Group



OTHER AEROSPACE

11% of Group



LAND VEHICLE

19% of Group



POWER & ENERGY

16% of Group



SUSTAINABILITY

IN THIS SECTION



“A commitment to sustainability is rooted in our core values and underpins our purpose. 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 in all of our operations.”

David Squires
Group Chief Executive Officer

20	Our Technology and Product Development on the Road to Net Zero
22	Environment
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32	Social
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Sustainability remains an indispensable part of our overall strategy. We always aim to deliver our products in a manner that is both environmentally sustainable and supports economic growth through sustainable methods as opposed to focusing solely on short-term financial gains. 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 and with our business process are treated fairly.

We continue to enhance our long-term focus on Environmental, Social and Governance (“ESG”). This year, for example, we have achieved a class leading “A” rating in our CDP climate disclosure.

We apply our expertise and technology across different applications, working in close partnership with our customers, to develop solutions that support both their commercial and sustainability objectives.

We remain ever responsive to the climate change and clean air challenge, as the world and our customers transition to a lower carbon economy.

Solar Bellows

Solar Bellows are deployed in Concentrated Solar Powerplants globally. They act as a seal and compensate for the different thermal expansion of glass and metal.

**Rotation Flex**

Rotation Flexes are deployed in Concentrated Solar Powerplants globally. They create a leak tight joint while enabling the trough to follow the rotation of the sun.



SUSTAINABILITY

OUR SUSTAINABILITY FRAMEWORK

ENVIRONMENT

SUSTAINABLE PRODUCTS

Support our customers in developing products that help reduce the impact on the environment.

ENVIRONMENTAL FOOTPRINT

Carbon

- Reduce Scope 1 and Scope 2 emissions by 30% by 2025 from 2018 base year
- 80% of the Group's suppliers by spend, covering purchased goods and services and capital goods, to have science based targets by 2025

Waste

- Achieve 95% recycling rate by 2025

Water

- Limit the environmental impact of our production processes through the efficient use of water

SOCIAL

HEALTH & SAFETY

Reduce Lost Time Injury Rate to 0.3 by 2025

DIVERSITY & INCLUSION

Develop greater diversity and inclusion within the Group

PEOPLE & CULTURE

Create a working environment that enables our employees to achieve their full potential

EMPLOYEE WELLBEING

Support physical and mental health of employees. Create the environment that leads to a highly engaged workforce

COMMUNITY INITIATIVES

Bring positive change to the communities in which we operate

GOVERNANCE

UPHOLD HIGH STANDARDS OF ETHICAL INTEGRITY

Bribery & Corruption

Ensure our policies and practices deliver the highest standards of integrity, avoiding the possibility of bribery and corruption

Human Rights

Uphold international standards on human rights

Modern Slavery

Prevent slavery and human trafficking in the Group's activities and its supply chain

Responsible Sourcing

Promote the use of responsible practices with a supply chain

Responsible Taxation

Fully comply with the tax laws, regulations and disclosure requirements in the countries we operate in

Whistle-blowing

Encourage the reporting of wrongdoing in the organisation

CYBER SECURITY & DATA PROTECTION

Reduce the risk of cyber attacks and ensure protection of all confidential data

PRODUCT SAFETY

Ensure that Senior products are certified to the required International Standards

Our sustainability framework

Our sustainability framework emphasises safety, high ethical standards, care for the environment and our overall business values.

We believe this framework and the high standards we set, helps us to attract, develop and retain the right people, and that this is fundamental to our long-term success. We have talented, committed people with the right skills and experience across our businesses, and we continue to support the personal and professional development of our staff.

Delivering sustainable solutions

As the world transitions to a low carbon economy, Senior is helping its customers to develop efficient and effective products that are more sustainable and have lower environmental impact during the manufacture process and in use.

Our success is built on developing long-term partnerships with our customers, which enable us to help them meet today's challenges and deliver solutions for future low carbon requirements. An example of this is our work to provide customers with more energy efficient solutions on existing internal combustion technologies while simultaneously helping these same customers bring to market efficient and viable electric and hydrogen power trains.

We have continued to reduce our carbon emissions (market based Scope 2) using more renewable energy and more sustainable production methods and materials wherever possible. Our advances in additive manufacturing are a good example of this, as we are now able to design and manufacture complex products quickly, with reduced waste and often at a reduced weight when compared to traditional manufacturing methods. Reducing waste and the consumption of electricity and water during the manufacturing of the products remains a key focus. In 2022 we achieved a waste recycling rate of 94.8%. With operations in 12 countries, we are also able to be geographically close to major customers which helps to minimise the carbon footprint of our products.



"Sustainability remains a core focus in Senior. We continuously improve our programmes, following global best practice standards. Inclusion in the CDP "A" list for Climate Disclosure is a highlight for 2022, placing us at the forefront of companies taking action. We remain committed to building on this success in 2023."

Mark Roden

Group Director of HSE & Sustainability,

Environment

22%

Reduction in Scope 1 (Direct) and Scope 2 (Indirect) emissions (market based) from 2018 base year (2021 – 18.9%)

Waste

94.8%

Recycling rate (2021 – 93.1 %)

Diversity

55%

Percentage of women on Senior plc Board (2021 – 50%)

Employee Opinion Survey

81%

Percentage of employees completing Employee Opinion Survey (2021 – 81% of Senior employees completed survey)

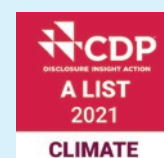


CDP – CARBON DISCLOSURE PROJECT

Senior has been awarded an 'A' by CDP for its 2022 Climate Change disclosure. CDP is a global environmental non-profit charity that provides a global disclosure system for investors, companies, cities, states and regions.

Based on CDP's thorough assessment of comprehensive climate change data, Senior is the only Company in the Aerospace & Defence Sector to achieve the highest 'A' rating. A total of nearly 15,000 companies were scored, putting us in the top 2% of disclosing companies.

Phoebe Duke-Wallace (The Group Sustainability Co-ordinator) and Mark Roden (The Group Director of HSE & Sustainability) accept the award from CDP.



OUR TECHNOLOGY AND PRODUCT DEVELOPMENT ON THE ROAD TO NET ZERO

Electrification and hydrogen power are likely to remain the key technology themes in all our end-markets in the decades to come.

Our fluid conveyance and thermal management technology, highly relevant to these applications, will allow us to support our customers with high-value solutions in the medium and long term as they transition to sustainable technologies.

2020

2030

AEROSPACE



Observation
Current generation engine technology enhancements expected to deliver maximum 5 – 25% fuel efficiency improvements, with the latest proposed designs. Urban Air Mobility (UAM) operators planning to start operations from 2024, but widespread acceptance unlikely before 2030.

Our response
We have significant content in current best-in-class engines, and work closely with customers to further enhance our products.

We are working with multiple UAM providers on prototype solutions for thermal management solutions.



LEAP-1B engine oil bearing nozzle and distributor

Observation
The US aims to supply ≥3 bn gallons of sustainable aviation fuels (SAF) per year by 2030.

The EU plans for SAF to be ≥5% of aviation fuels, and plans to end free CO₂ credits for airlines by 2026.

LAND VEHICLES



Observation
Semiconductor content in cars is increasing, especially in EVs. The US passed the CHIPS act to secure supply, EU/India considering similar plans.

California Air Resources Board requires – 75% NOx reductions by 2024. Euro VII and Bharat V (India) standards are planned.

The Inflation Reduction Act will extend incentives for EVs.

Our response
We have become a key supplier to microchip equipment makers, a market with high barriers to entry.

Our emission control products help vehicles meet transitional regulations.



Bellow actuator for semiconductor equipment application

Observation
The US EPA will tighten emissions rules countrywide from 2027.

Major car markets are implementing a COP26 agreement to ban new fossil fuel cars by 2035.

POWER & ENERGY



Observation
Nuclear is increasingly seen as vital for a low carbon future. The European Parliament voted to classify nuclear as a green investment.

World leaders have agreed to phase out fossil fuel subsidies at COP26.

Our response
We are supporting engineering and/or fabrication with all active OEMs of Small Modular Reactors (SMR).

Our flue gas diversion products are mitigating climate impact of conventional energy.



Wye piping, reducer and crossover expansion joint for small modular reactor (SMR)

Observation
The EU increased its renewables target to ≥45% of energy mix by 2030.

The US eyes 100% carbon pollution-free electricity by 2035.

2040

2050

Our response

Our current fluid conveyance and structural components solutions are fully compatible with SAFs.

We are collaborating with multiple customers on developing components for carbon capture, energy storage and electrolyzer systems for green hydrogen production.



Stainless steel hoses for hydrogen production

Observation

Alternative-powered aircraft will increase demand for our battery thermal management, fuel cell and cryogenic expertise. Airbus ZEROe H₂ aircraft planned for service in 2035.

Our response

Our Aerospace and Flexionics divisions are working together to develop various demonstrator hydrogen powertrain components for OEM customers.



Cryogenic products for LH₂ systems

Our response

Our electric vehicle inverter heat sink "Omega Fin" has been patented.

We are in active customer discussions on our battery and electronics cooling and fluid handling products.



"Omega Fin" inverter heat sink

Observation

16 countries have committed to 100% zero-emission new truck and bus sales by 2040.

Our response

We are in series production of our 70kW battery cooler for e-buses.

We won our first contract to supply a cooling pipe assembly for an electric motor on a heavy-duty Battery Electric Vehicle and are working on H₂ fuel cells for HDVs.



Cooling pipe assembly for an electric motor on a fully electric (BEV) truck



Battery cooling plate for electrified vehicles

Our response

Energy storage will be required on a larger scale as renewables grow.

Senior offers multiple solutions for thermal management within various energy storage applications.



Heat exchanger for thermal management

Observation

IEA forecasts global wind and solar photo-voltaic energy demand to grow nearly 700% on 2021 in 2050 in its Stated Policies scenario.

Ensuring stable power supply for critical infrastructure such as data centres will be important.

Our response

We will continue to grow our low carbon business including solar and wind.

We have extensive experience in land based SOFC fuel cell components used in backup power units for data centres and hydrogen conveyance solutions.



Fuel distribution anode separator plate

ZERO



NET

ENVIRONMENT

SENIOR HAS COMMITTED TO ACHIEVE NET ZERO BY 2040

THE ROUTE TO NET ZERO



SENIOR HAS COMMITTED TO ACHIEVE NET ZERO BY 2040

In Senior we follow the Net Zero guidance as defined by SBTi*. Put simply this means cutting greenhouse gas emissions to as close to zero as possible, with a removal strategy for any remaining emissions.

The SBTi Net-Zero Standard is consistent with societal climate and sustainability goals and within the biophysical limits of the planet.

The SBTi Net-Zero Standard defines corporate net-zero as:

- Reducing scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways.
- Neutralising any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter.

Senior was the first company in the global Aerospace & Defence sector to have its emissions reduction targets independently verified and approved by the SBTi. In 2020 SBTi approved our Near-Term Net Zero Targets. These are:

- Senior commits to reduce its absolute Scope 1 and 2 GHG emissions by 30% by 2025 compared to a 2018 base year.
- For Scope 3 GHG emissions, Senior also commits that 80% of its suppliers by spend, covering purchased goods and services and capital goods, will have science based targets by 2025.

In July 2022 Senior applied to the Science Based Target Initiative (SBTi) for approval of our Net Zero Targets for Scope 1, 2 and 3 emissions. The SBTi Net Zero criteria requires a near-term and long-term science based target.

The target, to be achieved by 2040 is aligned to 1.5 degrees centigrade for all scopes.

We have followed the cross-sector pathway using modelling from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Authority (IEA).

We expect to achieve Net Zero approval in 2023.

PROGRESS TOWARDS OUR CERTIFIED SCIENCE BASED TARGETS

Scope 1 and 2 carbon emissions

Scope 1 emissions are greenhouse gas emissions released directly from a business – this includes natural gas combustion, owned transport and refrigerant use.

Scope 2 emissions are indirect GHG emissions released from energy purchased by an organisation, principally electricity.

Business activity continued to recover in 2022, as a result we experienced an increase in electricity usage of around 12%. To mitigate the potential increase in Scope 2 emissions, we increased our sourcing of low carbon/renewable electricity, in combination with our existing on-site solar generation (Thailand, Malaysia, India businesses) we achieved:

- 3.6% reduction in total Scope 1 and 2 emissions (market based) in 2022 compared to 2021.
- 4.9% reduction in Scope 2 emissions in 2022 (market based) compared to 2021.
- 41% of our electricity sourced from renewable supply (36% in 2021).

*The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science.



Scope 3 Emissions

Scope 3 emissions are the result of activities from assets not owned or controlled by Senior, emissions of carbon outside of Scope 1 and 2 which Senior indirectly affects in the value chain.

In order to reduce Scope 3 emissions, we know that it is vital to engage with our supply chain as purchased goods and capital goods are our major sources of Scope 3 emissions.

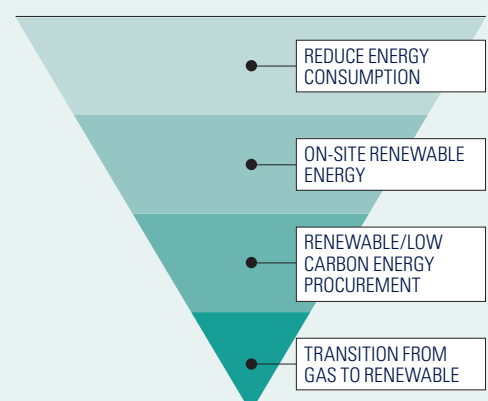
In 2021, we commenced our work to achieve our Scope 3 (supplier engagement) SBTi Target. In order to facilitate the data capture and to ensure we were following best practice we partnered with CDP becoming a member of the CDP Supplier Programme.

In 2022

41%

of our electricity was sourced from renewable energy, an increase from 36% in 2021

Senior energy hierarchy





SUPPLIER ENGAGEMENT

CDP recognised our efforts by awarding us Supplier Engagement Leader status based on our Supplier Engagement Rating ("SER"). The 2022 score will be released in March 2023.



In 2022 we engaged with around 340 of our suppliers.

In 2021, 94 of our suppliers provided data to us; in 2022, we were successful in increasing this response to 160 suppliers, a considerable increase. We achieved this through an extended engagement programme including a series of Supplier Webex meetings as well as assisting suppliers with calculations.

Data from the CDP portal shows that on average 20% of a participating company's suppliers are first time disclosers. For Senior in 2022 this percentage was much higher at 49%, a strong indication of the success of our engagement activities, support and approach.

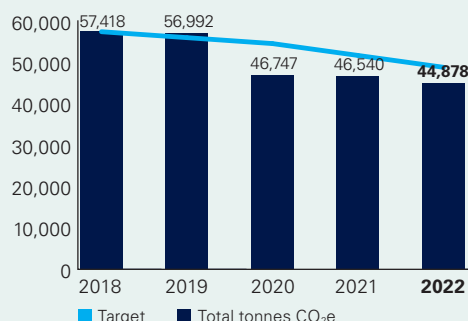
70%

increase in supplier responses in 2022 compared to 2021

49%

of suppliers were first time responders compared with a CDP programme average of 20%

Scope 1 & 2 Market Based Emissions



22%

reduction in total Scope 1 and 2 emissions from our 2018 baseline

We remain on track to achieve our

30%

SBTi reduction target by 2025

Carbon emissions

(measured as Tonnes of CO_{2e})

	Scope 1	Scope 2 Electricity + District Heating (market based)	Total
2018	10,414	47,004	57,418
2019	10,378	46,614	56,992
2020	8,731	38,016	46,747
2021	8,445	38,095	46,540
2022	8,629	36,249	44,878

Note: The Scope 1 and 2 emissions Location Based and Market Based (FY22) are independently verified in accordance with the International Standard on Assurance Engagements ISAE 3410 (limited assurance).

WATER



Objective: limit the environmental impact of our production processes through the efficient use of water, particularly in places of high-water scarcity.

With the increased importance of freshwater reserves being more strained we are looking into areas of water scarcity and assessing how we can limit the use of freshwater from these areas.

We have used the World Wildlife Fund (WWF) water filter tool to identify the businesses in areas of water scarcity. The plan is to target these businesses in 2023.

➤ For information on water, please see www.seniorplc.com/sustainability

WASTE



Objective: 95% recycling rate by 2025.

To increase the amount of waste that is recycled on site and provide efficient ways to recycle the waste that is produced.

With continued progression with business level actions to increase our overall recycling rate, we have achieved a recycling rate of 94.8% in 2022, an increase from 93.1% in 2021.

➤ For information on hazardous waste, please see www.seniorplc.com/sustainability

CERTIFICATION



Our objective: all Senior businesses are accredited to ISO 14001.



Water usage in 2022

266 megalitres

Reduction in usage of

76 megalitres

compared to 2019 (342 ML), the last full year before COVID-19 related impact to operations

In 2022, Senior was successful in recycling

94.8%

of waste produced

In 2022, 74% of our businesses achieved a recycling rate of

90%

or higher

Energy Efficiency Actions

In the reporting year Senior plc has implemented energy efficiency projects across the global operating businesses. In total, Senior's environmental improvements have the potential to reduce GHG emissions by 2,284 tonnes of CO₂e.

These environmental improvements include improving the energy efficiency in buildings, including heating, ventilation and air conditioning improvements, as well as further installation of LED lighting. Senior has also looked carefully at energy efficiency in production processes, including machine/equipment replacement and compressed air efficiency. Senior has set out its year 2025 plan and is on target to reduce Scope 1 and 2 emissions by 30%. Key to this is the purchase of 100% renewable electricity contracts. Six of Senior's UK operating businesses have now contracted into the supply of 100% renewable electricity, avoiding over 2,000 Tonnes of GHG emissions annually. Also, one US business has entered into a 100% renewable energy contract. Other Senior operating businesses continue to make progress to achieving renewable energy contracts. One USA business has entered into a 25% renewable energy contract with their supplier.



CARBON EMISSIONS

In Compliance with Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 – Streamlined Energy and Carbon Reporting (“SECR”)

	1st Jan 2022 to 31st Dec 2022			1st Jan 2021 to 31st Dec 2021		
	UK and Offshore	Global excluding UK and Offshore	Total	UK and Offshore	Global excluding UK and Offshore	Total
Scope 1: Combustion of fuel and operation of facilities	1,224	7,405	8,629	1,244	7,201	8,445
Scope 2: (location based) Electricity, heat and steam purchased for own use	2,159	39,550	41,709	2,203	36,040	38,243
Scope 2: (market based) Electricity + District Heating	1,085	35,107	36,249	875	37,220	38,095
Total gross Scope 1 and 2 (location based) emissions/tCO ₂ e	3,383	46,955	50,338	3,447	43,241	46,688
Energy consumed in MWh to calculate above emissions	17,198	138,029	155,227	17,171	126,996	144,167
Scope 3: Business travel, waste, water	103	1,995	2,098	53	1,118	1,171
Total Gross emissions/tCO ₂ e (Scope 1, Scope 2 location based, Scope 3 ; Business travel, waste , water)	3,486	48,950	52,436	3,500	44,359	47,859
Intensity measure/tonnes CO ₂ emitted per £m of revenue	25	69	62	34	80	73
Water usage (in megalitres)	32	235	266	37	219	256
Percentage of waste recycled or recovered	100%	94%	95%	100%	89%	93%

Methodology

The Group's approach to calculating and reporting our GHG emissions follows the GHG Protocol on how to measure and monitor GHG emissions.

Three data sources used for GHG emissions.

1. UK Government GHG Conversion factors for company reporting (DEFRA full set for advanced users 2022).
2. US EPA (eGRID) Emission factors for greenhouse gas inventories for US electricity generation (2022 Version).
3. IEA (International Energy Agency) Emission factors year 2022 version.

2022's reporting has incorporated Scope 2 greenhouse gas emissions (associated with electricity consumption) calculated using both the Location and Market-based methods.

Data for the market-based, utility emission rates has been collated during the period December 2022 – January 2023, as best available information to represent the emissions during the year. It should be noted that these vary and are periodically updated, so are representative of our best endeavour to determine market-based emissions at the time of collating data for this report.

In 2022, there was one acquisition. Spencer Aerospace, located in California was acquired on 25 November 2022. As there were only 5 weeks of GHG emissions until the end of year 2022, it was decided that GHG emissions will be reported from January 2023. Therefore, Spencer Aerospace is omitted from our 2022 reporting.

Each Senior business reports its environmental performance monthly using the Group's financial reporting process.

The Scope 1 and 2 emissions Location Based and Market Based (FY22) are independently verified in accordance with the International Standard on Assurance Engagements ISAE 3410 (limited assurance).

In calculating GHG emissions, the Group has used the control approach and more specifically the financial control approach under which a company accounts for 100% of the GHG emissions from operations over which it has control. This covers all wholly owned operations and subsidiaries of the Group for financial reporting purposes.

Limited Scope 3 emissions are reported in the table above, they are not externally verified at the time of publication of this Annual Report. A full disclosure of the 2022 Scope 3 emissions, externally verified, will be made publicly available within our CDP Climate Change later in 2023.

Total waste includes the reported production and non-production-related hazardous and non-hazardous solid, sludge and liquid materials (including wastewater since 2019) that is sent off site for disposal, treatment, reprocessing, recycling or reuse by others. Waste materials do not include by-products or scrap from a Senior business process which are re-used in a production process. Similarly, wastes that arise from construction and other maintenance / remediation works performed by third party contractors are not included in the scope of reporting where the contractor is responsible for the disposal of the waste. DEFRA conversion factors are used worldwide for waste data as means to determine a reasonable carbon conversion factor.

Water volumes are obtained from meter readings and from supplier invoices. All water consumption is converted to megalitres, carbon is derived using recognised and appropriate DEFRA conversion factors.

Senior uses DEFRA conversion factors to calculate carbon based on distance and class of travel.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

This section summarises the Group's climate-related financial disclosures consistent with the TCFD framework recommending 11 disclosure topics across four pillars – governance, strategy, risk management and metrics and targets.

TCFD compliance statement

In accordance with the Listing Rule 9.8.6 R(8), we confirm that the Company has made climate-related financial disclosures for the year ending 31 December 2022 which are consistent with the TCFD Recommendations and Recommended Disclosures.

GOVERNANCE

Oversight of climate-related risks and opportunities

The Company's Board of Directors has oversight over climate-related matters. The Group Chief Executive Officer is ultimately responsible for climate-related risks and opportunities. Reporting to the Group Chief Executive Officer, the Group Director of HSE & Sustainability is responsible for Senior's sustainability and climate-related strategies. During 2022, the Board discussed climate-related matters as part of the regular scheduled Board meetings as outlined below:

- During every Board meeting, the Group Chief Executive Officer provided updates to the Board on a wide range of sustainability matters, including climate-related issues. Our newly developed carbon emissions tracking dashboard has been incorporated into the Chief Executive Officer's report to the Board and enabled improved visibility, monitoring and oversight over the Group's performance in meeting its climate-related sustainability targets by the Board. The Group Chief Executive Officer also regularly reports to the Board on other climate matters discussed during the Executive Committee and HSE Committee meetings.
- The Group Director of HSE & Sustainability attended two Board meetings in 2022 to update on the progress of meeting Senior's Near-Term Scope 1 and 2 targets, report on the initiatives taken to meet the existing Scope 3 targets and to present the business case for Long-Term Net Zero climate targets. In June 2022, the Board approved the submission of Senior's Long-Term Net Zero targets for Scope 1, 2 and 3 to the SBTi for verification and approval, committing Senior

to a long-term target to reach Net Zero GHG emissions across the value chain by 2040.

- Recognising that climate considerations are an important factor in capital expenditure decisions, we have started work on enhancing the Group's Capital Expenditure Request process by incorporating calculations and accounting of carbon which would result from the purchase and operations of the new equipment. This is an important step towards developing the Group's internal carbon price mechanism.
- The Audit Committee considered the TCFD disclosures included in the Annual Report & Accounts 2021 during its meeting in February 2022. The Committee will also be responsible for reviewing the TCFD disclosures proposed for the Annual Report & Accounts 2022.
- Following the Group's annual identification and assessment of climate-related risks and opportunities, the Executive Committee and the Board received and reviewed the summary of findings during their respective meetings in October and December 2022.
- The Group continued its focus on Board technology presentations made by the Group's members of the Technology Council in September and October 2022, highlighting, among other matters, climate-related megatrends likely to affect the Group in the next 5-10 years, regulatory government commitments impacting the Company's end markets and development of new technologies by the customers.

We recognise the importance of ensuring that the Board of Directors has the necessary knowledge and skills to understand and address the impact of climate change on the Group. We maintained the Board's climate competence through regulatory and legal updates as part of regular secretarial reports to the Board. In

Senior's climate-related governance framework



addition, all Board directors will be offered to undertake climate-related training in 2023, covering the range of topics shown in the graph below.

The Board's strategic discussions always consider global megatrends expected to shape the Company's future operating environment. During the Board Strategy meeting in October 2022, matters such as the impact of global warming, increased pressure on scarce mineral resources and decarbonisation trends informed the Board's strategic conversations around Senior's ability to take advantage of such macro and end market trends.

Assessing and managing climate-related risks and opportunities

Senior's management is responsible for assessing and managing climate-related risks and opportunities.

The Group Director of HSE & Sustainability has direct oversight over Senior's operations on the matters of climate change, ensuring that data, such as Scope 1, 2 and 3 emissions, waste recycling and water consumption, is collated, monitored, presented and reported to the Executive Committee and the Board on a regular basis. Responsibility for carbon emission management and the development of the Energy Efficiency programme also resides with this position.

Chief Executives of the Aerospace and the Flexonics divisions have direct responsibility for ensuring that their divisions meet the Group's carbon reduction targets and supplier engagement responsibilities. They constantly monitor customer demands and are best placed to ensure that these requirements are reflected in future programmes as customers transition to low carbon products.

The Group Executive Committee, led by the Group Chief Executive Officer, ensures that material climate-related risks form part of the Group's overall risk management framework, and that climate-related opportunities are incorporated into the Group's strategic and financial planning. The HSE Committee, chaired by the Group Chief Executive Officer, monitors the Group's progress on its environmental targets, including Scope 1, 2 and 3 emissions.

CLIMATE CHANGE TRAINING

Recognising the importance of raising awareness of climate-related matters across the Group, we developed our Climate Change training course in 2022, which focused on the following key areas:

- interrelation between climate change and financial stability;
- differentiating between transition and physical climate risks;
- introduction to TCFD and the recommended disclosures;
- climate-related scenario analyses; and
- Scope 1, 2 and 3 emissions and Science-Based Targets.

We acknowledge that achieving Net Zero GHG emissions across all of our value chain requires meaningful understanding of strategic risks and opportunities arising due to climate change, as well as practical skills to implement the change needed to transition to low carbon future and to meet the Group's sustainability objectives.

The training will be rolled out in 2023.



STRATEGY

Climate-related risks and opportunities identified over the short, medium and long term

In considering climate-related risks and opportunities, Senior has selected the following time horizons to align with the current Group internal risk management and planning time frames:

Rating	Range
S Short term	2022 – 2025
M Medium term	2025 – 2027
L Long term	2027 – 2042

Climate change has been reported as one of the Group's principal risks since 2019. In 2022, we performed our annual assessment of climate-related risks and opportunities taking into consideration legislative frameworks on climate change, expectations from regulators and market stakeholders, changes in weather patterns as well as the latest technological trends related to climate change.

The results of the assessment, presented in the table below, indicate that the Group's material risks remain unchanged from the 2021 assessment, with one risk moving from long-term into medium-term horizon, reflecting the increasing focus of credit rating agencies on ESG. The assessment also identified one new opportunity related to reduced reliance on fossil fuels for energy sources.

Furthermore, in 2022 we analysed each of our businesses using the Worldwide Fund for Nature (WWF) Water Risk Filter. This indicated that 8 of the 26 operating businesses were in areas of potential water scarcity. These are our

business in India, South Africa, California (Senior Aerospace SSP, Senior Aerospace Jet Products, Senior Aerospace Ketema, Senior Aerospace Steico Industries), as well as our Flexonics and Aerospace businesses in Mexico. Our businesses use water in the production process to dilute coolant used in machining as well as cleaning and chemical treatment processes; in addition, water is required for staff hydration and hygiene. To date, Senior has not been subject to conditions where water scarcity had led to interruptions in operations, however we are aware of the possibility of operational interruption and the potential of interrupted supply of products to our customers in the case of a severe localised water shortage. We are targeting these businesses on an individual basis to understand where we can reduce overall water consumption. Senior Aerospace Spencer, located in California, the acquisition of which was completed in November 2022, will be assessed using the WWF Water Risk Filter in 2023.

Category	Sub category	Risk/Opportunity Description	Indicative time frame	Link to Senior's Principal Risks
Opportunities	Products and Services	Development of new products Development or expansion of low emissions products resulting in increased demand for Senior's products.	S	Climate change
		Shift in Consumer preferences Changing customer/consumer behaviour or preferences increases demand for Senior's products which support the transition to a low carbon economy.	S	
	Resilience	Resource substitutes/diversification Reduced reliance on fossil fuel for energy sources resulting in reduced costs and a more resilient energy supply programme.	M	
Transition Risks	Market	Changing customer/consumer behaviour or preferences Customers may change demand to lower emissions products, as they adapt to a lower carbon intensive economy. This might result in a reduction in demand for some of Senior's products.	M	Climate change
		Influence of ESG on debt-rating agencies/assessment of credit risk Changes in investor expectation can change market valuations in a negative way (such as attracting negative screening).	M	
	Technology	Substitution of existing products and services with lower emissions options Failure to recognise and invest in changing and emerging (net-zero) technologies and demand for low emission products may result in reduced market share and reduced volume of sales.	M	Innovation and technological change
		Costs to transition to lower emissions technology Decarbonisation of manufacturing processes and products away from fossil fuels consistent with Science Based Targets may require additional investment of capital.	M	
		Unsuccessful investment in new technologies Failure to invest in low emissions technology at the right time can lock the business into fossil-fuel reliant assets over the long term, or require additional investment costs to pivot away from assets before the end of their useful life.	M	
	Policy & legal	Increased pricing of GHG emissions/cost of carbon offset Pricing of GHGs may continue to be introduced in the future, which would increase the cost of products/services both purchased and sold by Senior.	M	Inflation
		Exposure to litigation Failure to manage climate related issues may result in prosecution (fines and reputational damage).	L	
	Reputation	Increased stakeholder concern or negative stakeholder feedback Mismatch between Senior's commitments/communication on climate change and action may lead to dissatisfied customers and impeded customer loyalty, suppliers and community members attracting negative press and reputational damage.	M	Implementation of strategy
		Stigmatisation of sector Activism and protests against aviation, land vehicles and oil and gas market sectors might become a threat to the reputation of Senior.	M	
Physical Risks	Acute	Increased severity of extreme weather events such as cyclones and floods Extreme weather events may cause damage to infrastructure, equipment or product stored within it and resulting in disruption to operations.	S	Climate change
	Chronic	Changes in precipitation patterns and extreme variability in weather patterns Increasing global surface temperatures and changing weather patterns may lead to the increased intensity of droughts/water scarcity in some areas, impacting the supply of water to Senior's manufacturing sites and potentially disrupting operations.	S	

IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANISATION'S BUSINESSES, STRATEGY AND FINANCIAL PLANNING

Products and Services

We recognise that climate change is one of the megatrends transforming our business environment. Senior's purpose – "we help engineer the transition to a sustainable world for the benefit of all our stakeholders" – is aligned with the Group's environmental sustainability objectives to support our customers moving to a lower carbon environment in developing products that are more sustainable and have lower environmental impact.

Climate change regulation and understanding are driving changes in consumer preferences and increasing demand for energy efficient transportation. This will mean the extended use of hybrid, fully electric and hydrogen powered vehicles. Senior is currently active in this area with products including innovative thermal management solutions for large battery packs (initially for public transport vehicles). Examples of the products include battery cooling, electronics cooling, electric vehicle fluid handling and flex for vehicle range extenders. A dedicated team of Senior Flexonics businesses are collaborating with their customers on Exhaust Gas Recirculation (EGR) systems to ensure these meet European EU7 standards expected in 2022/2023.

Our investment in specialised additive manufacturing equipment in some of our aerospace businesses is aimed at developing and manufacturing lighter metallic components that reduce weight and, ultimately, save fuel and reduce carbon emissions during flight.

➤ [Read more on pages 20 to 21 and 46 to 49](#)

Operations and supply chain

We are committed to continuously reducing our environmental footprint. In 2022, we revised our Group Energy Policy with an Energy Hierarchy model including internal reduction targets. In addition, numerous energy conservation projects were implemented in the Group's operating businesses across the world, including improving building insulation, upgrading energy efficient lighting, installing heat recovery systems.

The Group's progress on reducing its carbon emissions, increasing waste recycling and its initiatives in promoting the efficient use of water, are described on pages 22 to 25.

Each site within the Group has a scenario-based Business Continuity Plan which is tested on an annual basis.

In 2022, we continued working with around 340 suppliers through the Carbon Disclosure Project, asking them to align with Senior's environmental goals and set emissions reduction targets by 2025.

➤ [Read more on page 23](#)

Investment in research and development

Senior's Advanced Technology Collaboration Forum identifies investment opportunities in new technologies and supports the delivery of targeted R&D projects that are aligned to the Company's purpose. When we look to R&D spend and investment, we assess sustainability of products in terms of supporting the customers' aims to reduce energy consumption and carbon.

➤ [Read more on page 24](#)

Access to capital

In November 2022, the Group successfully refinanced its main UK Revolving Credit facility ("RCF"). In support of the strong ESG commitments made by the Group, Senior and its lenders jointly agreed appropriate sustainability KPIs linked to the RCF.

Acquisitions or divestments

Portfolio optimisation is a central pillar of our strategy. We look to incorporate sustainability considerations when assessing strategic acquisitions in our target areas of fluid conveyance and thermal management.

Financial planning process

It is important that the potential of climate-related risks and opportunities is considered in the Group's financial planning, so that adequate strategies are developed to manage such risks and seize opportunities. We recognise that climate-related risks and opportunities can influence financial planning in a number of ways. One of them is that climate change can alter demand for certain products and services. Although we are seeing some negative effects from the decreasing market trend for diesel passenger vehicles in Europe and a consequent reduction in demand for some products, the overall impact on the Group is not significant, with other product lines filling the demand. Changes in climate-related regulations and policies can also impact the financial planning, for example through the introduction of carbon pricing. In support of our SBTi targets, our operating businesses have initiated energy conservation projects (as described on page 24). Climate-related risks such as extreme weather events and water shortages could potentially disrupt operations. The investment of around £30,000 in a water filtration project in Cape Town was initiated in response to the extreme water shortages in the region. The water filtration system was installed to reduce the amount of main water needed by recycling some wastewater sources. This has resulted in a greater than 30% reduction in metered water usage and enabled the business to continue operating as usual. Our Mexico businesses also operate in a region of water scarcity. We invested around £10,000 in water harvesting and saw around 10% reduction in water usage with potential benefits to business continuity as the harvested water acts as a buffer supply.

Resilience of the organisation's strategy with reference to three climate-related scenarios, including a 2°C or lower scenario

In 2021, we carried out scenario analysis to understand the potential impact of climate change on the Group's operations. We selected the three climate scenarios produced by the Bank of England because:

- they meet TCFD recommendation to assess business resilience at different climate-related scenarios, including a 2°C or lower scenario;
- these scenarios are used by the Bank of England to explore resilience of the UK financial system to climate change;
- the scenarios are modelled to a thirty-year timespan, out to 2050 to align to the Paris Agreement and other net zero 2050 targets;
- they consider the macroeconomic impacts with more granularity and within a more applicable business context than climate scenarios based on temperature increases; and
- multiple high transition scenarios provide diversity in stress test.

Further information on the assumptions and parameters used in the scenarios can be found on the Company's website.

<h2>SCENARIO 1 (<2°C)</h2>	<h2>SCENARIO 2 (<2°C)</h2>	<h2>SCENARIO 3 (>3°C)</h2>
<h3>EARLY POLICY ACTION: SMOOTH TRANSITION</h3> <ul style="list-style-type: none"> • Decisive carbon action to reduce global emissions starts in 2021; • Carbon taxes and other policies intensify gradually over the scenario horizon; • Global warming is limited to 1.8°C by 2050 compared to pre-industrial levels; • Limited physical risks. 	<h3>LATE POLICY ACTION: DISRUPTIVE TRANSITION</h3> <ul style="list-style-type: none"> • Delay in implementing the policy required to reduce global emissions by 10 years; • Starting in 2031, significant and rapid policy action causing drastic bending of emissions trajectory globally; • Global warming is limited to 1.8°C by 2050 compared to pre-industrial levels; • Limited physical risks. 	<h3>NO POLICY ACTION: BUSINESS AS USUAL</h3> <ul style="list-style-type: none"> • Governments fail to introduce further policies to address climate change beyond those already implemented; • Increase in global temperatures reach 3.3°C by 2050 compared to pre-industrial levels; • High physical risks.
<h4>Potential impact</h4> <p>Policy changes start to accelerate, and consumer and investor preferences evolve rapidly to facilitate decarbonisation.</p> <p>In the short and medium term, Senior needs to ensure that its investment decisions are consistent with its Science Based Targets and deliver expected results.</p> <p>In the long term, it is important to keep pace with changing market demand for low emission products and remain consistent between Senior's public commitments and market expectations.</p>	<h4>Potential impact</h4> <p>A sudden increase in the intensity of climate policy in 2031, following an initial period which is characterised by insufficient or ineffective emission reducing policies.</p> <p>Senior needs to ensure that it takes action over this time period to avoid disruption in the long term as mature economies make rapid strides to cut emissions.</p>	<h4>Potential impact</h4> <p>Absence of transition policies result in a growing concentration of greenhouse gas emissions in the atmosphere.</p> <p>Increased exposure to heatwaves, tropical cyclones and droughts may increasingly provide challenge for some of Senior's sites and supply chains.</p> <p>With less policy action and investment driving forward technology development, the costs of transitioning to the new technologies may be higher, the likelihood of successful implementation and the relative rewards for the investment may be lower.</p>
<h4>Opportunities</h4> <p>The ability to maximise returns on new investments in the long term, once transition has occurred and markets have stabilised.</p>	<h4>Opportunities</h4> <p>Early investment can set the Group up to be ready for the swift changes to the disrupted economy after 2030.</p> <p>Opportunities may materialise over the long term, due to the late policy action and the abrupt transition to low carbon economy.</p>	<h4>Opportunities</h4> <p>The Group's continued investments and its ability to diversify business activities can help Senior be more resilient to changes in the markets and adapt to the impacts of climate change.</p>

Resilience statement

The output of forward-looking scenario analysis indicated that transition risks could have more significant impacts in scenarios 1 and 2. The Group's application to the SBTi for the approval of Long-Term Net Zero Targets, aligned to 1.5°C for all scopes, can help build resilience to the effects of policy, legal, reputation and taxation risks expected under scenarios 1 and 2. The

Group's focus on innovation and strong relationships with customers means we are well positioned to maximise opportunities offered by smooth and disruptive transition scenarios. We are proactively assessing the way climate change affects market demand for our products as part of our annual strategic meetings. Under scenario 3, the physical impacts of climate change could be more significant. The Group's

robust business continuity plans, tailored to the specific risks and vulnerabilities of a given area, help us become more resilient against the potential physical impacts of climate change. We recognise that scenario analysis will be developed over time, and we shall continue to ingrate the findings into Senior's risk management framework.

RISK MANAGEMENT

The organisation's processes for identifying, assessing and managing climate-related risks

Climate risks are identified, assessed and managed using Senior's risk management process as shown on page 62 on an annual basis. The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") enterprise risk management integrated framework serves as the foundation of the Group's risk management process, tailored to reflect Senior's culture and values. The process includes identification of relevant risks, risk scoring, development and assignment of response actions, monitoring the effectiveness of key mitigating controls and reporting of the risk and assurance environment to the Executive Committee, the Audit Committee and the Board.

During 2022, the multi-disciplinary team including the Group Director of Risk and Assurance, the Group Director of HSE & Sustainability, the Divisional CFOs, the Director of Investor Relations and Corporate Communications, the Director of Business Development & Strategy, the Head of Treasury and the members of the Secretarial team, re-assessed the climate-related risks, taking into account the evolving landscape associated with climate change in the areas of existing and expected legislation, supplier and consumer preferences, government policies and commitments, as well as changes in weather patterns. The results of the assessment were reviewed by the Executive Committee and the Board.

Climate-related risks and opportunities are identified using a wide range of data sources, such as climate change specific publications and data, CDP disclosures from peers, relevant sector literature and guidance from TCFD for Senior's sector. Materiality of climate-related risks is assessed by considering such factors as likelihood, magnitude of impact and the strategic importance to the business. For our 2022 assessment, risks were assessed as residual, having considered existing controls and mitigations.

Mitigating action plans are developed for all climate-related risks where the risk scoring exceeds the Group's tolerance level for that risk. The action plans include a detailed description of the response actions (assigned to the members of the Executive Committee and other senior members of staff) as well as time horizons for completion of the mitigating action plans. Action plan progress is tracked to ensure timely implementation. The overall effectiveness of the risk control environment is closely monitored through assurance and audit activities to assess if critical risks are being mitigated within the Group's risk tolerance.

Integration of processes for identifying, assessing, and managing climate-related risks into the organisation's overall risk management framework

Climate-related risks form part of the Group's risk register and will be subject to the annual review by the Executive Committee and the Board. Climate change has been reported as one of the Group's principal risks since 2019.

METRICS AND TARGETS

Metrics used to assess climate-related risks and opportunities

Targets used to manage climate-related risks and opportunities and performance against targets

The below table illustrates the metrics we have selected to measure our climate-related risks and opportunities. We selected these metrics because we consider that they are relevant to the climate-related risks and opportunities facing Senior, as well as regulatory and stakeholder expectations; in addition, these metrics are measurable, transparent, comparable and actionable. Our Near-Term Scope 1, 2 and 3 targets were verified by SBTi in 2021. In July 2022, Senior applied to the SBTi for verification and approval of its Long-Term Net Zero climate targets for Scope 1, 2 and 3 emissions. The targets, to be achieved by 2040, are aligned to 1.5°C for all scopes.

Although the Company's Remuneration Policy allows the Remuneration Committee to include in the bonus, strategic measures limited to 25% of the bonus opportunity, this facility has not been used nor have we included an ESG target within the long term incentive plan. Part of our thinking is that it is clear from past and current performance, that our sector-leading ESG metrics and progress has been achieved without the need to incentivise, due to our core values.

Climate-related target	Target year	Base Year	Progress in	Metric	Link to material climate risk
Reduce absolute Scope 1 and 2 GHG emissions by 30%	2025	2018	22% decrease (2021 – 19% decrease)	Tonnes CO ₂ e	Increased pricing of GHG emissions/cost of carbon offset Increased stakeholder concern or negative stakeholder feedback/ Stigmatisation of sector
For Scope 3 GHG emissions, 80% of suppliers by spend to have climate Science Based Targets	2025		160 (2021 – 94)	Supplier Engagement (response rate)	Increased pricing of GHG emissions/cost of carbon offset Increased stakeholder concern or negative stakeholder feedback/ Stigmatisation of sector
Achieve a recycling rate of 95%	2025		94.8% (2021 – 93.1%)	% of waste recycled	Increased stakeholder concern or negative stakeholder feedback/ Stigmatisation of sector

Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions

➤ The details of our Scope 1, 2 and 3 emissions, in compliance with SECR, can be found on page 25.

Focus areas for 2023

Governance	Develop, review and approve the actions required to implement Senior's Long-Term Net Zero targets
Strategy	Incorporate the risks and opportunities presented by Senior's Long-Term Net Zero Targets into the 2023 annual risk assessment Perform annual assessment of climate-related risks and opportunities at the operational level Review the impact of Senior's Long-Term Net Zero targets on its strategy and business model
Risk Management	Continue to enhance the Group's risk management process in respect of climate-related risks
Metrics and Targets	Develop interim milestones to achieve Senior' Long-Term Net Zero targets and consider additional metrics and targets to assess climate-related risks and opportunities

SOCIAL



HEALTH & SAFETY

The health and safety of our employees remains a core focus for Senior. The pursuit of world class health and safety in all of our undertakings is a recognised priority at all levels in our business.

We ask all our employees to be proactive in identifying and reporting unsafe work practices or potentially hazardous situations, in 2022 we received 12,615 such “near miss” reports, an improvement from 11,556 in 2021 (which help to prevent recordable safety incidents). We actively share good practices and learnings across our operations with regional meetings and on our intranet.

Senior has a Group-wide Environment, Health & Safety (EHS) Management Framework encompassing risk evaluation and operational controls for all our facilities. This is subject to an annual audit by ISO-trained staff. Seven of our operating businesses have already transitioned from OHSAS 18001 to ISO 45001.

Employees at our operating businesses are required to take regular environment, health and safety training determined by their specific roles, areas where they work, job functions and responsibilities.

No work-related employee or contractor fatalities occurred in the Senior Group in 2022 with no major (serious / life changing) injuries to employees or contractors working on behalf of Senior.

We experienced a reduction in the Total Recordable Injury and Illness Rate of around 21% compared to 2021 underpinning the positive, downward trajectory of safety incidents. However, there was a small increase in the Lost Time Injury and Illness Rate emphasising the need for continuous improvement. With this in mind, in 2022 we initiated three major global safety initiatives in addition to the routine auditing and support activities. Two of these – hand safety and ergonomics – are aimed at the most frequent causes of lost time injuries across Senior whilst the Golden Rules update is designed to prevent major injuries.

These initiatives are:

1) Senior Golden Rules for Safety – refresh and roll out.

Work commenced on this programme in 2021, our Golden Rules have been enhanced by incorporating elements of our behavioural safety programme and updated best practices. Multi-lingual training material has been produced and all of our businesses have completed the programme this year.

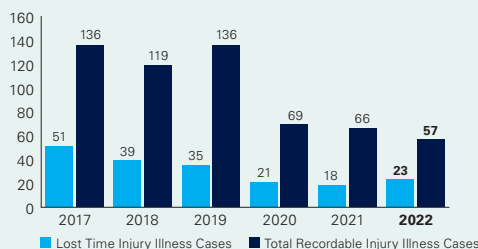
2) “Hand Injury” reduction

Cuts and injuries to hands have been a common source of injury in Senior for many years. The parts we produce often have sharp edges and hand finishing of the high-quality components remains a part of our process in many businesses. In 2022, we took a fresh look at these risks and rolled out a global programme to address the main causes after an exhaustive evaluation of the detailed causes of injury over the last five years. It is too early to report on the success of the programme as yet, an update will follow in 2023.

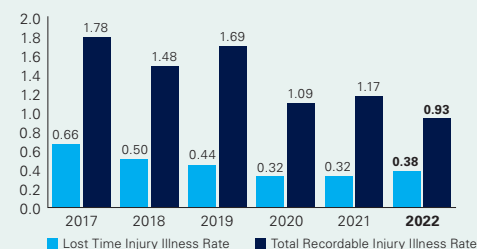
3) A New Ergonomic assessment programme

Ergonomic injuries are the second most common type of injury in Senior (just behind hand injuries). To counter this, we have engaged a leading global consultancy and started to roll out a programme, initially in North America – see the case study.

Senior Group Injury cases



Senior Group Injury rates



Lost Time Injury and Illness Rate (“LTIR”), defined as the number of work-related lost time injury or illness cases (losing more than one complete shift) per 100 employees. The Total Recordable Injury Illness Rate is defined as the number of cases of lost workdays, restricted work activities, job transfers, medical care beyond first aid and work-related illnesses expressed per 100 employees.



SENIOR AEROSPACE MEXICO CELEBRATES HEALTH & SAFETY ACHIEVEMENT

Senior Aerospace Mexico recognises five years with no lost time injuries.

Over 200 senior employees joined local officials from the health & safety secretary office and civil protection office, together with general managers of other companies from the local industrial park for a celebratory lunch and presentation.



EQUALITY, DIVERSITY AND INCLUSION



“Senior promotes an inclusive culture and working environment where individuals can thrive, and diversity is valued.”

Jane Johnston
Group HR Director

Our Core Values underpin our culture.

Senior's leaders are committed to ensuring equal opportunities, fairness of treatment, work-life balance, and the elimination of all forms of discrimination in the workplace for employees and job applicants. We aim to create a working environment in which everyone can thrive, achieve their full potential, and contribute to the success of Senior, and where all decisions are based on skills and merit. We recognise the benefits of different perspectives and local cultures and encourage individuals to speak freely,

as diverse contributions lead to better solutions and business outcomes. The Group's Equality, Diversity and Inclusion policy is contained within the Code of Conduct, and every employee receives a personal copy of the booklet.

Senior promotes a culture and working environment in which everyone can make the best use of their skills, free from discrimination or harassment. In 2022, all employees undertook Preventing Harassment and Promoting Respect training as part of our annual, mandatory Code of Conduct training. Our Values define how we treat people, and reinforce our commitment to be open and straightforward with colleagues, customers, suppliers and other stakeholders.

We expect people to treat everyone they meet in the course of business with respect and dignity. The right behaviours are underpinned by our Values, policies and procedures that support our people processes, for example talent acquisition, succession planning, promotions and learning and development opportunities.

The Executive Committee and business leaders continue to focus on providing a diverse and inclusive workplace. Gender diversity receives much attention in Senior, however we believe that it remains an opportunity for further improvement, particularly in our operating businesses general management. We are continuing our global participation in Mission Gender Equity Mentoring. The programme supports and encourages the development of talented women. In 2022, we analysed the 2022 Global Employee Opinion Survey feedback by gender. The participation in the survey

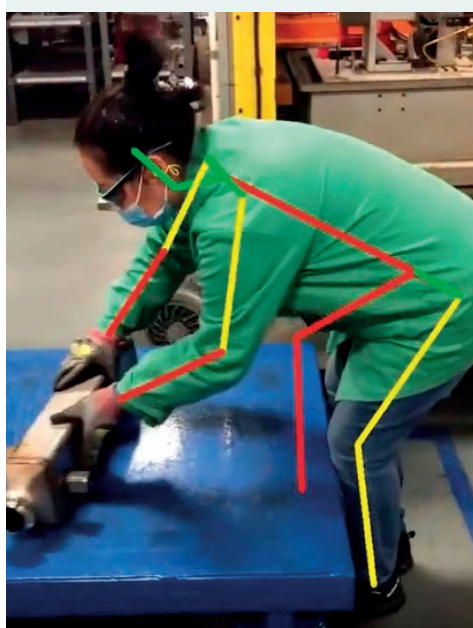
was higher for women than men, levels of participation being a measure of positive engagement. In addition, it was notable that women again scored higher than men on their overall engagement score and organisational fit, indicating that they feel that Senior is a great place to work.

The table below shows the Group's Board of Directors, Executive Committee and operational senior management in 2022 by gender.

	Male	Female
All employees	78%	22%
Operational senior management	82%	18%
Executive Committee	71%	29%
Board	45%	55%

We strive to reflect the diversity of the communities we work in at all levels across our workforce. Senior is an equal opportunities employer. The Board seeks to ensure a diverse workforce that supports all employees, irrespective of age, disability, gender reassignment, marriage and civil partnership, race, religion or belief, sex or sexual orientation. We will not tolerate any form of unlawful discrimination against our colleagues, or any third parties be they potential employees, customers, subcontractors, suppliers or members of the public.

In accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, Senior publishes its Gender Pay Gap Report, as required on the Company's website.



SENIOR PARTNERS WITH LEADING CONSULTANCY TO REDUCE ERGONOMIC RISKS

Ergonomic injuries account for around 40% of our safety-related incidents in Senior. To reduce these incidents, we have engaged a leading global expert consultancy and have piloted "Industrial Ergonomics", an online ergonomics training, assessment, and management solution in 10 of our manufacturing operations in the US and Mexico.

"One thing that differentiates Industrial Ergonomics from other software solutions is the e-learning made available to the teams" says Nick De Bruyne, Senior's Group Safety, Health and Environmental Manager.

Nick conducted a roll-out programme in our Bartlett facility, training around 20 Senior staff how to use the bespoke software. While assessing a job, workshop attendees enter the data into the bespoke portal. When data entry for all body segments is complete,

the application generates a colour-coded image of the human body, indicating low-risk (green), medium-risk (yellow), and high-risk (red) on affected body segments. An overall risk score for the job is also calculated. These dashboards act as our status report and are reviewed at our monthly leadership meeting. They allow us to see the issues we have at each site, and proactively calculate where we want to be in the future. The ability to filter the data by site, state, or country is especially helpful to the team. The data will help our businesses establish local action plans to eliminate risk. On a global level, we can track the businesses performance and establish areas of common risk and best practice.



PEOPLE AND CULTURE



In our autonomous and collaborative business model, our operational business leaders are empowered and accountable, setting the tone for their operations guided by our Values. As we emerge from the pandemic, we have seen a change in emphasis during 2022 as the business recovers. In a challenging employment market, we have been focusing on retaining and recruiting talent to meet business growth requirements. We have done this by benchmarking pay rates in local markets, making adjustments if appropriate, and ensuring we are paying people fairly for the work they do. We have seen operations providing one off payments or allowances to support employees with the increased cost of living. We have remained vigilant regarding changing pay expectations and supporting employees through these challenging times. Examples include, promoting our employee assistance programmes which cover areas such as debt management, legal advice and counselling services, promoting saving for retirement and flexible working. We have also strengthened our links with technical colleges and universities close to our operations, providing opportunities for students to visit Senior, apprenticeships, and for Senior to build a longer-term talent pipeline.

We continue to view the provision of development opportunities and training across the group as vital to our success.

This year we have seen an increase in face-to-face and on the job training and workshops as COVID-19 restrictions have eased. This includes Toolbox talks, supervisor and leadership skills training, “lunch and learns” as well as technical training. We continue to sponsor individuals undertaking external and more academically orientated courses and training, for example engineering degree courses. Across Senior, we have continued to provide opportunities for learning and development, meeting both skills and technical training across the Group. In 2022 we enhanced our skills training content in Learn, our best in class eLearning platform, expanding the catalogue and providing the training in all our languages. Individuals can select courses and manage their own learning, covering areas such as IT skills, Leadership and Management, Project Management, Health & Wellbeing and Communication skills. Learn also enables us to deliver our Code of Conduct training and other compliance training such as Cybersecurity. A significant proportion of learning is on the job and our culture of sharing knowledge and supporting colleagues is central to developing technical competencies in our operations. As evidenced in the Global Employee Opinion Survey, peer relationships remain a strength and colleagues help and support each other. We have an open and honest culture of respect and trust and people value teamwork and the teams they work in and with. This has been particularly important when we welcomed new employees to our operations and support them to become valued team members.

“Perform”, our Performance and Development system, provides a framework for managers and team members to discuss feedback, performance, behaviours linked directly to our Values, set clear objectives, both business and personal development and create development plans. These discussions are designed to be constructive, open two-way dialogues. This year we have changed our succession planning cycle to align with year-end Perform reviews and have improved the process, introducing

updated leadership indicators and the use of high-performance indicator tool for our top talent. The Executive Committee scrutinises the succession plans and talent pipeline, identifying successors or interim cover for key roles across the Group. During these discussions we focused on functional capability, for example engineering, as well as operational leadership. Personal development plans are recorded and monitored in Perform to enable individuals to fulfil their potential. The Board reviews the succession plans for the Executive Team and their direct reports on a regular basis, with a special emphasis on encouraging diversity and inclusion.

As outlined in our Values and Code of Conduct, we work together with mutual trust and respect and operate with integrity and in an ethical manner. The feedback from our survey is consistent with this and confirms that employees believe that people are treated fairly and that we do not tolerate misconduct. Our culture is to encourage open and honest feedback with potential issues or concerns being raised with local management. However, on the rare occasion when things cannot be resolved locally, employees are encouraged to raise their concerns through our third-party whistle-blowing service, Ethics Point. All concerns raised are investigated and learning points are actioned by local leadership teams as appropriate.

In order to meet the increased demand from customers, we have seen an increase in recruitment activity. In order to meet demand, we are continuing to focus on building strong relationships with local technical colleges, universities and education establishments, partnering with recruitment firm. We are extending our use of job boards and other approaches to advertising and attracting applicants, and are continuing the roll out of Recruit, our talent acquisition system, to our UK businesses as well as focusing on our employer brand.



EMPLOYEE WELLBEING

The health and wellbeing of our colleagues remains a priority. Included in our Global Employee Opinion Survey is a specific Health and Wellbeing section and the score across all of Senior was 7.5 out of 10. The wellbeing section of the survey looks at four key drivers of health and wellbeing and in addition to the question scores, we have received over 3,000 comments which are analysed by leadership teams, and provide further insights into how we can support our employees.

Our operating businesses provide support and education to employees as appropriate

to their local needs and have promoted specific health drives, for example, breast cancer awareness and fund raising, prostate cancer testing, menopause awareness, health checks, providing vitamin pack to employees and flu vaccinations. We have a number of individuals specially trained to support colleagues with mental health issues and employee assistance programmes in many of our businesses. In common with many businesses, where possible, we are offering employees more flexibility with working patterns by offering hybrid working and changing shift patterns,

thereby improving individual work life balance. Other examples of how we support employees include offering subscriptions to wellbeing apps, sports activities and team building events.

During the year we have enhanced our eLearning content to now include a number of focused wellbeing modules such as Mindfulness at Work and Positive Mental Health delivered in multiple languages. We remain vigilant regarding occupational health, for example ergonomics, supported by our Health and Safety frameworks.



COMMUNITIES

Senior's businesses actively supported their communities in which they operate by undertaking a range of charitable activities.

In the UK four operations sponsored local community sports teams with Senior Aerospace Thermal Engineering in Royston providing uniforms to a girls football team. In June, a small team of dedicated cyclists rode the 260 miles from Senior Aerospace Weston in Earby, Lancashire to our Rickmansworth head office, visiting colleagues at Senior Aerospace BWT, Senior Aerospace Bird Bellows and Senior Aerospace Thermal Engineering on route – "Tour de Senior". The trip was completed over four days raising money to support youth programmes in the community local to Weston.

At Senior Flexonics India, we have again collaborated with a non-government organisation, "PRAKASH DEEP" to help support the provision of quality education to underprivileged children.

All our operations support their local communities and to name some examples: Senior Metal Bellows is a long-standing sponsor of HESSCO's (Health and Social Services Consortium) St Patrick's Day 5K race. HESSCO's mission is to help older adults and individuals living with a disability remain safe and independent at home for as long as possible. The team was placed 1st in the Race with additional accolades to one Team Member who finished 1st overall.

Senior Flexonics Lymington and Senior Aerospace Metal Bellows supported the Empty Bowls campaign that encourages members of the local community to support their local food bank or any initiative that provides food to those in need and educates people about the issue of hunger. Senior Flexonics Upeca (China) held a parent-child outward bound training for employees. As well as having fun, the event developed communication and cooperation skills, and was a great team building event.

Many of our businesses have also been supporting food banks, donating to local and national charities and have a regular programme of supporting local community efforts.

Our colleagues contribute their time, money and effort in areas including educational mentoring and encouraging the take-up of Science, Technology, Engineering and Mathematics ("STEM") subjects in schools. Across the Group we encourage and support our colleagues in sharing their expertise and in particular, enthusing the next generation about the possibilities offered by science and engineering. For example, by working with technical colleges and education establishments local to our operations.

SENIOR FLEXONICS CRUMLIN ENVIRONMENTAL IMPROVEMENT PROJECT

The team at Senior Flexonics Crumlin participated in a Community based project at a Primary School local to their site to renovate an area for the children to utilise for learning. The team invested their time, resources and funds into this community project, and managed to source materials for the improvements for free or at discounted rates. The forest school area was in a poor state, with limited areas for the children to use due to overgrown brambles, broken rocks, trip hazards and rubbish thrown into the area off the street. The Senior Flexonics Crumlin team cleared the area and rebuilt it to make it an amazing place for the children to enjoy for many years to come. The team-built mud kitchens, rope climbs, a new path, a water feature, imagination area and even a fire pit. The project was a great success, both in terms of enhancing the area for the benefit of the school and team building for the team at Crumlin.



GOVERNANCE

Ethics Governance

Our Core Value of “Integrity” is essential to our success

Senior remains committed to the highest standards of ethics, promoting the culture of zero tolerance towards bribery and corruption. Employees can give honest feedback, express concerns if there are any practices that they feel uncomfortable with allowing us to take corrective actions when mistakes happen. Our ethics and business conduct programme commits us to conducting business fairly, impartially and in compliance with local laws and regulations and to acting with integrity and honesty in our business relationships. The programme is underpinned by the Code of Conduct, which provides a clear framework on which to base decisions when conducting day-to-day business. It does this by:

- clearly setting out the behaviour expected of all employees;
- providing guidelines which help employees to apply our Values; and
- enabling employees to raise a concern or ask a question if in doubt.

Acting ethically is fundamental to our business success; it enables us to strengthen long-term relationships and protect the Group’s reputation.

We use various forms of communication and training materials, both in person and through electronic media, to embed the ethics and integrity requirement across the Group. We investigate any alleged violations or complaints and take the necessary action. A register of reported whistle-blowing incidents is maintained by the Group Company Secretary and the Board receives regular updates.

In July 2021, all employees were issued with a personal copy of the Group’s updated Code of Conduct booklet and provided with training on the revised Code of Conduct. All new joiners are issued with a copy of the booklet and provided with training on the Code. In 2022, all employees received refresher training on Senior’s Code of Conduct. The completion rates typically run at around 94% allowing for new starters who have not completed their training immediately on joining.

The Code of Conduct booklet is available in all languages applicable to the Group’s employees.

Any fraud issues that have come to the attention of the Director of Risk and Assurance (formerly the Head of Risk & Compliance) are discussed by the Audit Committee, noting the cause, the action taken and any improvements to internal controls implemented as a result.

Gifts and hospitality

The Group’s Code of Conduct contains specific provisions on Gifts and Hospitality. Employees must declare any gift or hospitality provided or received with the individual or annual aggregate value in excess of £200 (or lower amount) as specified in the Group Gifts and Hospitality Policy.

Anti-bribery & Corruption

The Group recognises that the use of third-party intermediaries can increase potential bribery and corruption risks within the markets in which we operate. The Company conducts appropriate due diligence and ongoing monitoring of third parties with which it works, including regular screening, risk assessments, and compliance health checks. The Company also subscribes to third-party rating organisations to support its due diligence process, particularly when appointing agents and distributors. The Company has a Responsible Sourcing Policy which includes a structured approval process for all key suppliers and those with additional risks.

The Group’s Code of Conduct clearly states that Senior will follow all applicable laws and regulations, including the UK Bribery Act, etc. Other Group policies, such as The Use of Agents, reinforce this.

Insider dealings

The Company has a Dealing Code (the “Code”), aimed at ensuring that the Directors of the Company, and employees identified as persons discharging managerial responsibilities (“PDMRs”) of the Company and its subsidiaries, do not abuse, and do not place themselves under suspicion of abusing, Inside Information and comply with their obligations under the Market Abuse Regulation. The Code contains the dealing clearance procedures which must be observed by the Company’s PDMRs and those employees who have been told that the clearance procedures apply to them. This means that there will be certain times when these employees cannot deal in the Company’s securities. The Code also contains certain additional obligations which only apply to PDMRs. Failure to observe and comply with the requirements of the Code may result in disciplinary action.

Compliance risk assessments and audits

The Company conducts annual Control Self Assessments at all of the Group’s operating businesses, which include questions related to the Code of Conduct. The Company also conducts Internal Audits which include testing on areas of governance, including the Code and the prominent display of the Group’s whistle-blowing procedures at all of the Group’s sites. Risk assessments are conducted at operating business and Group level. Risks related to areas contained in the Code of Conduct are considered, with follow up actions where residual risk is deemed high. A more detailed fraud risk assessment is also performed.

Whistle-blowing

As part of our internal control procedures, the Group has a Whistle-blowing Policy that is communicated across all our operations. This Policy provides employees with the opportunity to report suspected unethical or illegal corporate conduct confidentially and anonymously.

The third-party whistle-blowing free, secure reporting service, which is externally hosted, is available in all languages appropriate to our global locations.

The Group Company Secretary provides information on any reported whistle-blowing cases in monthly Secretarial reports to the Board of Directors. This is a standing agenda item at every Board meeting. In addition, the Group HR Director summarises the total cases and assesses if any patterns or trends are emerging. This is included in every Group Chief Executive Officer’s report to the Board.

Information Security update and our plans for 2023

In 2022, Information Security training continued to be delivered to all employees. Further details of the training courses provided during 2022 can be found on page 37. Training courses planned to be rolled out in 2023 include: Secure Use of Email and Instant Messaging; Using Mobile Computing Securely; and Working Securely in Public Places.

Board

Board gender diversity

The Board is supportive of the aim to improve diversity in public companies. In 2022, five of the nine Directors were female (55%).

Board succession & Board effectiveness

Please see the Nominations Committee Report on pages 97 to 99 in the Annual Report & Accounts 2022 for details of the Board’s succession planning and the annual review of Board effectiveness.

Independence of Directors

Six of the Board members out of a total of nine at the 2022 year-end were independent. These were Celia Baxter, Susan Brennan, Barbara Jeremiah, Giles Kerr, Rajiv Sharma and Mary Waldner.

Shareholder Democracy

Restriction on Voting Rights

The Company has only one class of shares; these are ordinary shares which carry no right to fixed income and have equal voting rights. The Company does not apply any voting rights ceilings.

Size of shareholding necessary to introduce a new Resolution

Threshold requirements to introduce a new Resolution at the forthcoming AGM are stated in the Notes to the 2023 AGM Notice of Meeting, which can be found on the Company's website.

Facilitation of shareholder participation

At the 2023 AGM, shareholders will be able to vote in person, or by proxy, on resolutions by post or electronically by visiting www.sharevote.co.uk. Further details can be found in the Notes to the 2023 AGM Notice of Meeting.

Internal Audit

The Internal Audit Manager reports to the Director of Risk and Assurance (formerly the Head of Risk and Compliance). In 2022, the Internal Audit Manager undertook four Information Security audits, 10 Internal Control audits, one Trade Compliance audit and three Thematic audits.

Risk process

Please see the Risks and Uncertainties section of the Annual Report & Accounts 2022 on pages 60 to 71.

Data Protection and Information Security

Information security risk assessments are routinely conducted across the Group, an example of which includes assessing third-party suppliers to ensure systems are secure by design. Where a system is unable to comply fully with Senior's security policy or minimum standards, the risk is identified by subject matter experts, reviewed with applicable risk owners and steps agreed to manage any risks identified.

In 2022, information security continued to be a key area of focus to safeguard the Group's assets, with some of the Group's employees continuing to work from home in environments that could not be directly controlled by the Group's Head of Information Security. Working from home was facilitated by secure remote access to the operating businesses' computer networks. During the year, all staff received training and regular reminders about the risks related to information security and the importance of awareness of matters such as fraud, scammers and ransomware, proper use of the internet and smart downloading.

The Group's Head of Information Security provides regular updates to the Board and attended the September 2022 Board meeting to formally present a report on information security issues identified during the year, the improvements to security made and the plans for the future.

Targets and Objectives

In 2019, the Group implemented a three-year rolling Information Security plan, which documented its mission to improve security maturity and reduce business risk across the Group. As capabilities were introduced, metrics were developed and routinely reported (including to the Executive Committee) which measured effectiveness and provided a feedback loop to the ongoing plan. In July 2022, the Executive Committee approved a new Information Security strategy, with the objective of further maturing the Group's cyber defences for the next three years.

Physical and Technical Safeguards

The new three-year Information Security strategy builds on existing physical and technical safeguards already in place by creating a more mature security infrastructure with growing capability, using a risk-based approach.

Certification

The Group's Information Security policy is based upon a number of recognised, international standards, including ISO 27001, NIST CSF and the CIS top 20 controls, which all the Group operating businesses are required to follow.

Procedures for Outsourced Data Processing

Where third-party data processing is utilised, the Group follows its internal data protection policies and risk assessment procedures, including reviewing contractual provisions for both existing and new providers.

Sustainability Governance

Internal governance of the Group's Sustainability factors is reviewed at both Executive Committee and Board level and the factors are externally verified, where applicable. Further details can be found on page 25 of the Annual Report & Accounts 2022.

Product Safety

Product quality is absolutely core in all of Senior's businesses and activities. All of Senior's businesses have ISO 9001 accreditation for manufacturing. The operating businesses have additional aerospace and automotive accreditations, dependent upon their intended markets. Ultimate responsibility for product quality and safety lies with the senior manager of each business unit.

All products undergo service/safety risk assessments, as required in Senior's demanding markets. Employees receive regular training on product and service safety. All the Group's operating businesses have in place incident investigation and corrective action policies and procedures and quality testing programmes.

Product/service objectives or targets are set by the operating businesses to meet customer requirements and regular external product/service safety audits are conducted, where standards require.

Tax Transparency

Senior's 'Approach to Tax' document can be found on the Company's website.

ADDITIONAL RESOURCES

- Read more about Technology on [pages 44 to 49](#)
- Read more about Our Technology and Product Development on the Road to Net Zero on [pages 20 and 21](#)
- Read more about Stakeholder Engagement on [page 50 to 55](#)

OUR BUSINESS MODEL



We aim to create value for all our stakeholders through our business model.

WHAT WE DO

Senior designs and manufactures highly engineered, technology rich components and systems for principal original equipment manufacturers in the worldwide aerospace and defence, land vehicle and power & energy markets.

The Group has a global footprint with

26

operating businesses

Located in

12

countries

OUR PURPOSE

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.

HOW WE DO IT

OUR STRENGTHS/DIFFERENTIATORS

Organisation

- A culture of autonomous collaboration
- Active sharing of best practices
- Complementary capabilities
- Leverage common customer and supplier relationships
- Strong Divisions provide additional focus on growth, performance and governance

Financial

- Financial strength supporting investment and innovation for customer benefit

Global footprint

- 26 operating businesses in 12 countries covering five market sectors
- An integrated global footprint providing customers with market proximity and cost competitiveness

People and culture

- Integrity and high ethical standards
- Maintaining a safe and healthy workplace
- Empowerment of local management, within a well-defined control framework
- Ongoing investment in personal and professional development at all levels throughout the business

➔ Read more about our people on [page 34](#)

Innovation

- Focusing on technology, product and process innovation to better serve our customers and enhance our business model

AEROSPACE



➔ Read more about Aerospace on [page 72](#)

FLEXONICS



➔ Read more about Flexonics on [page 76](#)

OUR CORE VALUES

"THE SENIOR WAY"

Safety

We operate safely, protecting people and the environment.

Integrity

We operate with integrity and in an ethical manner.

Customer focus

We put the customer at the heart of everything we do.

Respect and trust

We work together with mutual respect and trust.

Accountability

We do what we say.

Excellence

We continually strive to do better in every aspect of our business.

OUR VISION

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

OUR STRATEGIC PRIORITIES

Focus on growth

We seek to outgrow our end markets, which have structural long-term growth drivers, both organically and through acquisition.

Considered and effective capital deployment

Senior understands the importance of considered and effective capital deployment in the interest of maximising the creation of shareholder value.

Talent development

Senior has a skilled workforce and highly experienced entrepreneurial business leaders. We invest continuously in technical skills and professional and leadership development.

Autonomous and collaborative business model

Senior's business model is one of empowering and holding accountable our businesses, operating within a clearly defined divisional structure, to develop and deliver business plans in line with overall Group strategy.

Competitive cost country strategy

Senior has a global footprint to ensure we stay competitive at a capability and cost level. In addition to our North American and European footprint, we have facilities in Thailand, Malaysia, China, India, Mexico, South Africa and the Czech Republic which help to ensure we meet our customers' cost and price challenges whilst enhancing returns on investment.

High performance operating system

Senior has implemented a high performance operating system, drawing on the many excellent practices from across the Group, through the Senior Operating System and a comprehensive business review process.

Sustainability

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. We help tackle climate change by applying our expertise and technology across many different applications in hard to decarbonise sectors.

> Read more about our strategic priorities on [pages 42 and 43](#)

OUR CULTURE

Our Values set out the principles and standards of behaviour that drive our culture.

The safety and wellbeing of our employees is a priority in everything that we do, and our safety culture has been key to how we have successfully managed the business during the pandemic, supporting employees through very challenging times.

In our autonomous and collaborative business model, our operational business leaders are empowered and accountable, and set the tone for their operations. The principles of openness and transparency are strongly encouraged and are evident across all of our businesses.

OUR LONG-TERM SUSTAINABLE VALUE

OUR EMPLOYEES

Inspiring entrepreneurial and operational leadership directs a highly motivated and skilled workforce



OUR CUSTOMERS

Continuously delivering competitive products and solutions to customers with outstanding quality and delivery performance



OUR SUPPLIERS

Developing reliable, ethical and sustainable supply chains ensuring we can meet our customers' requirements



OUR COMMUNITIES

Actively participating and helping to improve the quality of life in our local communities. Minimising our environmental impact through peer leading sustainability programmes



OUR SHAREHOLDERS

Generating value through sustainable growth in operating profit, cash flow and shareholder value



PLANET

Caring for our planet by reducing greenhouse gas emissions, beneficially using our water and recycling our waste



INVESTMENT CASE

POSITIONED FOR GROWTH

OUR PURPOSE

We help engineer the transition to a sustainable world for the benefit of all our stakeholders



AEROSPACE



FLEXONICS

➤ Read more on [pages 72 to 77](#)

CLEAR STRATEGY TO MAXIMISE SHAREHOLDER VALUE



DIFFERENTIATED BUSINESS MODEL



FOCUSED STRATEGIC PRIORITIES

TRUSTED AND COLLABORATIVE HIGH VALUE ADDED ENGINEERING AND MANUFACTURING COMPANY

DELIVERING MINIMUM 13.5% ROCE (RETURN ON CAPITAL EMPLOYED) OVER THE MEDIUM TERM

STRONG CORE END MARKETS



Civil Aerospace

Increasing passenger demand to fly and higher air traffic drives the need for new and replacement aircraft. Environmental pressures to focus on clean technology is ideal for Senior's product and technology portfolio

➤ Read more on [page 14](#)



Defence

Defence remains a priority for the US and has increased in importance for other countries given the current geopolitical situation. Senior has key positions on major funded programmes

➤ Read more on [page 14](#)



Land Vehicle

Demand driven by tightening global emission control regulations for truck, off-highway and passenger vehicles

➤ Read more on [page 15](#)



Power & Energy

Market leader of complex fluid systems and products

➤ Read more on [page 15](#)



“Senior's Purpose and compelling strategy provides a solid foundation to support our future growth aspirations.”

David Squires
Group Chief Executive Officer

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.



**LEADING POSITION IN
ATTRACTIVE MARKETS**



**LONG-TERM GROWTH
AND VALUE CREATION**

Focus on IP-rich fluid conveyance & thermal management technology and capabilities.

These capabilities are supported by a strong body of design and manufacturing process intellectual property and know-how.

DELIVERING SUSTAINABLE GROWTH

OUR DIFFERENTIATORS

- Safety & ethics are always our highest priorities
 - High performance operating system
 - Intrinsically strong cash generation
 - Autonomous and collaborative business model with a robust control framework
 - Strong balance sheet
 - Technology, product and process innovation supporting transition to clean energy
 - Considered and effective capital deployment
 - Global footprint
- Read more about on [page 38](#)

SUSTAINABILITY LEADERSHIP

- First worldwide in A&D sector to have greenhouse gas reduction targets verified and approved by the Science Based Targets initiative
 - CDP leadership rating of A on climate change and Supplier Engagement Leader status on supplier engagement
 - Lost Time Injury Illness Rate improved by 62% and Total Recordable Injury Rate improved by 67% from 2015 to 2022
 - Early adopters of Hampton Alexander and Parker Reviews on gender and ethnic diversity targets
- Read more about on [pages 16 to 37](#)

STRATEGIC PRIORITIES

The following seven strategic priorities are key elements of our business model which drive the creation of stakeholder value.

We have added sustainability as the 7th priority reflecting the increasing importance which our stakeholders attribute to our work in this area.

Our progress since these priorities were established is shown and they continue to receive specific attention and focus.



➤ Read more about Risks and Uncertainties on pages 60 to 71

FOCUS ON GROWTH

Senior's end markets have structural long-term growth drivers. We believe it is possible to outgrow our end markets and we seek to do that both organically and through acquisition by:

- Growing market share, particularly with key customers;
- Focusing on technology and product innovation;
- Geographical expansion;
- Seeking out and exploiting adjacent opportunities organically and through acquisition.

What we did in 2022:

- Succeeded in expanding our Space business for both low orbit satellites and launch vehicles;
- Secured higher share of dual sourced content as a result of strong operational performance;
- Senior Flexonics Bartlett launched EGR cooler production for heavy duty truck engine replacing an incumbent;
- Completed the acquisition of Spencer Aerospace Manufacturing;
- Continued to pursue the utilisation of Additive Manufacturing ("AM"), both non-metallic and metallic, in our product offerings. Senior now has AM products on both civil and military programmes;
- Developed new material technologies in support of our customers' requirements for thermal management applications for passenger car and commercial vehicles.

Our plans for 2023

- Develop capability for the manufacture of highly engineered standard parts, which will include hydraulic fittings, metallic flanges and clamps to vertically integrate and support our customers' high rate production requirements;
- Establish and develop capability for the design, qualification, manufacture and supply of hydraulic fittings in Europe to support European OEMs;
- Develop products for battery cooling, thermal management of inverters, hydrogen gas compression and fuel cells;
- Develop fluid distribution systems for hydrogen powered fuel cells & electrolyzers.

Governance

Growth opportunities are regularly reviewed by the Executive Committee and Board. The Technology Council is in place under the chairmanship of the Group Director of Business Development & Strategy and progress on strategic technology and product developments are regularly presented to, and discussed by, the Executive Committee and the Board. The long-term strategic growth plan is evaluated at the annual Board Strategy Review and monitored continuously.

CONSIDERED AND EFFECTIVE CAPITAL DEPLOYMENT

Senior understands the importance of considered and effective capital deployment in the interest of maximising the creation of shareholder value. All significant investments undertaken by Senior are assessed using a rigorous investment appraisal process and are supported by a business case. The Group has a financial objective to maintain an overall return on capital employed 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.

What we did in 2022:

- Increased ROCE by 370 bps through significantly improved profitability;
- Maintained our pricing and return on capital discipline when negotiating contracts and assessing investments;
- Acquired Spencer Aerospace a Fluid Systems fittings business, a company specialising in highly engineered, high-pressure hydraulic fittings for fluid conveyance applications;
- Continued to actively manage the portfolio by reviewing our operating businesses and evaluating them in terms of strategic fit within the Group;
- Reinstated dividend in 2022.

Our plans for 2023

- Continue to increase the Group's ROCE;
- Integrate and grow Spencer Aerospace in line with the business plan;
- Continue to drive working capital efficiencies at all operations;
- Continue to actively manage portfolio.

Governance

The Board regularly reviews its portfolio to ensure that long-term value is being generated for shareholders. Where appropriate, divestments will be considered. M&A opportunities are evaluated and discussed at each Board meeting, as appropriate, and the M&A and Prune To Grow strategies are reviewed at the Board's Strategic Review.

TALENT AND DEVELOPMENT

Senior has a skilled workforce and highly experienced entrepreneurial business leaders. It aims to further develop and attract new talent, supporting employees with online tools to enable personal and skills development. The Group has a strong focus on diversity and inclusion across the business including on our Board and Executive Team. We were early adopters of Hampton Alexander and Parker Review recommendations on gender and ethnic diversity targets.

What we did in 2022:

- Ongoing actions as a result of the Global Employee Opinion Survey feedback;
- Focused on attracting and developing talent. To support this, we continued to implement "Recruit", our online recruitment system, and supplemented local training and development activities by launching more skills and personal development eLearning, via "Learn", our global learning management system;
- Continued to focus on diversity and inclusion across the business with a particular focus on gender;
- Undertook our second Global Employee Opinion Survey to assess culture and employee engagement across the Group.

Our plans for 2023

- Developing and implementing action plans following the Global Employee Opinion Survey run in October 2022;
- Relaunching our Group Leadership Development Programme;
- Continue to focus on diversity and inclusion across the business with a particular focus on gender;
- Focus on talent acquisition and retention plans, and future skills.

Governance

The Executive Committee conducts an extensive review of operating businesses leadership succession plans. The review scrutinises our talent pipeline, identifying successors or interim cover for key roles across our businesses. Appropriate development plans are in place and recorded in "Perform", our performance management system, to enable individuals to fulfil their potential. The Board formally reviews the succession plans for the Executive Team and their direct reports on a bi-annual basis.

ENHANCE SENIOR'S AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL

Senior's business model is one of empowering and holding accountable our operating businesses to operate within a clearly defined control framework to develop and deliver business plans in line with overall Group strategy. Increasing collaboration amongst operating businesses in the Group is a priority to ensure profitable, risk-reduced solutions are created to address our customers' needs whilst maintaining the autonomous business structure. Business leaders throughout Senior are actively embracing collaboration activities with priorities set at both divisional and Group level in consultation to address and expand in our evolving markets.

What we did in 2022:

- In line with customer expectations, we established an AS 13100 Council to share best practice and co-ordinate efforts to ensure on time completion of the certification;
- Refocused our Technology Council to align our technology investment with our purpose, focusing on research and development that supports growth in low carbon technologies, completing projects aligned to renewables;
- Participated on R&D projects with our customers, focusing on new technologies that will be employed on future programmes.

Our plans for 2023

- Form a new Global Market Team (GMT) for Hydrogen with both Flexionics and Aerospace participants.
- Launch inaugural Group-wide Innovation Competition sponsored by the Technology Council aimed at inspiring innovation and encouraging greater collaboration and participation with our wider Technology Council activities;
- Further enhance effectiveness of the IT Council through quarterly conferences to share best practice and collaborate on initiatives that support our InfoSec Strategy for 2023 to 2025.

Governance

The Executive Committee and the Board regularly review the organisational design of the Group to ensure it is aligned to our strategic plan.

COMPETITIVE COST COUNTRY STRATEGY

Enhance Senior's global footprint to ensure our operating businesses stay competitive at both a capability and cost level, with key investments made in Thailand, Malaysia, China, India, Mexico, South Africa, and the Czech Republic to help ensure we meet our customers' cost and price challenges whilst enhancing returns on investment. Establishing increasingly sophisticated capabilities in these competitive cost countries and optimising production capacity to align with growing demand.

What we did in 2022:

- Doubled the production volume of Senior Aerospace Mexico by transferring key EBU assemblies from our US businesses;
- Continued to invest and enhance the capability of Senior Aerospace Mexico to support production of Fluid Systems products including machining, welding and assembly;
- Secured contracts to fill capacity in our cost competitive country locations;
- Continued to transfer product lines to locations where our customers operate reducing supply chain risk and supporting customer cost expectations.

Our plans for 2023

- Continue investing and transferring Fluid Systems product to Senior Aerospace Mexico;
- Invest in more machining capacity to support the production ramp in Malaysia;
- Investing in machining to support recently awarded A320 contracts as rates increase in Malaysia and Thailand;
- Continue to transfer cost sensitive product lines to competitive cost locations to support customer rate increase where appropriate;
- Launch production of products being relocated from a Western European truck customer's facility to our plant in the Czech Republic;
- Relocate industrial products from our operation in France to Czech Republic, driven by customer's assembly being in the Czech Republic. This will allow for planned growth of aerospace fittings in France.

Governance

The Executive Committee conducts quarterly Business Reviews of all operations. The Group Chief Executive Officer and Group Finance Director report and discuss progress at each Board meeting. The overall progress of the competitive cost country strategy is reviewed at the Board Strategy Review on a regular basis.

INTRODUCED A HIGH PERFORMANCE OPERATING SYSTEM

Senior has implemented a high performance operating system, drawing on the many excellent practices from across the Group. The key elements include:

- The Senior Operating System: an operational toolkit incorporating best practice processes such as lean and continuous improvement techniques, supplier management, new product introduction, 5/6S methodology, factory visual management systems, risk and financial management;
- A comprehensive business review process utilising a balanced scorecard incorporating KPIs with focus on performance, growth, operational excellence and talent development.

What we did in 2022:

- Our Aerospace Division Lean Council met monthly to collaborate and share best practices, while our Flexionics Division lean champions continued to leverage the Senior Operating System tools;
- Added continuous improvement champions to key Aerospace businesses to drive faster improvements;
- Both divisions conducted multiple lean events with continuing focus on cycle time reduction and cost reduction, together with continued targeted inventory improvement workshops;
- Completed the roll-out of APQP process standards across our Aerospace operating businesses.
- Mitigated freight, materials, labour, and energy inflation with appropriate pricing actions.

Our plans for 2023

- Continue to diligently manage supply chain and inflationary pressures by having active dialogue with our customers and suppliers and mitigating for inflation where possible as part of negotiations in contract renewals;
- Continue events focused on improving efficiencies and output as demand increases;
- Work to improve capacity and throughput in our Aerospace operating businesses;
- Establish a supplier council focused on improving supplier on-time delivery, risk of supply reduction, cost reduction and insourcing opportunities;
- Continue to work to improve the SOS Lean skill set of new Continuous Improvement leaders and Manufacturing Engineers across the business;
- Continue to focus on improving working capital efficiencies.

Governance

Our Vice President of Operational Excellence chairs the Aerospace Lean Council on a monthly basis. The Executive Committee reviews operational performance and the Group CEO reports progress to the Board at every Board meeting.

SUSTAINABILITY

Sustainability is an integral part of our strategy. 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. 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.

What we did in 2022:

- Awarded the top 'A' score by CDP in its global annual ranking for disclosure and actions on climate change.
- In February 2022, Senior was awarded the highest leadership status in CDP's annual supplier engagement ratings.
- CO₂ emissions were reduced further in our operations, keeping us on track to deliver our Scope 1, 2 and 3 Science Based Target Initiative ("SBTi") verified Near Term (2025) Targets.
- We have submitted our long-term Scope 1,2 and 3 Net Zero Targets to SBTi for validation.
- 41% of our electricity was sourced from renewable energy, an increase from 36% in 2021.
- We secured multiple development contracts for clean energy projects.

Our plans for 2023

- Continue to deliver our Scope 1, 2 and 3 Science Based Target Initiative ("SBTi") verified Near Term (2025) Targets.
- Maintain our CDP leadership status.
- Achieve verification from SBTi of our long-term Scope 1,2 and 3 Net Zero targets.
- Secure additional development and production clean energy contracts.

Governance

The Executive Committee and the Board reviews progress against our sustainability targets at the regular Board meetings, through the CEO's monthly report and during the annual strategy review. The Board also receives presentations from key engineering and technology leaders explaining progress with product development aligned to our customers decarbonisation goals.

TECHNOLOGY

IN THIS SECTION



“We continue to work collaboratively across Senior to progress the key technology themes that future-proof our product portfolio and enable sustainable growth across our end markets.”

Martin Barnes
Director of Business Development & Strategy

- 46 Our Technology Themes
- 48 Our Enabling Technology

Refractory Lined Louver Damper
Dampers are flow control devices that are used in Thermal Oxidizers, which convert hazardous volatile organic compounds (VOCs) and other pollutants into CO₂ and H₂O before emission into the atmosphere.



Universal Expansion Joint

Expansion Joint assemblies act as a thermal compensator for fluid and gas conveyance ducts. These are used in Petrochemical processing plants, such as Catofin® applications.



Pressure Balance Expansion Joint

Expansion Joint assemblies compensate for mechanical or thermal expansion & movement in fluid and gas ducts. These are used in Boiler Feed pump exhaust system in Power Generation plants.



OUR TECHNOLOGY THEMES

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. Our core technologies support deliverable growth opportunities in all our end markets.

FLUID CONVEYANCE AND THERMAL MANAGEMENT



Fluid conveyance is the flow of fluid, including both gases and liquids, within a system. Senior has extensive background IP in fluid conveyance applications. For example, Senior is a market leading design and manufacturer of bleed-air systems on modern turbofan engines for commercial aerospace applications. For land vehicle and industrial applications, we have applied our extensive expertise in fluid conveyance systems on multiple exhaust gas ducting applications, ranging from half-inch diameter passenger car systems to large size power plant applications which are up to two metres (80 inch) diameter.

In thermal management, as the pace of electrification picks up, our technology and IP can be used to develop products that can prolong the life of the battery and increase charging speed. Senior has already developed custom solutions for both passenger car and heavy duty Battery Electric Vehicles. As the market moves towards zero-carbon solutions for propulsion and energy generation, we are leveraging our core thermal management expertise for fuel cell applications, such as recuperators (for polymer membrane or PEM fuel cell systems), and dielectric compensators (for solid oxide fuel cell systems).

PROOF OF CONCEPT DEVELOPMENT FOR AEROSPACE HEAT EXCHANGERS

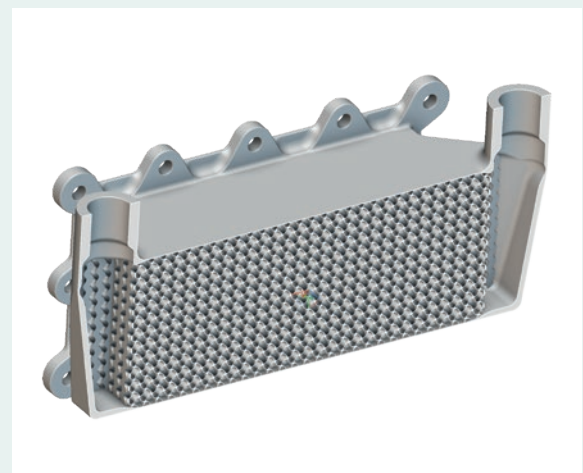
Senior's extensive experience in the design and manufacture of fluid conveyance applications provides significant insight into the system requirements for various aerospace applications. Our fluid conveyance products frequently connect to heat exchangers within airframe and engine applications and, in 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.

Capability highlights

- World class design capability for complex fluid conveyance systems incorporating zero-leakage flexible joints and couplings to compensate for vibration and thermal displacement.
- Industry leader in the design and fabrication of highly engineered edge-welded and formed bellows devices and components from 3.2 millimetres to 5.1 metres diameter for various applications, including frictionless servo-pneumatic actuators.
- Component and system level simulation and analysis, including Finite Element Analysis (FEA), Computational Fluid Dynamics (CFD) and vibration analysis, plus verification and qualification testing.
- Extensive expertise with thin-wall aluminium, copper and stainless steel structures for demanding thermal management solutions for battery cooling, fuel cells and cryogenic applications.
- Additive Manufacturing (AM) capabilities in both metal and polymer materials as an enabling technology for complex high-pressure and low-pressure ducting systems and heat exchanger designs.

Senior is developing a new heat exchanger product line focused on aerospace applications, combining our traditional experience from land vehicle applications and design freedom enabled by our Additive Manufacturing capability.



GROUP REVENUE BY TECHNOLOGY THEME



68%

32%

Fluid Conveyance & Thermal Management

Product and System Design & Manufacturing IP

Structures

Complex Machining and Manufacturing Know-How: Process IP

STRUCTURES



Modern airframes and turbine engines require durable lightweight components manufactured to extremely tight tolerances that operate in extreme environments. Senior is a trusted partner for high value-added engineering and manufacturing of critical structural components for the leading OEMs in the civil and military aviation sectors.

Our capabilities and strong customer relationships have secured substantial content on the key aerospace platforms.

Capability highlights

- Extensive expertise in manufacturing, assembly and qualification of a wide range of complex airframe, aeroengine and power/energy components
- State-of-the-art capabilities in complex 5-axis machining and fabrication, including toolpath optimisation, robotics, on-machine probing, and vibration dampening.
- Highly vertically integrated, with wide-ranging process qualifications across machining, Non-Destructive Testing (NDT), special processes, welding and forming.
- High level of collaboration between operations in North America, the UK and Southeast Asia including software model-based engineering capabilities.

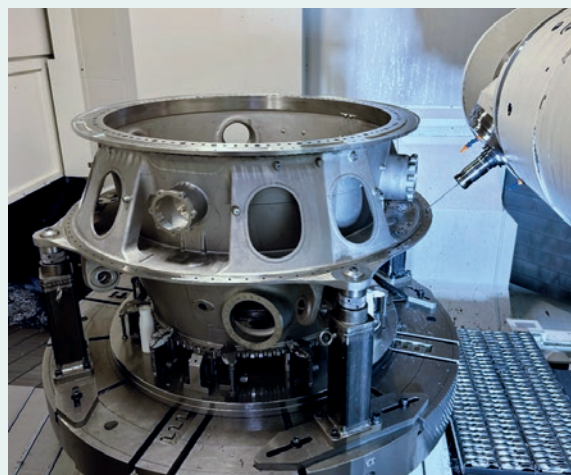
By using on-machine probing extensively, Senior has significantly improved quality and process capability on highly complex machined components.

ON-MACHINE PROBING FOR COST AND QUALITY IMPROVEMENTS

Senior manufactures some of the most complex machined parts for various airframe and engine platforms. A good example is an extremely complex engine casing manufactured from the heaviest single piece titanium investment casting in the world. This part has over three thousand machined features, many of which have very tight tolerances.

Senior uses the most advanced mill-turn machine technology available to manufacture the part, however, tolerances on the component are at the edge of the machine's capabilities. Maximum use is made of in-process probing to precisely measure feature dimensions automatically and adjust the depth of finishing cuts to account for part-to-part variation as well as any process drift without operator intervention. This allows us to maintain high levels of conformance, minimise errors, deliver customer efficiencies and improve operator safety.

Over the last 18 months, Senior has applied on-machine probing routines across multiple complex machined components, resulting in cycle time savings and significantly improved quality and process capability.



OUR ENABLING TECHNOLOGY

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 to ensure that we continue to provide safe and innovative products that meet customer needs.

ADDITIVE MANUFACTURING



Additive Manufacturing (AM), sometimes referred to as 3D printing, is a key enabling technology for Senior that underpins the development of novel product designs across our product portfolio. AM offers boundless possibilities for designers to develop unique and innovative product designs unconstrained by traditional manufacturing process limitations, enabling the design to be optimised for a multitude of different characteristics such as weight, performance parameters and physical envelope.

Senior has made significant investments in AM, both from a hardware and infrastructure perspective as well as a capability and expertise perspective. In 2017 Senior established our Advanced Additive Manufacturing centre at our Senior Aerospace SSP facility in Burbank, CA. Since then, we have established a highly integrated AM process capability covering every aspect of AM design, build, post-processing, and material characterisation – including a fully equipped and accredited materials laboratory. In addition, we have made significant investments in building AM design expertise, which is vital to take full advantage of the freedom that AM processes can offer. These include AM process simulation tools and an in-depth knowledge of what features can be produced reliably with AM.

Our team has skillfully optimised the AM machine and process parameters, based on real-world aerospace production applications. We have built an unparalleled, proprietary dataset of AM process parameters that allows our customers to have complete confidence in our ability to produce AM parts that are fully qualified for series aerospace production. In conjunction with our robust quality system, Senior obtained Nadcap certification for AM processes in 2022, which only a handful of other companies have achieved worldwide.

We are currently working with a number of Aerospace OEMs and Tier 1 suppliers on qualifying various AM components for production applications. These range from fuel and oil flow components for high volume single-aisle aerospace applications, to critical structural components for next generation defence platforms. In all these cases, our customers have chosen to work with Senior due to our proven pedigree on AM production capability, as well as our wider design expertise.

We consider our AM capability to be an integral part of our product design and manufacturing technology toolkit. We are prioritising investment to enable the development of process parameters to perfect the build process, as well as developing design expertise to take full advantage of AM's ability to enhance product performance.

ADDITIVE COMPONENTS FOR SUPERSONIC FLIGHT DEMONSTRATOR

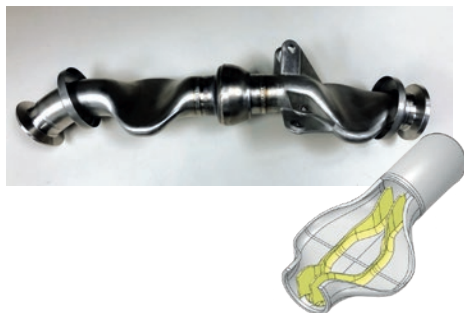
Senior Aerospace SSP (SSP) is working on NASA's Quiet SuperSonic Technology (QueSST) programme. The research aircraft will be used to collect data of a quiet sonic boom generated by the unique design of the aircraft aimed at lifting the ban on commercial supersonic travel over land; a breakthrough that would open the door to an entirely new global market for aircraft manufacturers. SSP has successfully designed and manufactured the bleed air duct system for the research aircraft using both conventional manufacturing methods as well as advanced Additive Manufactured (AM) for critical portions of the system. The bleed air duct system comprises several hundred individual part numbers, of which over 40 were made via AM.

The use of AM in combination with conventional machining and welding processes allowed the SSP design team to create an innovative, complex system. AM builds components layer-by-layer without the need for either special forming tools or dedicated fixturing, creating design opportunities to enable multiple components to be consolidated into single assemblies thus reducing part count, creating shorter lead times and lighter weight components, whilst improving the system's operating performance compared to a conventional bleed air duct system.

Manufacturing such a large number of components with very complex features, thin walls, and previously "unprintable" characteristics required significant collaboration between SSP and the AM machine builder and raw material (i.e., metal powder) providers, and showcases Senior's Additive Manufacturing design and build expertise for complex aerospace production applications.

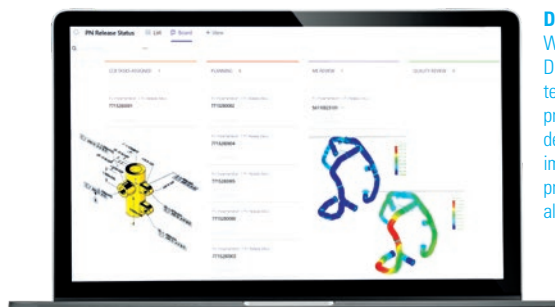
Capability highlights

- Nadcap certification for metal AM process capability – significant achievement highlighting the robustness of our AM production system.
- Full vertical integration of the AM design and manufacturing process, including all post-processing and finishing steps. Achieved significant experience integrating AM-derived subcomponents into subsystems and modules with traditional fabricated i.e. welding and brazing methods.
- AM process simulation and extensive process parameter dataset allows us to predict and subsequently optimise various design candidates for predictable build performance in production.
- Internal design simulation and analysis capabilities have helped us fully demonstrate the benefits AM can offer, such as part consolidation, performance improvement and weight reduction in a variety of demanding aerospace applications.
- Additive Manufacturing capabilities in both metal and polymer materials as an enabling technology for complex high-pressure and low-pressure ducting systems and heat exchanger designs.



Additive Manufacturing

Our internal expertise in Additive Manufacturing allows us to overcome constraints of traditional manufacturing processes in developing innovative, high-performance solutions for demanding applications.



Digitisation

We are actively pursuing Digitisation as an enabling technology across all our product and process technology development processes to improve efficiencies and promote collaboration at all levels.

DIGITISATION



Digitisation, or the fourth industrial revolution, is a broad field with multiple definitions covering the adoption of digital technologies in manufacturing. Multiple OEMs are already focusing on operational data collection for value generation throughout the entire product lifecycle. To this end, we have seen increased efforts by OEMs to ensure a minimum level of digital capabilities throughout their supply chains through supplier focus groups, and regular scorecards grading suppliers' capabilities in terms of digital readiness, automated data exchange and native product data formats.

Accordingly, Senior's focus on Digitisation relates to three specific focus areas:

1. Design and Engineering development toolsets to standardise the design and simulation/analysis tools used within a number of Senior's Operating Businesses to achieve manufacturing cost synergies and accelerated adoption across our business units.
2. Project management & Engineering Data management, covering PLM (Product Lifecycle Management) and MBD (Model Based Design). Adoption and implementation of PLM is essential to streamline our product development cycles by encouraging reuse of common engineering data and eliminating inefficiencies and lost time due to design data change/version control issues. Our MBD efforts are focused on using "rich" models with embedded manufacturing and quality control information and requirements, removing the need for additional documents and drawings.
3. Operational Technology and Process Management. Our operating businesses are working on monitoring real-time process data with the use of IIOT (Industrial Internet of Things) and machine monitoring to optimise resource usage and production planning. Multiple sites are connecting the machine/resource monitoring data directly into their ERP systems, moving towards a true Manufacturing Execution System approach to resource planning.

DIGITAL PLATFORM FOR ENGINEERING PROJECT MANAGEMENT

One of Senior's Aerospace businesses has successfully implemented a cloud-based software solution for engineering project portfolio management. The key driver was the need to update and modernise the existing processes for managing engineering resource allocation, project portfolio management and task prioritisation across multiple projects operating under significant resource constraints. Historically, Senior has used various standalone project management tools such as MS Project and bespoke spreadsheets to manage these tasks.

As part of our Technology focus on Digitisation as an Enabling Technology, Senior implemented a cloud-based work management platform focused primarily on engineering project management. Automated resource management, workflows and task notifications have significantly improved engineering resource efficiency and allowed significantly higher throughput even in the face of challenging personnel constraints. The cloud based software gives users an easy-to-use visual interface to interact with collaborators across multiple locations. A key advantage with the new work management platform is the ability to develop customised workflows to automate typical engineering processes such as review and approval cycles, status rollups and summary data for presentations and dashboards. This has significantly improved the level of collaboration between various project teams, as well as enabling automated email notifications and reminders to allow scarce technical resources to focus on value-added tasks rather than reporting and status reporting to management.

Future uses of the platform include the ability to conduct brainstorming and visualisation sessions during the initial discovery phases of the project to help tighten project scopes and improve on-time delivery of new product development.

Capability highlights

- PLM solutions in use across multiple operating businesses, especially in the build-to-spec environment
- Standardised capability to use rich model data (e.g. ISO 10303-242 STEP AP 242 standard) natively for all aspects of downstream engineering data processing.
- Standard database of engineering simulation and analysis tools with cross-functional team looking to optimise usage of these tools across Senior as part of the Digitisation technology focus.

STAKEHOLDER ENGAGEMENT

Senior's engagement with stakeholders is a continual process which embeds the highest standards to ensure the business's success. Our stakeholders are people, communities and organisations with an interest or concern in our purpose, strategy, operations and actions.

Senior engages with five key groups – our employees, customers, suppliers, communities and shareholders. By engaging and collaborating with our stakeholders we can ensure our business delivers long-term sustainable value.

OUR STAKEHOLDERS

senior CONTINUOUS STAKEHOLDER ENGAGEMENT	Career development opportunities	EMPLOYEE ENGAGEMENT	<p>The calibre and capabilities of the people within the Group drive our success and we recognise the importance of attracting the best talent into the business and retaining and developing individuals to enable them to do their best work.</p> <p>➤ Read more on page 51</p>	
	Skills, loyalty and value creation			
	Safe and high performance products and value creation	CUSTOMERS	<p>Our Core Value of "Customer Focus" firmly establishes that we put our customer at the heart of everything we do.</p> <p>➤ Read more on page 52</p>	
	Trust and long-lasting relationships			
	Respectful relationships and supply chain stability	SUPPLIERS	<p>Constructive engagement with suppliers sets fair expectations on safety, quality, ethical behaviour, commercial terms and delivery performance.</p> <p>➤ Read more on page 53</p>	
	Safe, high quality, ethical and cost effective suppliers			
	Sustainable growth in operating profit, cash flow and shareholder value	SHAREHOLDERS	<p>Senior engages regularly with our investors to ensure our priorities are aligned on strategy, capital deployment, sustainability goals and value creation.</p> <p>➤ Read more on page 54</p>	
	Investment and valuable feedback			
	Local support and value creation	COMMUNITIES	<p>We recognise our responsibility to the communities in which we operate.</p> <p>➤ Read more on page 55</p>	
	Talent for recruitment and sense of community			



EMPLOYEE ENGAGEMENT

How we engage

During 2022, we placed great emphasis on employee engagement which was particularly important as we emerged from the impact of the COVID-19 pandemic. Gradually we were able to return to more normal working conditions, with business leaders able to hold all-hands meetings to communicate business objectives and answer questions from employees. We also reintroduced smaller group meetings, question and answer sessions, skip level meetings and employee focus groups. We continued to utilise some of the new ways of engaging and communicating with employees that we had developed during the pandemic, for example employee apps, TV information screens, video messages, and tried and tested methods like newsletters and employee representative bodies such as works councils.

A key area of focus during the year was implementing the action plans following the successful 2021 Global Employee Opinion Survey. 2021 was the first time we had run a global survey and the output provided a rich source of employee feedback, suggestions for improvement and affirmation of what we do well. The survey provided feedback on three key areas; Engagement, Values, and Health and Wellbeing. Each operating business developed their own action plans and communicated them to their teams. Actions included skills training for managers and supervisors to improve personal development, an increase in focused technical training, enhanced wellbeing offerings such as wellness apps, employee recognition and social activities, and reviewing pay, benefits and resourcing levels post pandemic.

In the 2021 survey "Mission", which is linked to strategy and indicates whether people are inspired by the purpose of the

business, was identified as an area for improvement, and an area that our operations worked on following the 2021 survey. Business leaders will continue to focus on communicating their strategy and mission to their teams.

For much of the year, and depending on geographical location, our operations had to remain vigilant regarding COVID-19 outbreaks and supported employees by continuing COVID-19 safe working protocols and by encouraging them to be vaccinated.

Outcome of engagement

At the end of September 2022, we launched our second Global Employee Opinion Survey. We once again asked our employees for their opinions and we saw a small improvement in the overall engagement score compared to May 2021, when we ran our first global survey. Using the same questions enabled us to review the feedback in comparison to the first survey. As in 2021, the response rate was 81%, which for manufacturing companies, with a significant number of employees completing the survey, who do not have ready access to company emails, is a high participation rate, and in itself is a positive indicator of engagement and our employees desire to provide feedback.

Our overall engagement score improved slightly from 7.1 to 7.2 out of a possible maximum of 10. The main engagement question, "Overall, how satisfied are you working at Senior?", score increased from 7.4 to 7.5. Goal setting, peer relationships, organisational fit and meaningful work, remain our best scoring areas. Compared to the previous survey the score for Reward improved, however it was still highlighted in the 2022 survey as an area for further improvement both in terms of how individuals are rewarded but also the process for determining pay. It was not

unexpected that Reward is still an area for improvement, when considered in the context of the current economic environment. Similarly, there was an improvement in our score for "Mission", although it remains an area of focus.

Company actions responding to engagement outcome

Management-level actions

Action plans developed following the 2021 Global Employee Opinion Survey, were monitored and updates provided by the operating businesses throughout the year via business reviews. Operating business leadership teams and the Executive Committee are analysing their 2022 Global Employee Opinion Survey feedback and action planning is underway across the Group. There is a framework in place for the businesses to provide regular updates to the Executive Committee and the Board throughout 2022. The next global survey will be in 2024.

Board-level actions

Celia Baxter, the Non-executive Director with responsibility for employee engagement, and Jane Johnston, Group HR Director have continued their programme of face-to-face focus groups. As well as holding the focus groups, site visits included factory tours and meeting leadership teams. They visited four US operations and our German business, holding 19 sessions in 2022. The sessions afford an opportunity to engage directly with a cross section of employees, allowing them to ask questions and provide feedback. As always, the discussions were positive, enthusiastic and interactive.

The Board reviewed progress against the 2021 Global Employee Opinion Survey action plans and were provided with high level feedback from the 2022 survey during the Board meeting in December.

SENIOR GLOBAL EMPLOYEE OPINION SURVEY RESULTS

Overall engagement score
(of a max of 10)

7.2

Employee participation

81%



Health and Wellbeing score
(of a max of 10)

7.5

Health and Wellbeing



All comments

39,020

Values





CUSTOMERS

How we engage

We maintain an ongoing dialogue with our customers across Senior, including at the operating business, Division and Group senior management levels. Division-level Customer Relationship Managers and Global Marketing Teams are in place in Europe, the UK, and the USA to interact with and support all levels of our largest customers, ensuring that we monitor and understand as much as possible the fundamental dynamics impacting their businesses and the potential knock-on effects on their end-markets. This regular and cross-functional insight gives us the ability to respond appropriately when issues arise and to quickly capitalise on opportunities across the whole Group. These interactions also provide the information necessary for Senior to develop strategies that link up with our customers' forward-focused efforts, such as their sustainability goals, including the transition to a zero carbon economy, their new competitive offerings to the market place, and mutual investments in research and technology.

We actively seek feedback from our customers via frequent interactions between our operating business's customer account and business development managers, with monthly reporting of activities and monitoring of customer performance scorecards across the Senior businesses. Whilst Senior regularly receives customer awards for operational excellence, in those cases where our performance falls short of expectations, we actively engage with the customer to agree improvement targets, implementation schedules, resource dedication, and executive involvement.

Furthermore, we continued to conduct regular Senior Management Meetings, including at CEO level, with our major customers in 2022 as well as frequent interactions regarding supply chain and labour issues, operational metrics, communications, growth strategies, and market dynamics. These executive-level meetings,

as well as forming a vital part of our ongoing relationship management, helped to clarify and focus our mutual activities towards driving both our success. Remaining close to our customers helped us to support them through a challenging supply chain and operational environment, which has helped to position Senior as a valued and trusted supply partner.

Outcome of engagement

The close partnerships we have nurtured with our customers allowed us to mitigate operational challenges, which stemmed from industry-wide supply chain and labour shortages. Together, we have worked to solve these challenges, supporting our customers production and development programmes to the maximum extent possible.

As the opportunity for face to face meetings improved post pandemic, we were able to have much stronger engagement with customers particularly in relation to clean energy product and technology development.

Company actions responding to engagement outcome

Management-level actions

Listening to and understanding our customers, their programme/market issues and opportunities provides valuable insight to Senior, which helps to inform our future technology, product development, and innovation investments and activities towards ensuring Senior remains a healthy, vibrant, and reliable supplier in all the industries we operate in.

Board-level actions

Our Board receives detailed monthly updates relative to customer activities.



"Actively seeking feedback from our customers is vital to ensuring we are aligned to their needs, and that we work closely with them to provide solutions, resulting in long-term, positive relationships."

Launie Fleming

Chief Executive of Aerospace Division

SENIOR AEROSPACE THAILAND AWARDED MEMBERSHIP OF ROLLS-ROYCE'S "HIGH PERFORMING SUPPLIER GROUP"

The growth of Senior Aerospace Thailand (SAT) in recent years is due in no small part to the level of engagement SAT has built with stakeholders, particularly suppliers and customers. This was exemplified by the award of a place in Rolls-Royce's "High Performing Supplier Group" in 2022. Membership is gained by the attainment of "class leading" scorecard status. SAT achieved this recognition through sustained improvement in performance and customer collaboration using formal engagement plans, and now benefits from additional executive contact and prioritisation for new sourcing opportunities.

The relationship with Rolls-Royce started in 2013, when SAT began supplying aerofoils for Rolls-Royce's (Trent XWB, Trent 1000 and V2500) engines, building on the existing aerofoil supply relationship between SAT's sister company, Senior Aerospace Weston, and the customer.

Using best in class processes for aerofoil machining, from 2014 to 2018, the SAT team rapidly increased its production output. Collaborative management of the forging supply, machining capacity and engineering approvals between SAT and the Rolls-Royce teams in the UK and Singapore created a

strong and trusting working relationship, addressing challenges as they arose. In 2019, SAT's performance was recognised by being awarded the "Most Improved Supplier" award by the customer.

SAT has a strong engineering capability and is an active and recognised member of the Rolls-Royce "Supply Chain Digital Transformation Focus Group". Through collaboration in this group, SAT has developed areas of innovation including automating the creation of programmes for inspection equipment directly from the customer's digital model.



SUPPLIERS

How we engage

We engage with our suppliers in a variety of ways, including during tender and bid processes, as well as on-site visits and audits where appropriate. As supply chain constraints persisted through 2022, the Group continued to employ two-way communication channels with its supplier base to help mitigate the impacts of material availability and inflationary pressures across operating businesses. Our efforts included supplier surveys and close co-ordination with suppliers regarding lead times, demand changes, transportation options and other sources of volatility. The Executive Committee continues to closely monitor the health and performance of critical Group suppliers and supports the operating businesses in their engagement with suppliers where necessary.

In line with our Contract Review Policy, which is mandatory for all operating businesses, we continue to communicate the requirements of the Group Responsible Sourcing Policy to key suppliers, and provide feedback to our suppliers on their performance and, where necessary, will agree improvement action plans.

The Group also completes bi-annual reporting pursuant to The Reporting on Payment Practices and Performance Regulations (2017), demonstrating our commitment to remain a strong financial partner with our suppliers. The Board reviews the bi-annual reports for our UK subsidiaries to monitor compliance with negotiated vendor payment terms.

For Scope 3 Greenhouse Gas emissions, Senior committed that 80% of its suppliers by spend, covering purchased goods and services and capital goods, will have science based targets by 2025. We identified suppliers to respond to CDP's questionnaires through an online platform. We arranged webinars and video calls with suppliers to provide support, communicate expectations and exchange best practice ideas. In 2022, we increased the number of webinars and video calls and were successful in engaging with significantly more of our supply base as a result.

Outcome of engagement

During 2022, our collaboration with suppliers enabled the operating businesses to mitigate ongoing supply chain volatility through lead time management, order flexibility and other cooperative solutions.

As part of CDP's supply chain engagement programme, we identified and engaged with around 340 suppliers, accounting for approximately 80% of the Group's total spend. We increased the number of companies responding from 94 in 2021 to 160 in 2022. A significant number of our suppliers were responding to CDP for the first time, a positive reflection of our increased engagement activity. The insights from the engagement programme are being used to set strategy and prepare for the 2023 supplier climate programme.

In February 2022, we were informed by CDP that Senior was awarded the highest leadership status in its annual engagement ratings based on our Supplier Engagement Rating ("SER"). This put us in the top 8% of companies on this metric.

Company actions responding to engagement outcome

Management-level actions

Supply chain challenges and inflation remained principal risks to the Group in 2022. As a result, supply chain and inflationary concerns, as well as related mitigating actions, continued to be focal points during operating business reviews and Executive Committee meetings throughout the year.

The Group Chief Executive is directly engaged with our largest suppliers on our Scope 3 greenhouse gas emission targets and provides regular updates to the Board on progress.

Board-level actions

The Group Director of HSE & Sustainability attended two Board meetings in 2022 and provided an in-depth review on the progress in engaging with suppliers in respect of the Group's Scope 3 targets. When necessary the Group CEO has actively intervened at executive level with critical under-performing suppliers.

➤ Read more in the Risk & Uncertainties Section on [page 60](#)

➤ Read more in the Sustainability Section on [page 16](#)



Engaged with around

340

suppliers through CDP's supply chain programme

"Our collaboration with suppliers enabled the operating businesses to mitigate ongoing supply chain volatility."

Mike Sheppard

Flexonics Division Chief Executive Officer



SHAREHOLDERS

How we engage

In 2022, the Group increased its engagement with shareholders, both by the Executive team and the Group Chair.

The Group's Chair attended the full-year and interim results announcements in February and August 2022, respectively. Additionally, the Chair undertook a series of solo meetings with the largest shareholders to receive feedback on strategy, capital allocation and management.

As the Group resumed its normal active Investor Relations programme, we kept an ongoing dialogue and engaged with shareholders throughout the year using a diverse and tailored range of channels:

- Twice in the year, the Group Chief Executive Officer, Group Finance Director and Director of Investor Relations & Corporate Communications undertook a series of mostly face-to-face as well as some virtual meetings (by video conference or conference call) with our major shareholders, following the announcement of the full-year and interim results. These meetings centred around the detailed performance of the business, the Group's strategic objectives and how Senior's fluid conveyance and thermal management capabilities are key enablers as we transition to a low carbon economy. We used these meetings to understand our shareholders' views and address any concerns they may have about the Company.
- In addition, we issued three market updates, on each occasion offering major shareholders the opportunity of a follow-up call with management.
- The Group resumed its overseas roadshows, with trips to the US in April (New York) and September (Chicago). The Group Chief Executive Officer, Group Finance Director and Director of Investor Relations & Corporate Communication met with current shareholders as well as potential shareholders to update on Senior's investment case, performance and strategy. These roadshows were well attended and greatly appreciated, with attendees positively noting that Senior was one of the first companies to resume face-to-face meetings.

- In our efforts to return to in-person engagements, the Group ran three investor site visits during the year to showcase our fluid system businesses: two in the UK to our Senior Aerospace Bird Bellows and Senior Aerospace BWT facilities and one in the US to our Senior Aerospace Metal Bellows facility. In attendance were the management teams of the operating businesses and members of the wider Executive team (Chief Executive of the Aerospace Division and Group Director of Business Development & Strategy). These visits were well-received by the shareholders who had the opportunity to further understand the fluid conveyance and thermal management capabilities of the Group and see practical applications of our products and services.
- The Group Chief Executive Officer hosted the Group's inaugural virtual fireside chat. Investors were able to hear strategic insights on Senior and to pose questions to the Group Chief Executive Officer. The event allowed attendees to gain a better understanding of the Group's evolution, near-term risks and opportunities, and the longer-term vision and strategy of helping customers operating in sectors that are hard to de-carbonise, as they transition to a low carbon economy.
- The Group has also leveraged digital platforms to keep our investors up to date. Tools such as our newly upgraded website homepage and more widespread use of LinkedIn, provided investors with updates on the Group covering a range of topics (from performance to sustainability, community case studies and our capabilities).

Throughout the year we responded to requests for further information and addressed any questions or concerns.

The Group typically makes constructive use of the Annual General Meetings ("AGM") to communicate with its private shareholders as we value their engagement and provide them with the opportunity to hear directly from the Group Chief Executive Officer about the performance of the business. In April 2022, we were once again able to host an in-person event for those who wanted to attend as well as a live audio access to the proceedings of the AGM. Private shareholders had the opportunity to submit questions to the Directors and listen to their responses.





SHAREHOLDERS CONTINUED

Following on from the relationships built during the Remuneration consultation process last year, in 2022, Celia Baxter (our Senior Independent non-executive Director and Chair of the Remuneration Committee) made herself available throughout the year for discussions on key remuneration topics, and continues to have regular interaction as appropriate with major shareholders. Regular investor updates were provided to the Board as part of the reporting cycle, which includes feedback on investor perceptions and market environment. The feedback was provided either directly from shareholders, from the Group's Investor Relations function or from our corporate broker. Updates from Company-level engagement with shareholders are also provided to the Board as appropriate (i.e. investor site visits, fireside chats, etc.).

Outcome of engagement

- Increased engagement via the Investor Relations function & Management with current and potential shareholders both through regular reporting and off-cycle
- Shareholders were kept fully informed of the market dynamics and strategy and progress of the Group through various channels including in-person meetings, investor site visits, a fireside chat and via social platforms (i.e. website/LinkedIn).
- Maintained open channel of communications with our shareholders on key topics such as remuneration and targets.

- Focused engagement with selected ESG ratings providers to ensure shareholders viewing this information have accurate and up-to-date insight
- Provided reassurance that the Group continues to be in a strong position and remains a good investment opportunity.
- Received better understanding of shareholder expectations in respect to strategic decisions and sustainability, including climate change risks and opportunities.

Company actions responding to engagement outcome

Management-level actions

Engagement with shareholders during 2022 emphasised how focused they are on the Group's performance, strategy, end-market recovery, and fluid conveyance and thermal management capabilities. In response, we resumed our normal active Investor Relations engagement programme with in-person meetings, investor site visits, fireside chats and social platforms. The investors were able to gain an appreciation for the wider Senior leadership team and a practical understanding of the fluid conveyance and thermal management applications.

Board-level actions

Feedback received from engagement with our shareholders has been taken into consideration when making decisions on Executive remuneration.

"In 2022, the Group increased its engagements with shareholders, both by the Executive team and the Group Chair."

Ian King
Chair



COMMUNITIES

How we engage

Our Group's operations continue to support their local communities and nurture good relationships with their stakeholders, finding ways to contribute to local society, in addition to providing employment opportunities. Examples of our community engagement programmes include:

- At the end of 2021, our Malaysian operation provided support to employees and local communities that had been impacted by flooding. Our employees donated their time to help with clean-up operations and we provided food, bottled water, cleaning equipment, clothes, bedding and power banks to staff and their families, helping them get back on their feet.
- Senior Aerospace Bird Bellows sponsored a local college's Student Award.
- Senior Aerospace Thailand supports education through its "Senior Aerospace Academy"
- Continuing our work with Prakash Deep a non-governmental, not for profit organisation set up with the objective of providing free quality education, Senior Flexonics India donated laptops for their computer lab, 23 bicycles and school bags to top performing students.

Outcome of engagement

- With our support we helped employees, and their families recover from the floods in Malaysia.

- Senior Aerospace Thailand has helped 30 students to study for their High Diploma degree and two students to study for a bachelor degree in Aerospace Component Manufacturing.
- By sponsoring a student award Senior Aerospace Bird Bellows is supporting vocational and lifeskills programmes.
- Through their donation Senior Flexonics India helped underprivileged children develop to succeed in mainstream education.

Company actions responding to engagement outcome

Management-level actions

Group operations continue to support communities by contributing to charities serving their local causes, including fundraising for local hospitals, children's homes, education programmes, cancer foundations and charities supporting mental health and the elderly.

Board-level actions

The Board is cognisant of its responsibility to the communities in which we operate and the need to have a positive impact and strong employer brand.

➤ Read more in the Social Section on [page 32](#)



"We encourage our operating businesses to engage with their local communities to make a positive impact"

Jane Johnston
Group HR Director

SECTION 172 STATEMENT

This section describes how the Directors have had regard to the matters set out in section 172 (1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006.

In their discussions and decisions during 2022, the Directors of Senior plc have acted in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole.

The likely consequences of any decision in the long term:

- The Directors recognise the decisions they make today will affect Senior's long-term success. During the year, the Board had particular regard to the long-term success of the Company in its discussion on the evolution of the Group's purpose. Our Company Purpose is highly relevant for all of our stakeholders and guides the Board's decisions towards investments, both short and long term.
- In 2022, the Directors decided to acquire Spencer Aerospace. The Board believed that Spencer's capabilities in highly engineered, high-pressure hydraulic fluid fittings for use in commercial and military aerospace applications have strong synergies with Senior's existing fluid conveyance business and recognised the opportunity presented by Senior's global reach beyond Spencer's current North American customer base. This decision was a considered step in the Group's overall strategy.
- Further details can be found on the Investment Case (page 40), Business Model (page 38) and Strategic Priorities (page 42).

The impact of Senior's operations on the community and environment:

- Many of the Group's operations are major employers within their local communities and nurture good relationships with their stakeholders, finding ways to contribute to local society, in addition to providing employment opportunities. In 2022, the operating businesses continued their focus on community engagement programmes and further details on the Group's activities are set out on page 55.
- Senior's sector-leading performance and accreditations on sustainability are testament to the great importance the Board and Executive Committee places on ESG matters. Senior's programme is well defined and being delivered. Its progress is measured by metrics, targets and a monthly scorecard. Sustainability is a standing agenda item in the CEOs report at every Board meeting. The HSE Committee monitors and updates on the progress being made on the strategy set forth by the Group in terms of health, safety and environment.

- Senior was the first company in its sector to have its scope 1, 2 and 3 greenhouse emissions reduction targets approved and verified by the SBTi. In 2022, we were recognised by CDP for our work on climate disclosure and action and awarded an 'A', putting us in the top 2% of disclosing companies. Further detail on Senior's sustainability progress in 2022 are set out on page 19.
- We have also continued our commitment to implementing the recommendations of the TCFD. See page 26 to 31 for our update on TCFD.

The desirability to maintain a reputation for high standards of business conduct:

- The Board acknowledges its responsibility for setting and monitoring the culture, values and reputation of the Company. For Senior, our core Values underpin our culture. During the year, the Board considered Senior's culture in its decision-making and discussions (further details on this can be found on page 34).
- The Board is accountable for the oversight of a robust Corporate Framework which establishes the unequivocal expectation that Senior will operate with integrity and respect in every aspect of its business. The framework includes a comprehensive Code of Conduct, which provides clear guidance on behavioural expectations across multiple facets of the business, including a zero tolerance towards bribery and corruption, adherence to all applicable trade compliance, competition and anti-trust regulations, a safe, diverse and inclusive workplace, accurate and complete business records and protection of company data and assets. The framework also provides for a whistle-blowing channel that allows stakeholders to confidentially and anonymously report suspected unethical or illegal corporate conduct. All reported whistle-blowing incidents and any resulting actions are reviewed and monitored by the Board and Audit Committee. The Board, via the Audit Committee, also receives regular reports regarding compliance training programmes, Corporate Framework updates, sanctions and trade compliance matters and incidents of fraud or suspected fraud. Read more on pages 100 and 101 for our Corporate Governance Report.

Interests of the Company's employees and the need to foster the Company's business relationships with customers, suppliers and others:

- The Board and its committees understand the strategic importance of stakeholders to Senior's business. When making decisions, the Directors have regard to the interest of colleagues, and the need to foster business relationships with other key stakeholders.
- While the Board engages directly on some issues with stakeholders, there are other engagements that happen below Board level. Nevertheless, the Board is well informed of these engagements and this helps it understand how our operating businesses affect our stakeholders' interests and views. More detail on how we engage with our key stakeholders (including our customers and suppliers) can be found on pages 50 to 55. For further details on how the Board operates and makes decisions, and its activities this year, see page 93.
- Our colleagues are vital to our success and they are always considered in the Board's discussions and decision-making process. During 2022, the wellbeing of our colleagues across the Group continued to be a priority, especially in light of the cost of living crisis. As inflation continued to rise over the course of 2022, the Board were cognisant of the potential impact on our employees and their families, and ensured that wage settlements were fair, taking into account the cost of living challenges and prevailing regional conditions. The Board continued to monitor the organisation's response to COVID-19 and how the Company maintained operational delivery in the ever-changing situation. Operational leadership continued to maintain appropriate measures and protocols to keep people safe.
- In order to ensure that the Board considers the impact of their decisions on employees across the Group, the Board receives regular feedback regarding people and culture. In 2021, the Board received a wealth of information provided by the Senior's first global employee engagement survey. Operating business actions plans and progress against them were reviewed regularly throughout 2022 by the Executive Committee. In addition, a summary of the

NON-FINANCIAL INFORMATION STATEMENT

In compliance with the Non-Financial Reporting requirement set out in sections 414CA and 414CB of the Companies Act 2006, the table below illustrates where our stakeholders can find information in respect of non-financial matters. The due diligence carried out for each policy is contained within each policy's documentation.

Reporting		Where to find it
Environmental Matters	<ul style="list-style-type: none"> • Sustainability: Environmental, Social and Governance (ESG) • Health, Safety and Environment Policy 	Pages 16 to 37 and www.seniorplc.com/sustainability www.seniorplc.com
Employees	<ul style="list-style-type: none"> • Employee Engagement • Talent Management • Equality, Diversity and Inclusion • Code of Conduct • Whistle-blowing Policy 	Pages 51, 56 and 88 Pages 33 to 34, 42, 69 Page 33 Pages 33 to 34, 36, 56, 71, 100 to 101 and www.seniorplc.com Pages 34, 36, 56, 100 and www.seniorplc.com
Social Matters	<ul style="list-style-type: none"> • Community Engagement 	Pages 35, 55 to 56, 88
Respect for Human Rights	<ul style="list-style-type: none"> • Statement on Anti-Slavery and Human Trafficking • Anti-bribery and Anti-corruption Policy • Modern Slavery Statement • Responsible Supply Chain Policy 	Page 100 Pages 36 and 71 www.seniorplc.com Pages 53, 100 and 101 and www.seniorplc.com
Business model	<ul style="list-style-type: none"> • Business Model 	Page 38
Principal risks	<ul style="list-style-type: none"> • Risks and Uncertainties 	Pages 60 to 71
KPIs	<ul style="list-style-type: none"> • Financial and Non-Financial KPIs 	Pages 58 to 59

➤ For more information please visit: www.seniorplc.com

actions was reviewed by the Board throughout 2022. The survey was repeated towards the end of 2022 and the Group Chief Executive Officer and Group HR Director shared initial feedback from the 2022 Survey with the Board in December 2022 highlighting key themes, strengths, areas recommended for improvement. In addition, Celia Baxter, the non-executive Director designated to engage with employees has continued with our programme of focus groups and with COVID-19 travel restrictions lifting, the Board has visited operating businesses, and met with management teams and employees. Read more on our employees on pages 32 to 34 and 51.

The need to act fairly between members of the Company (shareholders):

- During the year, the Group Chair, Senior Independent Director, Group Chief Executive Officer, Group Finance Director, and the Director of Investor Relations and Corporate Communications held various meetings with investors (see page 54 for more detail on our engagement with shareholders). These meetings gave

investors the opportunity to discuss views on the Group's financial and operational performance, strategy, end-market recovery, fluid conveyance and thermal management capabilities and capital deployment.

In discharging our section 172 duties, the Directors have regard to the factors set out above and any other factors which we consider relevant to the decision being made. We acknowledge that every decision we make will not always result in a positive outcome for all of our stakeholders. However, by considering the Company's Purpose, Vision and Values, together with our Strategic Priorities and having a process in place for decision-making, we aim to ensure that our decisions are considered, proportionate and balanced.

Further details on how the Board operates and reflects stakeholder views in its decision-making are set out in the Corporate Governance Report on pages 87 and 88.

KEY PERFORMANCE INDICATORS

The Group highlights five financial and two non-financial metrics to measure progress in implementing its strategy.

- ↑ Increased
- ↓ Decreased
- Unchanged

NON-FINANCIAL METRICS

The Group's non-financial objectives are as follows:

- To reduce the Lost Time Injury Illness Rate (per 100 employees) to 0.3 by 2025;
- To reduce the absolute Scope 1 and 2 Greenhouse Gas ("GHG") emissions by 30% by 2025 (compared to 2018 base year).

The key performance indicators ("KPIs") are determined as follows:

- CO₂ emissions is an estimate of the Group's carbon dioxide emissions in tonnes equivalent; and
- Lost time injury illness frequency rate is the number of OSHA (or equivalent) recordable injury and illness cases involving days away from work per 100 employees.

The Group's approach to calculating and reporting our GHG emissions follows the GHG Protocol.

2022's reporting has incorporated Scope 2 greenhouse gas emissions (associated with electricity consumption) calculated using both the Location and Market-based methods.

The Scope 1 and 2 emissions Location Based and Market Based (FY22) are independently verified in accordance with the International Standard on Assurance Engagements ISAE 3410 (limited assurance).

In calculating GHG emissions, the Group has used the financial control approach under which a company accounts for 100% of the GHG emissions from operations over which it has control. This covers all wholly owned operations and subsidiaries of the Group for financial reporting purposes.

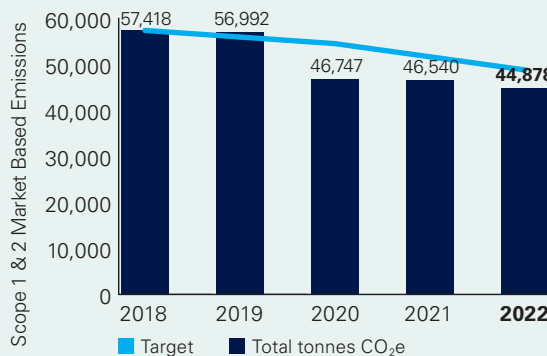
Senior is on track to meet our 2025 targets for Scope 1 & 2 GHG emissions and lost time injury illness rate. Further details of the Group's performance, including its long-term performance trends, are shown on pages 22 to 23. More detail on the Methodology can be found on page 25.

Carbon dioxide emissions Scope 1 & 2 (market based) (Total tonnes CO₂e)



22% decrease

from 2018 base year

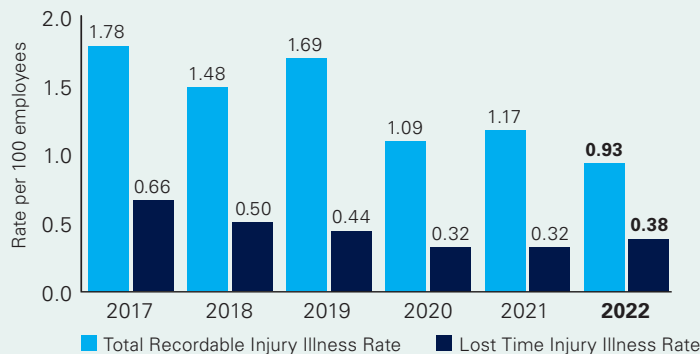


In 2022, our absolute Scope 1 and 2 Greenhouse Gas ("GHG") emissions reduced from 57,418 tCO₂e (2018) to 44,878 tCO₂e. We are on track to meet our SBTi 2025 target with a 22% reduction against our 2018 base year.

Lost Time Injury Illness Rate (incidents per 100 employees p.a.)



0.38



We experienced an increase in the Lost Time Injury and Illness Rate from 0.32 in 2021 to 0.38 in 2022. The total number of injuries has fallen as indicated by the Total Recordable Injury and Illness Rate reduction from 1.17 in 2021 to 0.93 in 2022, a reduction of around 21%.

The small increase in the Lost Time Injury and Illness Rate emphasises the need for continuous improvement. With this in mind, in 2022 we initiated three major global safety initiatives in addition to the routine auditing and support activities. More details can be found on page 32.

FINANCIAL METRICS

The Group's financial objectives are as follows:

- to achieve revenue growth (at constant exchange rates) in excess of the rate of inflation;
- to increase the Group's return on revenue margin each year;
- to increase adjusted earnings per share on an annual basis;
- to generate sufficient cash to enable the Group to fund future growth and to follow a progressive dividend policy; and
- to maintain an overall return on capital employed in excess of the Group's cost of capital and to target a pre-tax return in excess of 13.5% on a post IFRS 16 basis.

The key performance indicators ("KPIs") are determined as follows:

- revenue growth is the rate of growth of Group revenue, at constant exchange rates;
- return on revenue margin is the Group's adjusted operating profit divided by revenue;
- adjusted operating profit is defined in Note 9;
- adjusted earnings per share is defined in Note 12;
- net cash from operating activities is available from the Consolidated Cash Flow Statement; and
- return on capital employed is the Group's adjusted operating profit divided by the average of the capital employed at the start and end of the period, capital employed being total equity plus net debt (defined in Note 32c).

Revenue growth (£m)

+20.3%
+21.9%
excluding disposal



As discussed in the Group Chief Executive Officer's Statement, the year-on-year increase reflected the ongoing recovery in our core markets as well as recent programme wins entering series production. The impact on the Divisions is set out in the Divisional Reviews, on pages 72 to 77. The overall increase in Group revenue was a result of higher revenues in both Aerospace and Flexonics year-on-year.

Net cash from operating activities (£m)

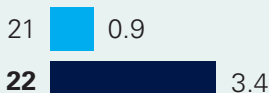
+113.7%



The Group delivered an excellent cash performance in 2022 driven by the significant increase in profits. Net cash from operating activities of £57.7m funded gross capital expenditure of £30.5m in 2022.

Return on revenue margin (%)

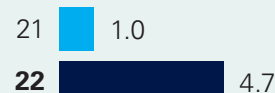
+250bps



The Group's adjusted operating margin increased by 250 basis points, to 3.4% for the full year. This improvement in 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.

Return on capital employed (%)

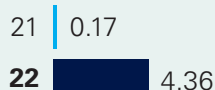
+370bps



Return on capital employed ("ROCE") increased to 4.7%. 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.

Adjusted earnings per share

2,464.7%



The year-on-year improvement arose from improved profitability.

RISKS AND UNCERTAINTIES

2022 KEY FOCUS



“Our risk management process has proved vital in helping effectively identify and manage ongoing supply chain challenges, inflationary pressures and challenging labour markets. The complex geopolitical environment has introduced further uncertainty and intensified the risk profile across the Group. These key principal risk areas are expected to persist through the year ahead.”

Amy Legenza

Group Director of Risk and Assurance

Risk Management

- The Board, Executive Committee and operating businesses completed two comprehensive risk assessments, encompassing both principal and emerging risks
- Refined the climate change risk assessment process to establish a multi-disciplinary participant team and further clarify the Group's strategy to embed climate change risk consideration throughout the organisation

Assurance

- Completed ten broad scope internal audits and four Information Security assurance reviews across various operating businesses and corporate offices
- Piloted a new Trade Compliance “deep dive” assessment
- Deployed thematic audits to address specific risks related to supply chain disruption, inflation challenges and the impacts from the crisis in Ukraine, talent and skills management and software compliance

Principal Risks (starts on page 64)

- Supply Chain Challenges: The Group successfully implemented a variety of mitigating actions to counteract supply chain disruptions, including increased safety stock of critical materials and components, expanding our supply base to provide alternate material sources and enhancing communication with customers and suppliers regarding changes in demand, lead times and other production factors
- Inflation: A variety of measures were deployed to mitigate escalating inflationary pressures, including negotiating selling price escalations with customers, efficiency improvements to contain labour and energy cost escalations and utilising alternate supply arrangements
- Talent and Skills: The Group responded to regional labour market challenges with enhanced retention and recruitment strategies

LOOKING FORWARD

Risk Management

- Conduct a focused risk assessment and scoping exercise to guide the Group's response to the BEIS consultation *Restoring Trust in Audit and Corporate Governance*
- Review and enhance our Information Technology/Information Security risk management process throughout the Group and complete the deployment of expanded threat and security monitoring tools across all operating businesses and corporate offices.
- Implement a climate change risk assessment process at the operating business level to further embed climate change risk into the Group's risk management structure

Assurance

- Reassess the Group's assurance framework in consideration of the proposed requirements in response to the BEIS consultation *Restoring Trust in Audit and Corporate Governance*
- Broad scope internal audits and Information Security assurance reviews planned across 14 locations
- Trade Compliance “deep dive” assessments to be conducted with three operating businesses and a thematic assurance review completed for the remaining locations
- New thematic audits covering payment fraud controls, Information Security patch/vulnerability management and personal data protection

Principal Risks (starts on page 64)

- Economic and Geopolitical Impact: Remain vigilant to the potential impacts on the Group from fluctuating global economic conditions
- Customer Disruption: Strengthen our adaptable response to customer demand variability
- Pandemic: Conduct a post incident review to assess the Group's response to the COVID-19 pandemic

OUR APPROACH TO RISK MANAGEMENT

Identifying and effectively managing risks is essential to the achievement of the Group's strategic priorities and supporting the Group's sustainability initiatives. The Group's Business Model is described on page 38, our Strategic Priorities are on page 42 and Sustainability starts on page 16.

The Board is responsible for the Group's integrated risk and assurance framework, ensuring that the Group risk process and systems of internal control are robust, continuously monitored and evolve to address changing business conditions and threats. The Board also provides direction and sets the tone on the importance of risk management. Responsibility for the monitoring and review of the effectiveness of the Group's risk and assurance framework has been delegated by the Board to the Audit Committee. The risk process is reviewed and agreed annually with the Audit Committee. The Director of Risk and Assurance delivers a comprehensive report of risk, assurance and compliance activities at each Audit Committee meeting.

The Group embeds risk management within its existing business processes across all levels within the Group. Risk tolerance is reflected throughout our control framework by way of the Group's delegation of authority, code of conduct and internal controls system. A catalogue of approximately 50 identified risks encompassing strategic, financial, operational, environmental and other external risks serves as the foundation for comprehensive risk assessments completed by every operating business and by the Executive Committee as part of the annual strategic planning process. The risk assessments also consider emerging risks as detected through internal workshops and external sources. Emerging risks are risks which may develop but have a greater uncertainty attached to them in terms of likelihood, timing and velocity. Emerging risks are monitored and formally added to the identified risk catalogue when the risk solidifies within the Group's strategic planning horizon.

The Group also conducts functional risk assessments, targeting areas such as fraud, tax evasion facilitation and climate change. The risk assessment specific to climate change follows the Group's standard risk assessment process but considers multiple time horizons, with some

elements contemplated over a 20+ year time frame, and applies Scenario Analysis to the most material transition and physical risks. Climate-related risks are also considered as part of the overall Group risk assessment completed during the annual strategic planning process and rank as one of the Group's principal risks.

During the risk assessment process, all identified risks are evaluated against our purpose, strategy and values to understand their likelihood and impact of occurrence, resulting in a register of principal risks. Once the principal risks have been identified, mitigating controls and relevant policies are documented and additional mitigating actions are developed where appropriate. An owner and due date are assigned to each action and progress toward completion is closely monitored. The operating business risk registers are refreshed regularly and reviewed by Divisional Management and the Executive Committee. The Executive Committee conducts its risk assessment twice a year and the principal risks are discussed at each Executive Committee meeting. Every principal risk is assessed for our financial viability scenarios to see if they could have a material financial impact individually or if they materialised together.

The Board performs robust, semi-annual assessments of the principal and emerging risks facing the Group. In addition, the Board regularly assesses outputs from the integrated risk and assurance framework and takes comfort from the "three lines of defence" risk assurance model. The first line represents operational management who own and manage risk on a day-to-day basis through effective internal controls. The Group Executive Committee and Divisional Management monitor and oversee these activities, representing governance and compliance at the second line.

The third line is the independent assurance over these activities provided by internal and other external assurance. The internal assurance programme includes a combination of broad scope internal audits, evaluating financial,

Information Security, HR and other operational controls, plus limited scope thematic reviews designed to provide assurance over targeted risk areas. Internal audits are conducted either in person or virtually, with all Group businesses audited on a multi-year rotational schedule based on a variety of factors, including site specific risks, prior audit results and changes within local management. Thematic reviews are deployed across the entirety or a cross section of the Group dependent on the risk being targeted. In addition, all Group businesses must complete an annual Controls Self Assessment, allowing the Group to identify and address gaps in compliance with the Group's governance policies and internal control standards. Divisional Management, the Executive Committee and the Audit Committee monitor the completion progress of improvement actions resulting from internal audits, thematic reviews and the Controls Self Assessment.

The key elements of the Senior risk management process are shown on the following page.

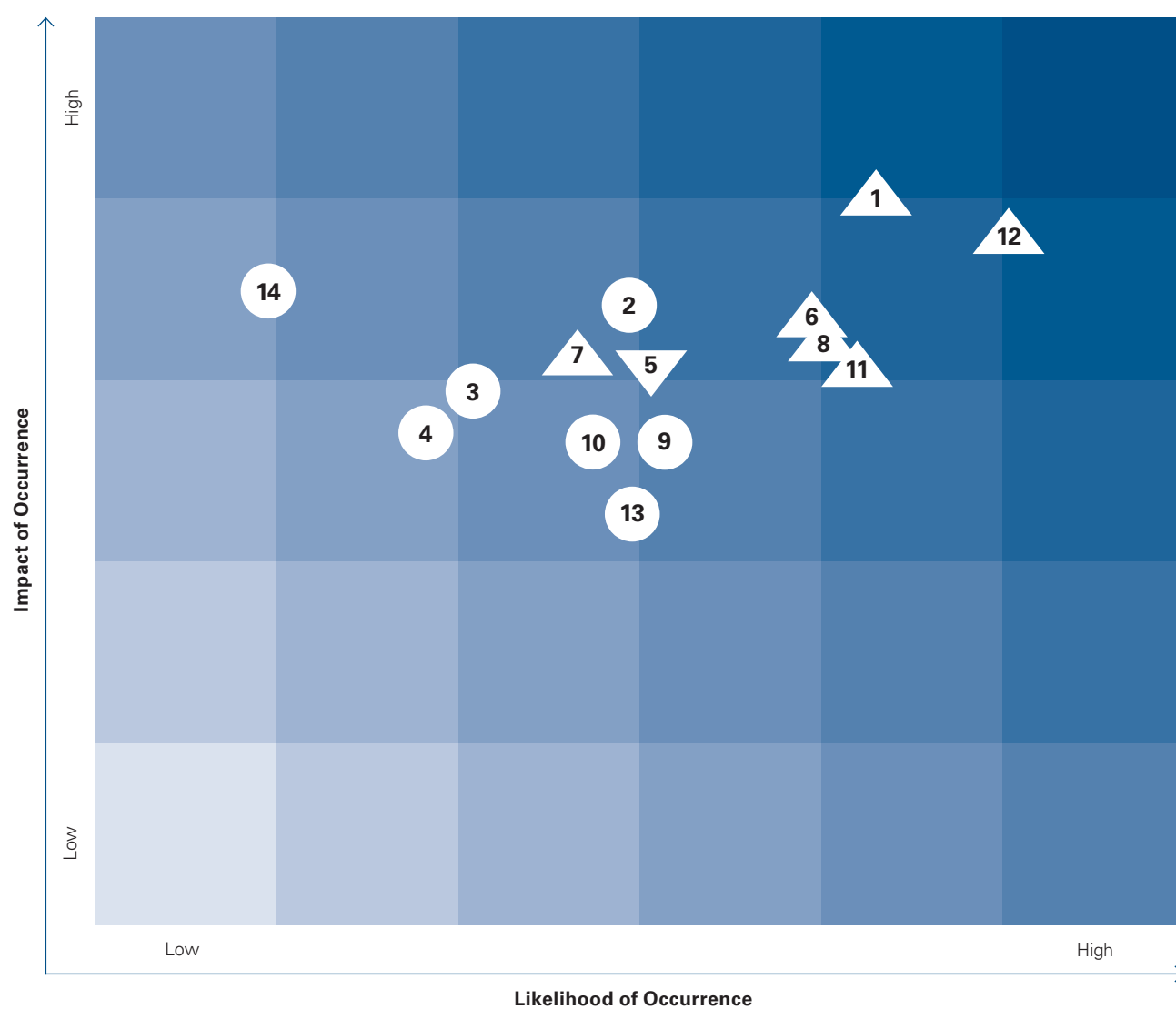
KEY RESPONSIBILITIES WITHIN THE RISK MANAGEMENT STRATEGY



SENIOR'S RISK MANAGEMENT PROCESS



RISK HEAT MAP (Residual risk after mitigations)



▲ Increased Residual Risk ▼ Decreased Residual Risk ● Residual Risk Unchanged

RISK DEFINITIONS

Strategic

- 1 Economic and Geopolitical Impact
- 2 Climate Change
- 3 Implementation of Strategy
- 4 Innovation and Technological Change
- 5 Pandemic

Operational

- 6 Supply Chain Challenges
- 7 Customer Disruption
- 8 Cyber/Information Security
- 9 Programme Management
- 10 Price-down Pressures

People and Culture

- 11 Talent and Skills

Financial

- 12 Inflation
- 13 Financing and Liquidity

Compliance

- 14 Corporate Governance Breach

PRINCIPAL GROUP RISKS

During 2022, assessments of the principal risks and uncertainties, including emerging risks, that could threaten the Group's business model or achievement of the strategic priorities were performed.

As a result of the most recent assessment, the name of the Customer Demand principal risk was updated to Customer Disruption to better reflect the nature of the risk. The remainder of the principal risks remain unchanged since our 2022 Interim Statement.

The principal potential risks and uncertainties, together with actions that are being taken to mitigate each risk, are:

- Increased residual risk
- Decreased residual risk
- Residual risk unchanged
- New risk
- Emerging risk

Areas of strategic priorities

- Enhance business model
- Focus on growth
- High performance operating system
- Competitive cost countries
- Capital deployment
- Talent and development

Key Performance Indicators

- Organic Revenue Growth
- Return on Revenue Margin
- Adjusted Earnings per Share
- Net Cash from Operating Activities
- Return on Capital Employed
- Carbon Dioxide Emissions
- Lost Time Injury Illness Rate

All of the Group's principal risks are factored into the severe but plausible downside scenario applied in the Group's viability assessment as described on page 82.

Principal Risk

How we manage it

Focus in 2022

STRATEGIC

ECONOMIC AND GEOPOLITICAL IMPACT

- 2
- 3
- 4
- 5
- A
- B
- C
- D
- E

There is a risk that there will be a global economic downturn impacting some or all of the sectors within which the Group operates.

Changes in critical trade relations factors, such as tariffs, sanctions and exchange rates, resulting from geo-political events have created uncertainty over the future impacts on international trade, including export revenues, material availability and cost and the ability to employ foreign nationals. Shifts in political regimes and government spending programmes can lead to higher taxation and have an impact on earnings.

These events may result in supply chain disruptions, rising energy prices and labour shortages which can escalate inflationary pressure on earnings. Additional detail regarding our inflation risk and responses can be found on page 70.

Divisional Management and the Executive Committee closely monitor economic and geopolitical trends that may impact the operating businesses through regular business reviews. Contingency planning is undertaken to minimise operations disruption where necessary.

The Group employs tax, treasury and trade compliance specialists who maintain the Group's trade-related compliance programmes and continually monitor the impacts of evolving trade relations from regulatory, supply chain, people and financial perspectives.

The Board ensures that it is kept informed of significant trade developments in order to assess the impact on the Group and take action as appropriate.

The Group monitors potential changes to international tax regulations and tariffs to understand the likely impact.

The COVID-19 pandemic continues to impact the global economy and certain sectors within which we operate. Ongoing supply chain constraints and inflationary pressures added to the economic uncertainty during 2022. As a result, the Group remained focused on delivering profitable growth and generating free cash flow, as described in the Financing and Liquidity risk, and completion of restructuring projects, as described in the Implementation of Strategy risk.

In response to heightened trade tensions resulting from the crisis in Ukraine, the Group conducted a targeted assurance review across the operating businesses which confirmed the Group has identified and is continuing to monitor and mitigate the impacts of the crisis on our operating businesses. The assurance review also confirmed that our relevant trade compliance controls are operating effectively.

Principal Risk	How we manage it	Focus in 2022
CLIMATE CHANGE → 2 5 B F G		
<p>There is a risk that climate change and/or the measures taken to address it may have an adverse impact on the Group. Climate change may result in extreme weather events that may impact our ability, or that of a supplier, to meet our customers' requirements.</p> <p>Our customers' products may evolve to require new technology, such as electrification. This also presents an opportunity to the Group to be involved in replacement technologies.</p> <p>Increasing legislation aimed at accelerating decarbonisation may increase our operating costs. It may also change consumer behaviours impacting on our end markets. For example, consumers may fly less often.</p>	<p>To mitigate the impact of catastrophic events, such as an extreme weather event, each site has a scenario-based Business Continuity Plan which is tested on an annual basis. The Group also has insurance which helps to protect profits in such situations.</p> <p>The Group continues to invest in and develop solutions relevant to changing end markets. Examples include our battery cooling, waste heat recovery, heat sink in hybrid cars technologies, and additive manufacturing solutions for aerospace.</p> <p>A comprehensive climate change risk and opportunity assessment exercise is conducted annually by a multi-disciplinary team to evaluate transitional and physical risks, as well as resource efficiency opportunities. The assessment considers multiple time horizons, with some elements contemplated over a 20+ year time frame. The exercise also applies Scenario Analysis to the most material transition and physical risks as per TCFD. The Group's SBTi approved emissions reductions targets covering GHG emissions from the Group's operating businesses are consistent with reductions required to limiting climate warming to 1.5°C and are aligned with Net Zero as Near-Term Targets. SBTi has approved the following targets:</p> <ul style="list-style-type: none"> • The Group commits to reduce its absolute Scope 1 and 2 GHG emissions by 30% by 2025 compared to a 2018 base year; and • For Scope 3 GHG emissions, The Group also commits that 80% of its suppliers by spend, covering purchased goods and services and capital goods, will have science based targets by 2025. 	<p>In 2022, the Group was awarded the highest possible "leadership" rating of A from the globally recognised CDP for our climate change disclosures.</p> <p>In support of our Science Based Targets, the Group has achieved a 22% reduction in combined Scope 1 and 2 carbon emissions through 2022 compared with the 2018 base year, on track to meet the 2025 target deadline.</p> <p>During 2022, the Group engaged with over 350 of its leading suppliers regarding climate change, accounting for approximately 80% of the Group's total spending. 160 of these suppliers provided a full disclosure on their climate change programmes, representing a significant increase from the level of response in 2021. As a result, CDP once again awarded the Group with the status of Supplier Engagement Leader in 2022 in recognition of our increased efforts to raise the level of climate action across our supply chain.</p> <p>The Group submitted our 2040 Net Zero targets to SBTi in 2022 with validation expected in the first half of 2023.</p> <p>For further details on TCFD and Sustainability, including how the Group is leveraging our technology and product development to drive progress towards net zero, please see pages 16 to 31.</p>
IMPLEMENTATION OF STRATEGY → 1 2 3 4 5 B D E		
<p>An inability to implement the Group's strategy and/or effectively manage the Group's portfolio could have a significant impact on the Group's ability to generate long-term value for shareholders.</p> <p>Ambiguity surrounding the Group's strategy and strategic priorities may result in investors failing to recognise the value of the Group's investment case.</p>	<p>The Group regularly reviews its strategy and portfolio to ensure that long-term value is maximised for shareholders. Where appropriate, divestments will be considered.</p> <p>M&A opportunities continue to be evaluated and discussed at the Board's strategic review. Processes are in place to ensure that the Group is aware of emerging acquisition opportunities.</p> <p>The Group has a well-established M&A framework that includes proven valuation, due diligence and integration processes designed to be efficiently executed by an experienced cross-functional team.</p> <p>Post-acquisition reviews are conducted as appropriate.</p> <p>The Group has incorporated the experiences gained from navigating strategic challenges, such as the COVID-19 pandemic, into an adaptable response framework to ensure sufficient focus remains on the Group's core strategic priorities while responding to critical operational, strategic and financial challenges.</p>	<p>The Board carried out its annual assessment of our strategic objectives, end markets, capabilities and technologies and determined that the Group is well positioned to deliver its strategy and continue the transition through the evolving net zero world.</p> <p>The Group continues to focus on:</p> <ul style="list-style-type: none"> • investment in new technology and product development in our core markets, including fluid conveyance and thermal management, and expand our additive manufacturing capabilities; • targeting new markets with structural growth potential, such as space and semiconductor, through leveraging the expertise we have developed in our traditional core markets; and • liquidity, effective cash management and a healthy balance sheet. <p>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 commercial and military aerospace applications. The acquisition supports the Group's strategic priorities through expansion our fluid conveyance capabilities.</p>

Principal Risk	How we manage it	Focus in 2022
INNOVATION AND TECHNOLOGICAL CHANGE → 1 2 5 A B C E F		
<p>The Group must innovate in order to continue to win new business and achieve profitable growth. There is a risk that the Group does not continue to innovate and implement technological change resulting in its technology becoming uncompetitive or obsolete.</p> <p>New technologies may have an impact on the Group's markets, e.g. electric vehicles and hydrogen aircraft.</p>	<p>The Group has a Technology Collaboration forum which meets regularly to discuss innovation and technological changes across our various businesses and markets.</p> <p>The Group has continued to invest in additive manufacturing "AM" capabilities as an enabling technology, design and simulation capabilities, AM process certifications and equipment at its Advanced Additive Manufacturing Centre "AAMC". Multiple AM parts have been qualified and delivered to customers for both production platforms and technology demonstrators, such as the NASA sponsored supersonic X59 platform. The AAMC team has also developed significant design capability to re-engineer existing product designs to deliver significant weight savings and performance enhancements.</p> <p>The Group continues to develop products to support the move to low carbon technologies and sustainability, both in the land vehicle and aerospace markets.</p> <p>Global Marketing Teams are engaged to ensure that customer requirements and priorities are considered.</p> <p>The Group continues to invest in machining and fabrication technology enhancements to improve process efficiency and reduce cost.</p> <p>The Senior Operating System continues to deliver best practice tools for innovation and product development across the Group.</p> <p>The Technology section, starting on page 44, details the Group's technology themes and product development case studies.</p>	<p>In 2022, we identified five specific Technology Focus areas – Hydrogen, Electrification, Aerospace Heat Exchanger development, Additive Manufacturing and Digitisation. The Group has continued to invest in new product development and emerging technologies within these focus areas, with significant progress being made on a number of key projects:</p> <ul style="list-style-type: none"> • development of high-pressure flexible hoses for industrial hydrogen applications; • introduction of several innovative products for battery and fuel cell cooling, including ultra-thin patented designs for very demanding environments; • development of an extensive process parameter dataset for complex metallic AM component design and manufacture, including full vertical integration of the complete AM process chain. Senior's process quality and expertise was recognised in 2022 as one of the few companies in the world to have achieved Nadcap certification for AM; and • significantly expanded the use of non-metallic (polymer) AM for low-pressure ducting applications, including development of innovative knitting technology for thermoplastic composite components. <p>The Group remains focused on sustainability as a driver for new product development and market expansion through leveraging existing capabilities, expertise and products in Thermal Management and Fluid Conveyance into new adjacent markets such as space, hydrogen etc. Additional detail on how the Group is leveraging our technology and product development to drive progress towards net zero can be found on pages 20 and 21.</p>
PANDEMIC ↓ 2 3 6 A B C D E		
<p>A pandemic, such as the current COVID-19 pandemic, could have a significant impact on business operations affecting our employees, our supply chain and ultimately our ability to meet customer requirements. There is also the potential for a pandemic to create a global slowdown in demand impacting our end markets.</p> <p>An adverse indirect consequence may result from our customers having to reduce production rates even where our supply chain and production remains intact.</p>	<p>The Group has an Incident Response Plan and it is being used to manage the Group's response to the current pandemic.</p> <p>Emerging threats are monitored and advice provided to employees as appropriate. This may include travel restrictions, temporary site closures and additional safety measures when at work.</p> <p>Where a pandemic threat does emerge, we liaise with our suppliers and customers to manage the situation to the greatest extent possible.</p>	<p>The pandemic continues to impact the Group, though to a lesser degree in many locations and markets. Response measures enacted throughout the COVID-19 pandemic remain in effect, with many of the actions now embedded into the Group's standard policies and procedures. These include:</p> <ul style="list-style-type: none"> • the ongoing activities of the Group's Coronavirus Oversight Committee; • flexible and responsive localised leave policies and "return to office" strategies to ensure the health and safety needs of our employees continue to be met; • business continuity and ensuring that the business is able to meet its financial commitments while continuing to navigate the impacts of the ongoing pandemic. Further details are provided against other principal risks as appropriate; • close communication with suppliers and customers as we continue to adapt our business to address shifts in demand, supply chain capabilities and labour availability created by the evolution of the pandemic; and • careful management of the Group's response to demand recovery to ensure the cost savings measures implemented in recent years are not diluted. <p>The Group remains vigilant to the potential impacts of future waves of the COVID-19 pandemic.</p>

Principal Risk	How we manage it	Focus in 2022
<h1>OPERATIONAL</h1>		
SUPPLY CHAIN CHALLENGES ↑ 1 2 3 4 A B C D E		
<p>Suppliers may be unable or unwilling to respond to increases or decreases in demand, impacting our ability to supply our customers and/or our ability to optimise inventory held.</p> <p>Critical materials or components may become temporarily or permanently unavailable, leading to an inability to meet production commitments.</p> <p>Supply chain disruption can lead to higher volatility in delivery schedules as customers adjust demand to protect their production capabilities. This may challenge the Group's ability to meet customer schedule, quality and cost requirements, resulting in potential delays, penalties and cost overruns.</p> <p>In extreme cases some suppliers may face financial difficulties and go out of business.</p>	<p>The resilience of the supply chain is monitored and, where possible, over-reliance on individual suppliers is reduced.</p> <p>The Group closely monitors the resource required to deliver customer demand.</p> <p>The Group has deployed the Senior Operating System to provide operating businesses with a toolkit to optimise the use of lean and continuous improvement techniques, supplier management and other operational best practice processes.</p> <p>Operating businesses are required to maintain strong internal controls over supplier management from new supplier selection to performance monitoring and management of existing suppliers.</p> <p>Our core Values (see page 38) emphasise operating with integrity and respect, which allows the Group to cultivate strong, long-term relationships with critical suppliers.</p>	<p>Significant supply chain disruption driven by ongoing labour challenges, material shortages and transportation delays persisted throughout 2022, with the crisis in Ukraine adding further complexity in the year. In response, the Group has maintained the initiatives previously deployed, including:</p> <ul style="list-style-type: none"> maintaining close and frequent communication with customers regarding delivery schedules, the need to qualify additional supply sources and potential incremental costs to mitigate supply chain disruptions; working with suppliers to manage lead times and maximise the benefits from long-term supply agreements, where applicable; leveraging supplier relationships across the Group to identify alternate supply sources and opportunities to streamline or consolidate supply requirements; applying the Senior Operating System and our engineering expertise to generate innovative solutions to supply chain challenges; and highlighting supply chain challenges in operating business reviews and Executive Committee meetings. <p>To gain additional comfort over our management of the intensifying supply chain challenges in 2022, the Group conducted a supply chain assurance review across the operating businesses to assess the scope and severity of supply chain constraints, as well as the effectiveness of mitigating actions employed to navigate the current operating environment.</p>
CUSTOMER DISRUPTION ↑ N 1 2 5 A B C E		
<p>Supply chain constraints, staffing shortages and other labour disruptions may leave customers unable to meet current sales commitments and/or respond to increases in market demands. As a result, there is a risk that customers do not honour firm order schedules, delay programme ramp-up, postpone new programmes.</p>	<p>The Group has fostered long-lasting and cooperative relationships across its customer base.</p> <p>In furtherance to its strategic priorities, the Group actively seeks to grow the business through diversification of its customer base and new product innovation.</p> <p>The Group closely monitors market trends and developments through in-house market research analysis.</p> <p>There is a Group Contract Review policy which is mandatory for all operating businesses and requires comprehensive financial modelling and sensitivity analysis of contractual terms and assumptions.</p>	<p>Customer demand continued to strengthen during the year driven by the resilience of the Group's end-markets in the post-pandemic recovery. However, supply chain and labour issues have challenged some customers' ability to meet market demand increases, suppressing demand down through their supply base.</p> <p>Focus in 2022 has been on:</p> <ul style="list-style-type: none"> collaborating with our customers to understand their demand variability and potential schedule changes; diligently managing supply chain challenges to meet our product delivery objectives in support of customer operations; and continuing to balance direct headcount with demand whilst retaining the ability to meet increased demand in the future and identifying overhead reductions through efficiency improvements where possible.

Principal Risk	How we manage it	Focus in 2022
CYBER/INFORMATION SECURITY ↑ 1 3 B		
<p>The risk that the Group is subjected to external threats from hackers or viruses potentially causing critical or sensitive data to be lost, corrupted, made inaccessible, or accessed by unauthorised users, resulting in financial and/or reputational loss.</p>	<p>The Group has a strategic roadmap to continually improve Information Security.</p> <p>The Group has dedicated and robust Information Security capability in place with a wide range of proactive and reactive security controls, including up-to-date antivirus capability across our operating businesses and network and system monitoring to identify vulnerabilities and potential threats.</p> <p>A multi-year rotational Information Security (IS) assurance review programme is in place to assess and enhance compliance with established IS controls, policies and procedures.</p> <p>Vulnerability metrics have been developed and are actively reviewed by Divisional Management and the Executive Committee.</p> <p>The Group has a risk management framework specific to Information Technology "IT"/Information Security "IS".</p> <p>Each operating business deploys a suite of protection and monitoring services, including endpoint detection and response, vulnerability management and cyber threat intelligence. These are fully monitored by our centralised Group Information Security team to ensure consistency, continuity and rapid remediation</p> <p>Technology-led security controls are further supported by a clear and documented series of policies, standards and playbooks.</p> <p>Employees receive annual awareness training on cyber-related issues and the Group maintains a cyber awareness campaign to alert employees to cyber threats.</p> <p>A near miss and incident reporting process is deployed across the Group to alert IT/IS teams of immediate cyber threats.</p>	<p>Remote, hybrid and other flexible work arrangements are now common in many locations across the Group. These types of alternate work arrangements can increase Information Security risks so the Group remains committed to full compliance to our IT/IS policies and diligent monitoring of the IS environment. 2022 actions included:</p> <ul style="list-style-type: none"> • approval of a new three-year IS strategy and roadmap to account for the dynamic nature of the cyber threat landscape; • selected and transitioned to a new Managed Security Service provider offering enhanced visibility and security monitoring across the entire organisation; • introduced new, market-leading security systems and software to provide real-time security event monitoring via a single portal. This includes increased protection against the latest cyber threats, such as ransomware and other destructive attacks; • deployed proactive threat hunting capabilities and user behavioural scanning capabilities to enable defence against the latest methods of attacks used by cybercriminals; • implemented a new external scanning capability allowing the Group to see the security posture of the organisation through the eyes of a cybercriminal; and • completion of comprehensive IS assurance reviews across multiple operating businesses.
PROGRAMME MANAGEMENT → 1 2 3 5 6 A B C D E		
<p>The ability to introduce new products in line with customer requirements and to respond appropriately to increases or decreases in demand thereafter is key to achieving the Group's strategic objectives.</p> <p>There is a risk that the Group is unable to respond quickly enough to changes in demand, potentially resulting in excess inventory and/or an inability to meet schedule and cost requirements resulting in delays, penalties, cost overruns or asset write-downs.</p> <p>Changes across a variety of production requirements, such as fluctuations in material supplies, volatility in customer ordering and employee retention and training, may challenge the Group's ability to maintain programme quality specifications, leading to the potential for higher costs of quality or greater risk of product defects.</p>	<p>The Group is experienced in bidding and launching new products. Formal New Product Introduction "NPI" processes, such as Advanced Product Quality Planning "APQP", are in use across many operating businesses with full adoption in process across the Group.</p> <p>There is a Group Contract Review policy which is mandatory for all operating businesses and requires comprehensive financial modelling and sensitivity analysis of contractual terms and assumptions.</p> <p>NPI programmes are subject to regular review by divisional and Group management to ensure that schedule, cost or quality issues are identified and dealt with promptly.</p> <p>The Group monitors market and customer data so that we can be prepared to respond to changing market dynamics.</p> <p>A variety of tools are deployed throughout the Group to prevent, detect and manage quality issues, including supplier audits, comprehensive quality management systems, internal quality audits, Gemba walks and documented root cause analysis.</p>	<p>The ongoing pandemic continued to impact customer demand in 2022 to some degree but supply chain constraints and labour availability created substantial programme management challenges during the year. In response, the Group has maintained its focus on:</p> <ul style="list-style-type: none"> • continuing to work with our customers to ensure that, wherever possible, orders within firm windows can be delivered; • working with our suppliers and managing inventory to balance inventory levels where there are delays in firm orders and/or ensure adequate supply to meet production demands; • maintaining flexible labour resource plans to adapt to variations in demand and production schedules; and • responding to the ongoing elevated level of new requests for quotation.

Principal Risk	How we manage it	Focus in 2022
PRICE-DOWN PRESSURES ➔ 1 3 4 5 A B C E		
<p>Customer pricing pressure is an ongoing challenge within our industries, driven by the expectations of airlines, land vehicle operators and governments seeking to purchase more competitively priced products in the future. This may put some pressure on the Group's future operating margins.</p>	<p>The Group works closely with its customers to find innovative ways to produce products at a lower cost, thus helping them to meet pricing challenges.</p> <p>The Group is able to consider bundles of products that in total help achieve customer pricing challenges.</p> <p>Where appropriate, the Group will actively pass work to some of its cost competitive facilities such as Mexico, Thailand, the Czech Republic, South Africa, India, China and Malaysia with a view to helping satisfy customer challenges.</p> <p>There is a Group Contract Review policy which is mandatory for all operating businesses and requires comprehensive financial modelling and sensitivity analysis of contractual terms and assumptions</p>	<p>Disruptive supply chain challenges and escalating inflationary pressures converged during 2022 to force many customers to strike a balance between prioritising delivery schedules, which may require higher freight, material and other costs, and managing programme costs to mitigate inflation impacts. In 2022, the Group focused on:</p> <ul style="list-style-type: none"> • formalising a pragmatic and adaptable pricing response framework across the Group; • working in partnership with customers to support their priorities within the contractual terms of existing agreements; • facilitating alignment between supplier and customer agreements to stabilise material costs; and • identifying labour and overhead cost reductions through efficiency improvements where possible.

PEOPLE AND CULTURE

TALENT AND SKILLS ↑ 2 6 A B D		
<p>There is a risk that the Group, particularly in the US and UK, is unable to attract sufficient skills and talent and/or is unable to retain the skills and talent it has in order to meet demand. Margins may be impacted by higher wage rates necessary to retain current employees and/or attract new employees.</p> <p>As demand increases there may be a disproportionate increase in the number of indirect heads, undoing some of the cost savings that the Group has achieved through its restructuring programme.</p> <p>A notable portion of the Group's workforce may reach retirement age at the same time, creating a gap in skills and labour availability.</p> <p>The Group may have insufficient talent to respond to all strategic priorities.</p>	<p>Employee retention and recruitment challenges are regularly discussed within the operating businesses, Divisional Management and the Executive Committee.</p> <p>The Group HR Director hosts focus groups across a cross section of the operating businesses to solicit constructive feedback from employees and foster open communication.</p> <p>Operating businesses partner with technical colleges and apprenticeship schemes to create talent pipeline programmes.</p> <p>A groupwide succession planning exercise is conducted annually to identify successors or interim cover for key roles and ensure appropriate development plans are in place to support employees in meeting their career goals.</p> <p>The Nominations Committee reviews management development and succession plans twice a year, making recommendations to the Board regarding size, structure and composition where applicable.</p> <p>The "Perform" performance and development system is utilised across the Group to facilitate objective setting, development planning and performance and behaviour assessment.</p> <p>The Group HR Director regularly provides people and culture feedback to the Board.</p>	<p>2022 presented a uniquely challenging labour market as wage inflation and a post-pandemic increase in hiring demand converged with subdued labour availability creating fierce competition amongst employers to attract and retain employees. The Group responded to the escalating challenges in employee retention and recruitment in 2022 by:</p> <ul style="list-style-type: none"> • softening the effects of inflation on our workforce through off-cycle wage increases or lump sum inflation payments to support employees with the impact of increased costs of living; • offering new incentive opportunities such as sign-on bonuses to attract new employees and enhancing recruiting bonuses to existing employees for candidate referrals; • promoting opportunities for remote, hybrid and flexible work arrangements; • implementing additional employee engagement actions, such as employee activities, newsletters, employee suggestion/feedback channels and management meetings; and • expanding in-house training programmes. <p>The Group conducted its second Global Employee Opinion Survey in 2022. Additional detail regarding the 2022 employee engagement survey can be found on page 51.</p> <p>An expansion of the Group's online recruitment system, "Recruit," commenced in 2022 for operating businesses in the UK</p> <p>A talent and skills assurance review was completed across the Group to assess the scope and severity of employee recruitment and retention concerns, as well as the effectiveness of mitigating actions implemented to counteract the effects of the challenging labour market.</p>

Principal Risk	How we manage it	Focus in 2022
FINANCIAL		
INFLATION		
<p>Inflationary pressures stemming from a confluence of labour constraints, supply chain disruption and shifting customer demand could result in a reduction of earnings from existing programmes if the Group is unable to secure mitigating price adjustments from customers.</p> <p>Higher production costs resulting from material, energy and labour cost inflation can reduce our ability to remain cost competitive and win new business.</p> <p>Inflationary pressures may result in higher interest rates, which could impact the Group's earnings.</p>	<p>The Group's Treasury Committee actively monitors the economic forces impacting the Group and consider a variety of viable containment strategies where necessary.</p> <p>There is a Group Contract Review policy which is mandatory for all operating businesses and requires comprehensive financial modelling and sensitivity analysis of contractual terms and assumptions.</p> <p>A significant portion of the Group's external debt is at fixed rates of interest, which mitigates the effect of higher benchmark interest rates that can result from inflationary pressures.</p> <p>The Group utilises the Senior Operating System to deploy lean and continuous improvement techniques with a focus on improving labour efficiencies and cost reduction initiatives.</p>	<p>Inflationary pressures continued to escalate in 2022 as ongoing supply chain issues, wage inflation, labour disruptions and the crisis in Ukraine combined to fuel a historic surge in labour, energy, transportation and material costs. The Group expanded efforts to monitor and mitigate inflation impacts during 2022 through the following actions:</p> <ul style="list-style-type: none"> spotlight inflationary impacts and evaluate potential mitigating actions in operating business reviews and Executive Committee meetings; where inflationary pressures have increased, the Group has worked closely with customers to secure price increases, delay contractual price decreases and/or pass through higher production costs to mitigate the impact on Group margins; leverage existing fixed-price supply agreements to secure lower pricing across as much supply as possible while maintaining a focus on inventory optimisation; seek out alternate sources of energy supply to reduce the possibility of energy supply disruption and slow escalating costs; and assess the impacts of inflation and effectiveness of actions deployed to mitigate those impacts across the Group through a targeted assurance review.
FINANCING AND LIQUIDITY		
<p>The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due or insufficient liquidity to meet financing covenants.</p> <p>Foreign exchange movements could have a material impact on the Group's financial performance, both on the balance sheet (translation risk) and income statement (transaction risk).</p>	<p>The Group's overall treasury risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Group's financial performance.</p> <p>The Group enters forward foreign exchange contracts to hedge the transactional exchange risk arising on operations' trading activities in foreign currencies; however, it does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.</p> <p>The Group monitors liquidity risks monthly and ensures sufficient headroom in its committed borrowing facilities to meet financial obligations across the Group as they fall due.</p> <p>The Group's Treasury policy is updated and approved by the Board regularly.</p> <p>Compliance with financial policies, exposure limits and headroom/liquidity limits are reviewed by the Group's Treasury Committee on a regular basis.</p> <p>The Group's viability assessment process considers a base case and risk case scenario, which considers the principal risks and uncertainties.</p>	<p>Financing and liquidity initiatives continued to play a critical role during 2022 to mitigate the ongoing impacts of the COVID-19 pandemic, supply chain challenges and inflation. Actions taken included:</p> <ul style="list-style-type: none"> after a period of covenant relaxation through 2020 and 2021 in agreement with the Group's lenders, the Group reverted to original covenant limits in 2022. A strong focus on free cash flow generation has continued into 2022; both main committed revolving credit facilities (in UK and US) were refinanced during 2022 and the tenors extended to 2026 and 2025, respectively; a global notional cash pooling solution was implemented in 2022 to enable the Group to make better use of cash in the operations for working capital needs to minimise central borrowings; responsibly managing growth in inventory requirements where customer demand is recovering and/or supply chain disruptions are occurring; continued compliance with transactional foreign exchange hedging policy to mitigate income statement volatility from currency movements; and the Group's Treasury Policy was updated and approved by the Board in December 2022.

Principal Risk	How we manage it	Focus in 2022
COMPLIANCE		
CORPORATE GOVERNANCE BREACH		
Corporate governance legislation (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders and ultimately have a material adverse impact on the Group's enterprise value.	<p>The Group has well-established governance policies and procedures in all key areas, including a Group Code of Conduct, anti-bribery procedures, a Health & Safety Charter, an Agent's Policy and various policies and procedures over the review and reporting of risk management and internal control activities.</p> <p>Governance and regulatory compliance updates are provided to the Board and the Executive Committee at appropriate intervals, and to key operational management.</p> <p>All employees are required to complete annual Code of Conduct training.</p> <p>All EU sites have received training on the General Data Protection Regulations and employees in other locations have received training as appropriate to their roles.</p>	<p>Employees received annual refresher training on our Code of Conduct during 2022. The completion rates typically hover around 94%, allowing for new starters who have not yet completed their training immediately on joining. The course included content related to conflicts of interest, anti-bribery, general business ethics and preventing harassment.</p> <p>Additional training was conducted for appropriate employee groups on topics including prevention of payment fraud and information security related topics.</p> <p>The Group expanded its trade compliance capabilities through the addition of an internal classification specialist and enhanced legal entity due diligence procedures.</p> <p>Updates have been issued to various Group policies.</p> <p>The Group's 2022 internal audit programme and Controls Self Assessment were completed as planned, providing a level of assurance that the Group's Code of Conduct, controls, policies and procedures are being followed.</p>

DIVISIONAL REVIEW

AEROSPACE
DIVISION

Revenue
+18%

£553.6m

(2021 – £471.0m)

Adjusted operating profit
+142%

£20.3m

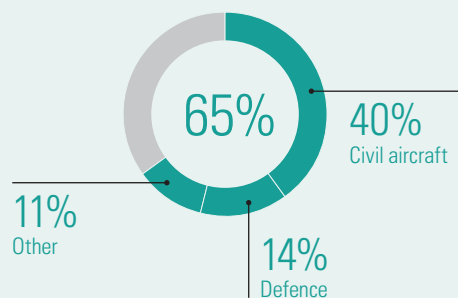
(2021 – £8.4m)

Adjusted operating margin
+190 bps

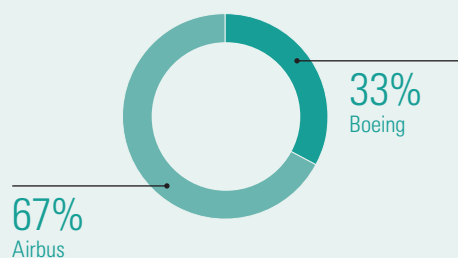
3.7%

(2021 – 1.8%)

Aerospace sales across the group



Revenue by large commercial platforms



“Revenue in the Aerospace Division increased by 17.5% year-on-year, reflecting the recovery now well underway in commercial aviation.”

Laurie Fleming

Aerospace Division Chief Executive

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 £m	2021 ⁽¹⁾ £m	Change
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.

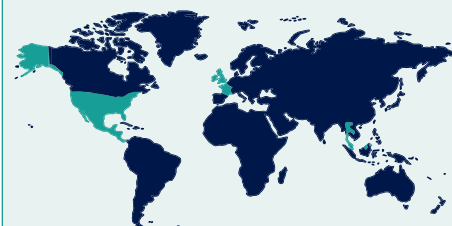
Both Airbus and Boeing are planning further increases in aircraft production programmes in 2023 and beyond which gives confidence that civil aerospace revenue will continue to grow in 2023. With aircraft build rates increasing through the year, and the continuing supply chain challenges in aerospace, 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.

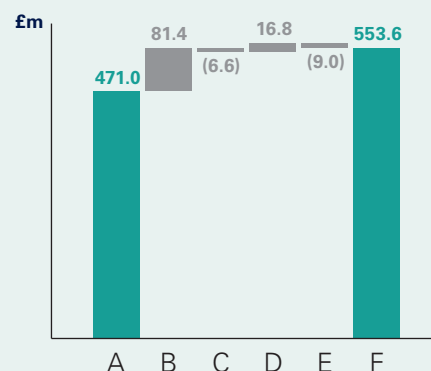
14 Global Aerospace operations

North America	6
United Kingdom	4
Continental Europe	2
Thailand	1
Malaysia	1



Revenue reconciliation (£m)

- A 2021 revenue
B Civil aerospace
C Defence
D Other
E Disposal of business
F 2022 revenue



Sales in civil aerospace increased by

32%

(2021 – 15% decrease)

"The ramp up in large commercial aircraft production rates reflected the recovery in domestic and international flights."

"Improved profitability reflected volume related operating leverage across our businesses, while price increases helped offset the impact of inflationary cost increases."

Launie Fleming

Aerospace Division Chief Executive



Adjusted operating margin increased to

3.7%

(2021 – 1.8%)

"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."

- 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.

Senior Aerospace Metal Bellows provides custom engineered bellows-based mechanical and electromechanical component and assembly solutions, by applying its technologies to applications requiring hydraulic system pressure and flow control, dynamic sealing, precision sensing and actuation (pressure and thermal), and flexible coupling.



DIVISIONAL REVIEW

FLEXONICS
DIVISION

Revenue
+26%

£295.6m

(2021 – £234.6m)

Adjusted operating profit
+83%

£25.4m

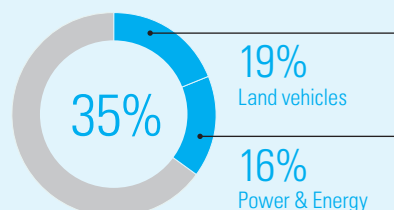
(2021 – £13.9m)

Adjusted operating margin
+270 bps

8.6%

(2021 – 5.9%)

Flexonics sales across the group



"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."

Mike Sheppard

Flexonics Division Chief Executive

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⁽¹⁾, 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 £m	2021 ⁽²⁾ £m	Change
Revenue	295.6	234.6	+26%
Adjusted operating profit	25.4	13.9	+83%
Adjusted operating margin	8.6%	5.9%	+270bps

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

(2) 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.

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.

12 Global Flexonics operations

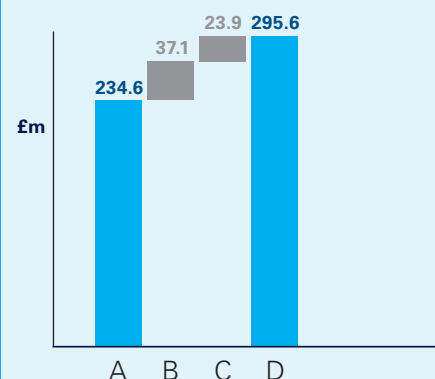
North America	4
Continental Europe	2
United Kingdom	2
India	1
South Africa	1
China ⁽¹⁾	2



(1) Including joint venture.

Revenue reconciliation (£m)

- A 2021 revenue
- B Land vehicles
- C Power & energy
- D 2022 revenue



Increasing global energy consumption will drive higher demand for many of the Flexonics Division's products.



Sales to power & energy markets increased by

+22%

(2021 – 12% decrease)

FINANCIAL REVIEW

GOOD FINANCIAL
PROGRESS

"Senior delivered significantly improved profitability, generated excellent free cash flow and further strengthened the balance sheet."

Bindi Foyle
Group Finance Director

Adjusted Operating Profit

+367%

£28.5m

2021 – £6.1m

Free Cash Flow

+98%

£27.7m

2021 – £14.0m

ROCE

+370 bps

4.7%

2021 – 1.0%

Financial Summary

A summary of the Group's operating results (at reported currency) is set out in the table below. Further detail on the performance of each Division is set out in the Divisional Review.

	Revenue		Adjusted operating profit ⁽¹⁾		Margin	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 %	2021 %
Aerospace	553.6	439.3	20.3	7.9	3.7	1.8
Flexonics ⁽²⁾	295.6	219.9	25.4	12.9	8.6	5.9
Share of results of joint venture	–	–	0.4	0.2	–	–
Inter-segment sales	(0.8)	(0.5)	–	–	–	–
Central costs	–	–	(17.6)	(14.9)	–	–
Group total	848.4	658.7	28.5	6.1	3.4	0.9

(1) See table below for reconciliation of adjusted operating profit to reported operating profit.

(2) Flexonics results are presented before share of results of joint venture.

Adjusted operating profit may be reconciled to the operating profit that is shown in the Consolidated Income Statement as follows:

	2022 £m	2021 £m
Adjusted operating profit	28.5	6.1
Amortisation of intangible assets from acquisitions	(0.2)	–
Net restructuring income	4.2	4.4
Operating profit	32.5	10.5

Financial detail

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. In 2022, 59% of revenue originated from North America, 17% from the UK, 12% from the Rest of Europe and 12% from the Rest of the World.

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.

Revenue (£m)**+29%**

21	658.7
22	848.4

Adjusted operating profit (£m)**+367%**

21	6.1
22	28.5

Free cash flow (£m)**+98%**

21	14.0
22	27.7

As set out in Note 9, adjusted operating profit and adjusted profit/loss before tax are stated before £0.2m amortisation of intangible assets from acquisitions (2021 – £nil) and £4.2m net restructuring income (2021 – £4.4m). Adjusted profit/loss before tax is also stated before costs associated with corporate undertakings of £1.7m (2021 – £21.2 income).

Restructuring

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.

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).

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 31 to the Financial Statements for further details on the £24.2m gain on disposal.

Net cash outflow related to corporate undertakings in 2022 was £26.7m, comprising £25.3m for the acquisition of Spencer Aerospace and £1.4m of acquisition related costs and other corporate activities. In 2021, net cash inflow related to corporate undertakings was £46.9m, comprising £51.7m proceeds from disposal activities, offset by £1.8m disposal costs and £3.0m bid defence and other costs.

Profit/loss before tax

Adjusted profit before tax was £20.1m (2021 – £1.9m loss). Reported profit before tax was £22.4m (2021 – £23.7m). The reconciling items between adjusted profit/loss and reported profit before tax are shown in Note 9 to the Financial Statements.

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.

Tax policy

The Group acts with integrity in all tax matters, in accordance with the Group's ethics and business conduct programme. It is the Group's obligation to pay the amount of tax legally due and to observe all applicable rules and regulations in the jurisdictions in which it operates. While meeting this obligation, the Group also has a responsibility to manage and control the costs of our business, including the taxes we pay for the benefit of all our stakeholders. The Group seeks to achieve this by conducting business affairs in a way that is efficient from a tax perspective, including maintaining appropriate levels of debt in the countries we operate in and claiming available tax reliefs and incentives. The Group is committed to building and maintaining constructive working relationships with the tax authorities of the countries in which it operates. Further details on our approach to tax may be found on Senior's website at www.seniorplc.com.

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 12 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.

Research and design

The Group's expenditure on research and design was £19.8m during 2022 (2021 – £19.2m). Expenditure was incurred mainly on funded and unfunded work, which primarily relates to designing and engineering products in accordance with individual customer specifications and investigating specific manufacturing processes for their production. The Group also incurs costs on general manufacturing improvement processes which are similarly expensed. Unfunded costs in the year have been expensed, consistent with the prior year, as they did not meet the strict criteria required for capitalisation.

Exchange rates

A proportion of the Group's operating profit in 2022 was generated outside the UK and consequently, foreign exchange rates, principally the US Dollar against Sterling, can affect the Group's results.

The 2022 average exchange rate for the US Dollar applied in the translation of income statement and cash flow items was \$1.24 (2021 – \$1.38). The exchange rate for the US Dollar applied to the translation of Balance Sheet items at 31 December 2022 was \$1.21 (31 December 2021 – \$1.35).

Using 2022 average exchange rates would have increased 2021 revenue by £46.3m and increased 2021 adjusted operating profit by £1.3m. A 10 cents movement in the £:\$ exchange rate is estimated to affect forecast full-year revenue on average by £44m, adjusted operating profit by £2m and net debt by £11m.

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.

The Group participates in some non-recourse reverse factoring schemes which are arranged by our customers as a way of reducing credit risk. The trade receivables reverse factored under such non-recourse schemes at 31 December 2022 were £24.9m (31 December 2021 – £16.8m). The net impact of reverse factoring on 2022 was a cash inflow in working capital of £6.2m (2021 – £0.9m outflow) and the discount interest presented within other finance costs is a charge of £0.6m in 2022 (2021 – £0.2m). These arrangements follow standard market terms and conditions and, as noted above, are 100% non-recourse to the Group, thereby transfer all credit risk to the financial institutions who provide the factoring schemes.

Dividend

The Group had a long and stable track record of dividend growth prior to 2020. Reflecting confidence in the Group's performance, financial position and future prospects, the Board reinstated dividend payments in 2022 and is proposing a final dividend of 1.00 pence per share (2021 – nil pence). If approved, it would be paid on 26 May 2023 to shareholders on the register at the close of business on 28 April 2023 and payment would total £4.1m. This would deliver total dividends paid and proposed in respect of 2022 of 1.30 pence per share (2021 – nil pence). At the level recommended, the full year dividend would be covered 3.4 times by adjusted earnings per share. The cash outflow incurred during 2022 in respect of dividends was £1.2m (2021 – £nil) relating to the interim dividend for 2022.

We will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover over the medium term.

Net debt/EBITDA

21	1.87x
22	1.47x

Funding headroom (£m)

21	208
22	179

Return on capital employed (%)

21	1.0
22	4.7

Goodwill

The increase in goodwill from £150.2m at 31 December 2021 to £199.7m at 31 December 2022 reflects the acquisition of Spencer Aerospace in November 2022 (£42m increase) and foreign exchange differences (£7.5m increase).

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 ⁽²⁾ £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

(2) 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.

Bindi Foyle

Group Finance Director

VIABILITY STATEMENT

Following a robust assessment, the Directors have concluded that the Group and Parent Company have sufficient funds to operate for the foreseeable future (evaluated to 31 December 2025), even in a severe but plausible downside scenario.

In accordance with provisions 30 and 31 of the 2018 UK Corporate Governance Code, published by the Financial Reporting Council in 2018, the Directors have assessed the prospects of the Group over the three-year period to 31 December 2025.

As we start 2023, markets remain favourable, 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 broader macro-economic situation and geopolitical uncertainty. Notwithstanding near-term uncertainties in the global economy, Senior is well placed to benefit from the recovery underway in our end markets. The Board has considered a three-year period, as this reflects the normal mid-term planning cycle of its business operations while adequately covering customer lead times for both new and expansion investment. In addition, this period provides sufficient clarity to consider the business prospects and continued recovery from the pandemic under a base case, while also assessing impacts under a severe but plausible downside scenario.

The base case projections of the viability assessment are based on the Group's Budget for 2023 and the Group's Strategy for 2024 and 2025. The rebound in flight departure levels in 2022 was testament to the resilience of global air travel demand, with the recovery across commercial aerospace underway. 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. As demand recovers, production of new aircraft will be supported by the replacement cycle driven by the accelerated retirement of older, less efficient, aircraft during the pandemic. Beyond this, the drivers supporting air traffic growth over the long term of c. 4% per annum remain in place. The lower operating cost and better sustainability of new aircraft, on which Senior

has significant content, will continue to be a necessity for the airline industry. In the Group's other key markets, defence is anticipated to remain stable over the medium term, the Flexonics land vehicle markets are expected to continue to grow through the medium term and in the power and energy markets, recovery in the oil and gas sector is underway and demand for power generation is expected to grow through the medium term.

In determining a severe but plausible downside scenario, the base case projections are flexed to reflect the weighted probability and cumulative estimated effects of all the Group's principal risks and uncertainties, as disclosed on pages 60 to 71. This scenario reflects the combined probabilistic effect of all principal risks, rather than individual scenarios for each risk, according to impact and likelihood of occurrence and include mitigations where appropriate to maintain liquidity. These effects drive key metrics in revenue growth, operating profit margin and borrowing rates. The top 3 principal risks with the highest estimated effect on key metrics include Economic and Geopolitical impact, Inflation, and Supply chain challenges. The remaining risks, such as Pandemic and Climate Change, have relatively equal weighting in the scenario, with Corporate Governance Breach and Innovation & Technological Change having the lowest estimated effect.

To address the impacts under the severe but plausible downside, the Board has considered the mitigating actions within the Group's direct control. These include a continued focus on conserving cash through vigilant management of capital expenditure and working capital together with further restructuring actions and limiting non-critical discretionary spend.

Committed facilities and debt covenants

At 31 December 2022, the Group held committed borrowing facilities of £279.9m with liquidity headroom of £179.4m. The weighted average maturity of the Group's committed facilities at the end of December 2022 was 3.5 years. Net debt (defined in Note 32c) was £178.9m, including £78.4m of capitalised leases which do not form part of the definition of debt under the committed facilities and do not impact the Group's lending covenants.

The Group has two 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.

Board's conclusion

Modelling the base case and severe but plausible downside scenario and mitigations indicate that the Group is in compliance with all debt covenants at all measurement dates out to 31 December 2025. The scenarios also highlight sufficient liquidity headroom throughout the period in light of the committed facilities available. Accordingly, following a robust assessment the Directors have concluded that the Group and Parent Company have sufficient funds to operate for the foreseeable future, even in a severe but plausible downside scenario. For the going concern assessment, the foreseeable future covers a minimum period of 12 months from the date of approval of these Financial Statements, and with the viability period evaluated out to 31 December 2025.

Going concern

As a consequence of the work undertaken to support the viability statement above, the Directors have, at the time of approving these Financial Statements, a reasonable expectation that the Group and Parent Company have adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these Financial Statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing these Financial Statements, having undertaken a rigorous assessment of the financial forecasts.

Approval

The Strategic Report from pages 1 to 83 was approved by the Board of Directors on 24 February 2023 and signed on its behalf by

David Squires

Group Chief Executive Officer



The rebound in flight departure levels in 2022 was testament to the resilience of global air travel demand, with the recovery across commercial aerospace underway. Defence is anticipated to remain stable over the medium term.



Land vehicle markets are expected to continue to grow through the medium term. In the power and energy markets, recovery in the oil and gas sector is underway and demand for power generation is expected to grow through the medium term.



GOVERNANCE

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Chair



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Chair of the Audit Committee



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Chair of the Remuneration Committee

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Bellows for Land Vehicles

Bellows are used in fluid conveyance to hermetically seal piping systems that connect different propulsion components moving in different motions. A critical component needed to meet leak tight emissions standards.

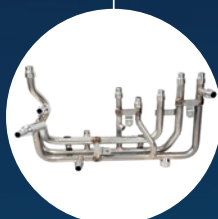


EGR Cooler

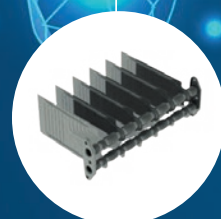
Aids in reducing combustion temperatures, thereby reducing NOx (which creates smog) and improving fuel economy (which results in lower CO₂). In order to meet tightening emissions standards, EGR Coolers will be required for diesel, natural gas and synthetic fuel combustion engines.

**EV Fluid Conveyance**

Engineered fluid conveyance tubes and assemblies are critical for both EVs and ICE vehicles. Optimized coolant management and delivery enhances the performance and durability of the entire propulsion system.

**Electronic Thermal Management**

Thermal management of critical electronic components is required for all new land vehicles. Newer more efficient vehicles require more electronic systems for engine management and therefore need advanced thermal management for electronic durability.

**Battery cooling plates****Battery cooling plates**

CHAIR'S GOVERNANCE LETTER

AN INVALUABLE AND ROBUST FRAMEWORK



"In 2022, the Group's Corporate Governance Framework has supported all decisions made by the Board and the Executive Committee."

Ian King
Chair

Statement of compliance with the Corporate Governance Code

The Company is subject to the UK Corporate Governance Code 2018 (the Code), which is published by the Financial Reporting Council and available on their website: www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code.

We have been fully compliant with the Code throughout 2022 apart from the executive Directors' pension contributions, which were aligned with the rates available to the majority of the UK workforce in December 2022. Further details of how the Company applied the Principles of the Code can be found on pages 86 to 107.

Application of the five principles of the Code

Leadership, Company purpose, values and strategy

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Relations with Shareholders

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Dear Shareholders,

In another year of external events that challenged the Company, the Governance Framework once again proved to be invaluable and robust. Throughout 2022, it has been my privilege to lead the Board in the next phase of the Company's development and growth and we have delivered a year of strong progress. I remain confident we have the right Board of Directors in place, working with the Executive Leadership Team, to implement the Company's strategy. The non-executive Directors continued to bring strong, broad, professional and complementary qualities to the Board in 2022. I look forward to working with the Board in 2023 to continue to deliver long-term sustainable growth. The acquisition of Spencer Aerospace and the opportunities it will bring to our Fluid Conveyance business have heightened my confidence and outlook for the Group.

In 2022, the Board has maintained its focus on sustainability, both in terms of environmental, social and governance ("ESG") across the operations, as well as those relevant to the Group's products, technologies and capabilities.

Corporate governance continues to have prominence across the Senior Group; the Board sets the tone and takes the lead on governance matters. The Governance section of this Annual Report is intended to provide Senior's shareholders with a clear and meaningful explanation of what governance means to the Board and how this guides its decision-making processes.

The Board remains firmly committed to ensuring the long-term sustainable growth of the Group, generating value for shareholders, whilst considering the needs of all its stakeholders.

On the following pages, I have summarised the Company's approach to key governance matters.

Board governance

Directors' duties

Under the Companies Act 2006, each of our Directors must: act within their powers, promote the success of the Company, exercise independent judgment, exercise reasonable care, skill and diligence, and avoid conflicts of interest.

Role of the Board

The Board is responsible for Group decisions affecting governance, strategy and the approval of annual operating budgets and Financial Statements. It also approves significant financial and contractual commitments made by the Group. The Board's Terms of Reference were updated in 2022 and more fully describe the responsibilities of the Board; the Matters Reserved for the Senior plc Board may be found on the Company's website.

The Board recognises its role in assessing and monitoring the Group's culture. To that effect, "Culture" has been made a regular Board agenda item. The Board deploys various initiatives to monitor culture, from participating in site visits to reviewing qualitative and quantitative evidence of culture (succession plans, Health & Safety reporting, whistle-blowing notifications, payment practices reports and training completion rates). In 2022, a Global Employee Opinion Survey was undertaken. The results were positive and shared with employees; further details can be found on page 51.

At the Board's Annual Strategic Review meeting held in October 2022, the Group's Strategy was tested, taking into account recent events on the Group's end markets, and was found to be still relevant by the Board.

Leadership

The Board is led by me, as the non-executive Chair, together with two executive Directors and six independent non-executive Directors. All Directors were selected for appointment because of their wide industrial and commercial experience; we have an excellent, well-balanced Board. In addition, the Group's Executive Committee, chaired by the Group Chief Executive Officer, comprises the two executive Directors and other key executives. Details of the members of the Board and of the Executive Committee can be found on pages 90 to 92 and 94. My role as Chair includes:

- (a) setting the Board's agenda, the style and tone of Board discussions and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (b) supporting the Group Chief Executive Officer in the development of strategy and, more broadly, to offer guidance to the Group Chief Executive Officer;
- (c) promoting a culture of openness and debate by facilitating the effective contribution of non-executive Directors, and ensuring constructive relations between non-executive Directors and executive management;

- (d) ensuring that the Directors receive accurate, timely and clear information;
- (e) ensuring, in conjunction with the Group Chief Executive Officer, effective communication with shareholders; and
- (f) ensuring that the performance of the Board, its main committees and individual Directors are formally evaluated on an annual basis.

The non-executive Directors have an important role in reviewing and challenging executive management's decisions and actions. Global events over the last couple of years, including the COVID-19 pandemic, supply chain issues and the war in Ukraine have highlighted the importance of having an effectively functioning, flexible and dedicated Board, with the Directors working together to ensure the Group was able to contend with the difficult and complex issues that arose.

The Directors are confident that an effective Board is in place, with a clear division of responsibilities between the running of the Board and the running of the Group's businesses. In 2022, Clare Chalmers Limited was engaged to undertake a detailed Board evaluation review which found the Board to be functional and effective. A summary of the 2022 report on the Board evaluation findings are provided in the Nominations Committee Report on page 99.

I was independent upon appointment as Chair of the Company in 2018. The Board considers all non-executive Directors of the Company continue to be independent, having taken into account a list of relationships and circumstances that may appear relevant in determining independence; the Group Company Secretary maintains a register of the Directors' potential conflicts of interest. As Chair, I encourage open and honest discussions between the Directors, both within and outside Board meetings, and I ensure no Director or group of Directors exerts pressure or dominates the Board's decision-making.

Division of responsibilities

The Board delegates a certain number of its responsibilities to the Audit, Remuneration, Nominations, and Health, Safety & Environment Committees. The Group Chief Executive Officer, together with the Executive Committee, is responsible for the implementation of the decisions made by the Board and for the day-to-day conduct of the Group's operations.

The Board meets formally on a regular basis, 12 times in 2022; in addition, there were four meetings of the Audit Committee in 2022, together with five meetings of the Remuneration Committee and four meetings of the Nominations Committee. A table showing Board and Committee meeting membership and attendance is shown on page 89. Other Committees are appointed by the Board to deal with treasury matters, disclosure matters and specific matters such as acquisitions and disposals.

During 2022, the Chair met with the non-executive Directors to discuss matters in confidence, without the executive Directors being present; this is in line with good practice.

In 2022, the minutes arising from all Committee meetings are made available to the Board. There

are procedures in place to ensure that all Directors are properly briefed, so that decisions taken by the Board are based on the fullest, up-to-date, available information. The non-executive Directors are encouraged to visit the Group's operations to meet the local management teams and discuss any issues that they may face. In 2022, as COVID-19 travel restrictions were lifted, the Directors were able to recommence some site visits. Our Senior Independent Director, Celia Baxter, who is the nominated Director responsible for employee engagement, visited a number of sites during the year to meet employees. In 2022, at every Board meeting, there were reviews of health, safety and environmental performance, operational, financial and administrative matters, social and ethical issues, and reported whistle-blowing incidents. The agreement of budgets and levels of insurance cover were also reviewed whenever appropriate.

There is a procedure by which all Directors can obtain independent professional advice at the Company's expense in furtherance of their duties, if required, and they have been made aware of this.

To enable the members of the Board and its Committees to discharge their duties effectively, the Chair ensures that accurate and clear information is provided to all Directors in a timely manner in advance of meetings. The Group Company Secretary supports the Board to ensure that it has in place appropriate policies, processes, time and resources to enable it to operate efficiently and effectively.

Engagement with stakeholders



Shareholders

Each year, the Group Chief Executive Officer, Group Finance Director and Director of Investor Relations & Corporate Communications undertake a series of meetings with the Company's major shareholders following the announcement of the full-year and interim results, to discuss both the Board's strategic objectives and the detailed performance of the business.

As the Company's non-executive Chair, I also attended the 2021 full year and 2022 interim results announcements made to analysts in March 2022 and August 2022 respectively. I also met with the Company's major shareholders on a regular basis, with a cycle that is complementary to the executive Directors.

Meetings with major shareholders in 2022 continued to address the challenges faced by the Company, but also conveyed positive messages around improved margins and profitability, robust end markets and a healthy order book.

The Company typically makes constructive use of the Annual General Meetings ("AGM") to communicate with its private shareholders. In April 2022, following the lifting of the UK Government's restrictions imposed during the pandemic, we were able to offer shareholders the opportunity to attend the AGM in person in London, or to listen to the AGM proceedings, submit questions and view David Squires'

presentation on the Company's 2021 performance. In April 2023, our forthcoming AGM will be held as a face-to-face meeting and I look forward to meeting shareholders in person again. A presentation on the Company's annual performance will be made to shareholders by the Group Chief Executive Officer. A copy of this presentation will also be uploaded to the Company's website.

At our AGMs, we value the engagement with shareholders and the opportunity for the Group Chief Executive Officer to present on the Group's business and answer questions on the Group's 2022 performance.



Employees

Celia Baxter is the Director designated by the Board to engage with the Group's people and listen to any concerns. During the year, as in 2021, she participated in 15 face-to-face focus group meetings at four of the US operating businesses, together with four focus group meetings in Germany, with the Group HR Director, Jane Johnston. Feedback from the meetings was provided to local Management, the Executive Leadership Team and to the Company's Board of Directors, who were given the opportunity to ask questions on the findings. As announced, Celia is to retire from the Board and her role in employee engagement at the conclusion of the 2023 AGM having completed her nine-year term of office. Barbara Jeremiah will succeed Celia as Chair of the Remuneration Committee and Mary Waldner will be appointed the Director designated to engage with the Group's employees upon Celia's retirement. Employee engagement will continue to be given high importance by the Board and the structure of the engagement will be developed under Mary's leadership.

➤ Further details on Employee Engagement can be found on [page 51](#).



Customers

Due to the nature of the business, the Group has well-established relationships with all its key customers. These relationships are maintained on an ongoing basis and managed in a transparent and constructive manner; any customer concerns are addressed in a timely manner, to ensure customer satisfaction. In 2022, it remained important for the Group's operating businesses to maintain regular contact with their customers, as the Group's supply chain continued to face difficult conditions created by, for example, global events such as the conflict in Ukraine. Our operating businesses are supported by their Divisional Vice Presidents of Business Development to ensure good relations are maintained with their customers and address any concerns that may arise before they escalate.

The Group has dedicated account managers to deal directly with key customers on existing and new customer agreements. Relationships with existing and potential new customers are established and maintained on an open and professional basis, and in compliance with the Group's Corporate Framework and Code of Conduct.

➤ Further details on Customer Engagement can be found on [page 52](#).



Suppliers

Maintaining a good relationship with Senior's supply chain is fundamental to providing customers with products in a timely manner and to a high standard. In 2022, it was particularly important for the Group to maintain regular contact with its suppliers, and for us to work together constructively to ensure the Group's supply chain was able to maintain continuity of supply during the challenging business environment.

Agreements with major suppliers have, in many cases, been arranged to support long-term agreements with the Group's key customers. Due to the nature of the materials used, supplies may involve long lead times, and so communication and managing good relations with suppliers is paramount to the Group's operating businesses. In 2022, we engaged with the top 80% of our suppliers by value, to encourage and help them to analyse their sustainability performance and goals in relation to greenhouse gas reduction. This was recognised by the globally recognised CDP (formally known as the Carbon Disclosure Project) who gave us an 'A' rating for transparency on climate change. In 2022, Senior was also recognised by CDP as a supplier engagement leader, ranked in the top 8% of companies worldwide and awarded the highest level in the rankings.

➤ Further details on Supplier Engagement can be found on [page 53](#).



Community and the environment

Many of the Group's operations are major employers within their local communities and nurture good relationships with their stakeholders, finding ways to contribute to local society, in addition to providing employment opportunities. The Group's commitment to, and focus on, the environment continued following our greenhouse gas emission reduction targets being independently verified and approved by the Science Based Targets initiative ("SBTi") in 2022. In December 2022, we were delighted to have again achieved a Leadership rating of A from CDP. All of the Group's operating businesses take stakeholder engagement very seriously, ensuring they adhere to the highest of standards for the protection of health, safety and the environment. In many cases, they have established or maintained close relationships with local schools and colleges to offer training or apprenticeship programmes.

➤ Further details on Community Engagement and the environment can be found [pages 55 and 22 to 25](#).

2022 has been an improving year for the Company, its employees and shareholders. Whilst we have had to face the challenges of the macroeconomic and geopolitical environment, supply chain issues and rising inflation, we have risen to the challenges and shown resilience and resourcefulness, without compromising the Group's high standards and values. The Group's Corporate Governance Framework has supported all decisions made by the Board and the Executive Committee, and will continue to guide us as we go about our day-to-day business in 2023. I convey the Board's thanks for your support.

Ian King

Chair
24 February 2023

BOARD AT A GLANCE

The Board is responsible for Group decisions affecting governance, strategy and the approval of annual operating budgets and Financial Statements.

Board and Committee membership as at 31 December 2022 and meeting attendance in 2022

The membership and attendance record of the full Board Meetings and its full Committee Meetings during 2022 are shown in the table below:

	Main Board	Audit Committee	Nominations Committee	Remuneration Committee
Chair	Ian King	Giles Kerr	Ian King	Celia Baxter
Ian King	12/12	-	4/4	5/5
Celia Baxter	12/12	4/4	4/4	5/5
Susan Brennan	11/12	4/4	3/4	5/5
Bindi Foyle	12/12	-	-	-
Barbara Jeremiah	10/12*	4/4	4/4	5/5
Giles Kerr	12/12	4/4	4/4	5/5
Rajiv Sharma	12/12	4/4	4/4	5/5
David Squires	12/12	-	-	-
Mary Waldner	12/12	4/4	4/4	5/5
Total number of meetings	12	4	4	5

*In advance of her appointment in January 2022, Barbara Jeremiah notified the Board she would be unable to attend two of the 2022 Board meetings due to prior commitments.

Board composition as at 31 December 2022

Gender

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Group CEO, Group FD, SID, Chair)
Men	4	45%	2
Women	5	55%	2
Not specified	-	-	-

Ethnicity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Group CEO, Group FD, SID, Chair)
White British or other White (including minority-white groups)	7	78%	3
Mixed/Multiple Ethnic groups	-	-	-
Asian/Asian British	2	22%	1
Black/African/Caribbean/Black British	-	-	-
Other ethnic group, including Arab	-	-	-
Not specified	-	-	-

Tenure

	Number of Board members	Percentage of the Board
Over six years	4	45%
Over three and up to six years	3	33%
Up to three years	2	22%

BOARD OF DIRECTORS

The Board is responsible for Group decisions affecting governance, strategy and the approval of annual operating budgets and Financial Statements.

IAN KING



Company Chair and Chair of the Nominations Committee

Committee membership:
Nominations and Remuneration.

Independence

Ian met the UK Corporate Governance Code's independence criteria on his appointment as Company Chair.

Qualifications

Fellow of the Chartered Institute of Management Accountants.

Skills and experience

Ian King joined the Board in November 2017 as a non-executive Director and became Chair in April 2018. For more than 40 years Ian has held many senior management and directorship roles, including finance, executive management, customer support and strategic planning. Ian joined Marconi in 1976 and held a number of roles with them. He was Chief Executive of Alenia Marconi when Marconi and British Aerospace merged in 1999 to form BAE Systems plc. He then became Group Strategy and Planning Director of BAE Systems; Ian was its Chief Executive from 2008 until his retirement in June 2017. He was also the senior independent director of Rotork plc until June 2014.

External appointments

Ian is the Senior Independent Director of Schroders plc, having been appointed to its Board on 1 January 2017, the lead non-executive director of the Department for Transport, a non-executive director of High Speed Two (HS2) Limited, and is a senior adviser at Gleacher Shacklock LLP.

Specific contribution to the Company's long-term success

Ian leads the Board in defining the strategy of the Group and driving the Company's vision to produce sustainable growth in operating profit, cash flow and shareholder value. Ian has relevant direct experience in Aerospace, a key element of Senior's strategy.

CELIA BAXTER



Senior Independent Non-Executive Director, Chair of the Remuneration Committee and Director designated to engage with the Group's employees

Celia is to retire from the Board following the conclusion of the 2023 AGM.

Committee membership:
Remuneration, Audit and Nominations.

Qualifications

BSc – Botany/Plant Biology and PhD and a Member of the Chartered Institute of Personnel and Development.

Skills and experience

Celia Baxter joined the Board in September 2013, became Chair of the Remuneration Committee in December 2013 and the Senior Independent non-executive Director in April 2019. Celia is an experienced non-executive Director, Remuneration Committee and Pension Trustee Company Chair. Celia's early HR career was with Ford Motor Company and KPMG. She has held executive HR positions with Hays plc, Enterprise Oil Plc and Tate & Lyle Plc, and most recently was Director of Group HR and responsible for all areas of sustainability for Bunzl plc. Celia was a non-executive director of RHI Magnesita until June 2021.

External appointments

Celia is a non-executive Director of DS Smith plc.

Specific contribution to the Company's long-term success

Celia brings extensive experience of working in international, decentralised businesses and managing HR departments to the Board. She holds a key role in engaging with the Group's stakeholders, particularly its employees. She advises and guides on succession planning matters. Celia demonstrates valuable knowledge of sustainability policies and practices.

SUSAN BRENNAN



Independent Non-Executive Director

Committee membership:
Audit, Nominations and Remuneration.

Qualifications

BSc in Microbiology and MBA.

Skills and experience

Susan Brennan joined the Board in January 2016. Susan has more than 30 years of manufacturing experience, including commercial vehicle electric battery, fuel cell, automotive vehicle, powertrain, and component assembly. Susan has dedicated her career to improving American manufacturing. In her time as a manufacturing practitioner, she has always been a strong proponent of sustainability.

Today, Susan is the President of her own consulting company, Susan Brennan Leadership, which advises companies on energy, emerging technology scale and automotive-based technologies. From August 2021 to October 2022, she was the President and Chief Executive Officer of Romeo Power, Inc., leading Romeo's mission of advancing and commercialising high-density battery technology for heavy-duty commercial vehicles. In the past, she has served as Chief Operations Officer of Bloom Energy and in a variety of leadership roles for major automakers, including Nissan and Ford.

Susan led Nissan's launch of the all-electric Nissan Leaf in Smyrna, Tennessee and led the transformation of the facility to a sustainable future. She has created and supported organisations that encourage young women to pursue careers in STEM as a pathway for future generations of technological research, development and manufacturing in the United States and the globe. She is the founder and a board member of the Southern Automotive Women's Forum and is an advisor to many other women's empowerment groups.

Specific contribution to the Company's long-term success

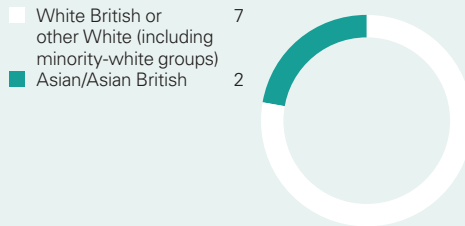
Susan brings valuable manufacturing experience to the Board, especially in areas of key technological advances. Her operational and executive experience, particularly in automotive and component assembly, means she is well placed to understand issues at both operational and strategic levels.

Gender diversity – Board

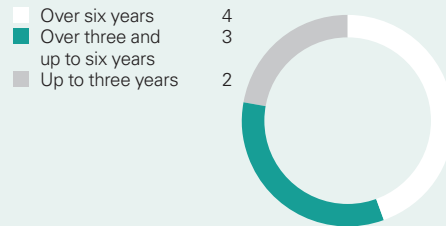
Female 55%
Male 45%

**Ethnic diversity – Board**

White British or other White (including minority-white groups) 7
Asian/Asian British 2

**Tenure – Board**

Over six years 4
Over three and up to six years 3
Up to three years 2

**BINDI FOYLE**

Group Finance Director

**Committee membership:**

Group's Executive Committee and the Treasury Committee, which is not formally appointed as a Committee of the Board.

Qualifications

BSc (Hons) in Economics & Accounting and a Chartered Accountant.

Skills and experience

Bindi Foyle joined the Board as an executive Director in May 2017 and became Group Finance Director in July 2017. Bindi joined Senior as Group Financial Controller in January 2006, a role she held until July 2014 when she became responsible for the Group's Investor Relations activities. Prior to her appointment as an executive Director, Bindi was Director of Investor Relations and Corporate Communications for the Group. Prior to joining Senior, Bindi held senior finance roles at Amersham plc and GE, having previously worked with BDO Stoy Hayward.

External appointments

Bindi is a non-executive director of Avon Protection plc and is the Chair of its Audit Committee.

Specific contribution to the Company's long-term success

Bindi's experience of financial control and investor relations and communications means that she is ideally placed to implement the strategy and policies approved by the Board. Since joining the Group in 2006, she has gained extensive knowledge of the running of all the Group's operations and is instrumental in managing the Group's finances and assisting the Group Chief Executive Officer in the management of the Executive team.

BARBARA JEREMIAH

Independent Non-Executive Director

**Committee membership:**

Audit, Nominations and Remuneration.

Upon the retirement of Celia Baxter following the conclusion of the 2023 AGM, Barbara will be appointed the Chair of the Remuneration Committee and the Senior Independent Non-Executive Director.

Qualifications

BA in Political Science and a qualified lawyer.

Skills and experience

Barbara Jeremiah was appointed to the Board on 1 January 2022. Barbara is a US citizen and has over 30 years' experience with Alcoa Inc, in a number of positions, including Executive Vice President, Corporate Development and Chairman's Counsel. She was formerly Chairwoman of Boart Longyear Limited and a non-executive director of Premier Oil plc and Russel Metals Inc. Barbara was most recently a non-executive director and Remuneration Committee Chair of Aggreko plc from March 2017 to August 2021.

External appointments

Chair of The Weir Group PLC since April 2022, having been appointed a non-executive director of that company in August 2017.

Specific contribution to the Company's long-term success

Barbara's extensive experience in a number of Senior's key markets as an executive and a non-executive director will complement those of the existing members of the Board.

GILES KERR

Independent non-Executive Director and Chair of the Audit Committee



Giles is to retire from the Board following the conclusion of the 2023 AGM.

Committee membership:

Audit, Nominations and Remuneration.

Qualifications

BA (Hons) in Economics and a Chartered Accountant.

Skills and experience

Giles Kerr joined the Board in September 2013 and became Chair of the Audit Committee in April 2014. Giles has over 35 years' experience in finance across a broad range of industrial sectors. During his tenure as Director of Finance at Oxford University, he established a successful investment office and he gained considerable experience of establishing and growing technology-based companies. Giles is a former Director of Finance of Oxford University and non-executive director of BTG Plc and Victrex plc, Adaptimmune Therapeutics plc and Aris Bioscience plc. Giles held a number of positions with Amersham plc, including Group Finance Director. He was formerly a Partner with Arthur Andersen & Co.

External appointments

Giles was appointed a non-executive director of PayPoint plc in November 2015. He is also a non-executive director of Abcam plc.

Specific contribution to the Company's long-term success

Giles' extensive experience as a chair and senior independent director, and as the chair of several UK and US listed company audit committees, enables him to make a strong contribution to the Board and he has ensured strong financial governance of the Group.

RAJIV SHARMA

Independent non-Executive Director



Committee membership:

Audit, Nominations and Remuneration.

Qualifications

BTech in Mechanical Engineering and MBA, Marketing & Strategy.

Skills and experience

Rajiv Sharma was appointed to the Board in January 2019. Rajiv has nearly 30 years' experience which includes commercial, operations, M&A, strategy, digital and general management. Rajiv joined Coats Group plc in November 2010 as Global CEO Industrial and was responsible for developing and executing a growth strategy. He has lived and worked in the US, Europe and Asia and has multi-industry global experience. He has managed complex businesses with blue-chip companies. The majority of his career has been dedicated to growing or turning around businesses and he has been on the board of joint ventures. During his career, Rajiv has held senior roles in various companies including Honeywell, GE and Shell.

External appointments

Rajiv has been the Group Chief Executive of Coats Group plc since January 2017, having served as an executive director since March 2015.

Specific contribution to the Company's long-term success

Rajiv has had a long career running and growing multinational companies across the world, particularly in South East Asia. His background in mechanical engineering means that he brings operational and technical understanding to the Board's discussions. His experience of developing and executing growth strategy makes his contribution to delivering the Company's long-term success an important one.

DAVID SQUIRES

Group Chief Executive Officer



Committee membership:

David chairs the Group's Executive Committee. He is also the Chair of the Health, Safety & Environment Committee, which meets formally three times a year to formulate the Group's HSE strategy and objectives for approval by the Board.

Qualifications

BA in Business Management Studies, a Fellow of the Chartered Institute of Purchasing and Supply and Fellow of the Royal Aeronautical Society.

Skills and experience

David Squires was appointed to the Board in May 2015 and became Group Chief Executive Officer in June 2015. A graduate in business management, a Fellow of the Chartered Institute of Purchasing and Supply and Fellow of the Royal Aeronautical Society. David has held senior posts in operations and procurement, business development, programme management and general management. David started his career in the oil industry working for Shell; however, most of his working life has been spent in the aerospace industry, initially with Hughes Aircraft Company (now Raytheon), then GEC-Marconi/BAE Systems and Eaton Corporation. Prior to joining Senior plc in May 2015, David was Chief Operating Officer of Cobham plc.

External appointments

David holds no other directorships.

Specific contribution to the Company's long-term success

David has a long-established career in manufacturing, for the most part having specialised in the aerospace sector. He brings extensive knowledge of the aerospace industry and understanding of procurement and business development to the Board. David has been the guiding force in driving the Group's vision and operating in a safe and ethical manner.

MARY WALDNER

Independent Non-Executive Director



Committee membership:

Audit, Nominations and Remuneration.

Upon the retirement of Giles Kerr and Celia Baxter following the conclusion of the 2023 AGM, Mary will be appointed the Chair of the Audit Committee and the Director designated to engage with the Group's employees.

Qualifications

MA (Hons) in Physics and a Fellow of the Chartered Institute of Management Accountants.

Skills and experience

Mary Waldner joined the Board in December 2021. Mary held a number of senior roles within the aerospace and automotive sectors at British Airways, General Motors and Vauxhall Motors. At Ultra Electronics, Mary gained experience of working within the defence, security and energy markets. She was previously the Group Finance Director of Ultra Electronics Holdings plc, the Director of Group Finance at QinetiQ Group plc and Group Financial Controller of 3i Group plc.

External appointments

Mary is Chief Financial Officer of Lloyd's Register, the global professional services company specialising in engineering and technology for the maritime industry. She is also a non-executive director and Chair of the Audit and Risk Committee of Oxford Instruments plc, a provider of high technology products and services to the world's leading industrial manufacturers and scientific research institutes.

Specific contribution to the Company's long-term success

Mary's background and experience in finance and in the engineering sector will complement the current Board membership and prove invaluable in Senior's continued development.

ANDREW BODENHAM

Group Company Secretary



Andrew was appointed Group Company Secretary in 2002. He acts as Secretary to the Senior plc Board and its Committees; he is also a member of the Group's Executive Committee and of the Treasury Committee. Prior to joining Senior, Andrew had gained experience working for businesses in technology/software, manufacturing, insurance and aviation services sectors.

Governance structure

Role	Director	Key responsibilities
Company Chair and Chair of the Nominations Committee	Ian King	Leadership of the Board, setting its agenda and ensuring its effectiveness. Ian chairs the Nominations Committee.
Group Chief Executive Officer	David Squires	To manage the Group's business and to implement the strategy and policies approved by the Board.
Group Finance Director	Bindi Foyle	To manage the Group's financial affairs and to contribute to the management of the Group's business, and the implementation of the strategy and policies approved by the Board.
Senior Independent Non-Executive Director, Chair of the Remuneration Committee and Director designated to engage with the Group's employees	Celia Baxter	To support the Chair and to act as an intermediary for other non executive Directors, if necessary. Celia chairs the Remuneration Committee and is also the Director designated to engage with the Group's employees.
Independent Non-Executive Director and Chair of the Audit Committee	Giles Kerr	To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board. To Chair the Audit Committee and focus its agenda on its key matters: quality, financial accounting, corporate reporting and effective internal controls.
Independent Non-Executive Directors	Susan Brennan, Barbara Jeremiah, Rajiv Sharma and Mary Waldner	To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.
Group Company Secretary	Andrew Bodenham	To provide advice to the Directors on all corporate governance matters and ensure the Company complies with legal and regulatory matters and good practice. Andrew acts as Secretary to the Senior plc Board and its committees.

Board evaluation

The 2022 external Board evaluation process was undertaken by Clare Chalmers Limited. A summary of the 2021 Board evaluation findings and the progress made in 2022 are provided below.

2021 actions	2022 progress
To ensure Mary Waldner and Barbara Jeremiah were given appropriate time to complete their induction	Mary and Barbara were appointed to the Board in December 2021 and January 2022, respectively. Both were recruited at an early stage, to allow a suitable induction period and handover prior to the retirements of Celia Baxter and Giles Kerr from the Board. Mary and Barbara also received support from the Nominations Committee and guidance from Celia Baxter and the Group HR Director, Jane Johnston.
To ensure strategy forms part of every Board meeting agenda	Strategy was discussed at every Board meeting in 2022 and this will continue in 2023.
To ensure the Directors have good access to the Executive teams, as performance and strategy are reviewed	The Directors had good access to the Group's Executive Committee throughout 2022. They also met local management teams when Board meetings were able to be resumed at some of the Group's operating businesses in 2022. In addition, Martin Barnes, Laurie Fleming, Jane Johnson and Mike Sheppard separately attended a number of 2022 Board meetings.
To review Board meeting structures (virtual, hybrid and physical)	For 2022, Board meetings were largely held as physical meetings, following the lifting of COVID-19 restrictions. However, on occasion, Directors who were not able to physically attend, were able to participate by videoconference and so some meetings were held as hybrid participation. Whilst the Directors appreciate the benefits of holding physical Board meetings, they have found the flexibility to participate by videoconference, if necessary, useful and it has enabled our Directors to attend the majority of meetings. The Directors will continue to keep the Board and Committee meeting structures under review.

A summary of the findings of the 2022 external Board evaluation can be found in the Nominations Committee Report on page 99.

Board activities

Board meetings and site visits

In mid 2022, the Directors were able to restart visits to some of the Group's operating businesses and held Board meetings at Senior Flexonics Kassel and Senior Aerospace SSP; these visits included site tours and discussions with local management. Board meetings throughout the rest of the year were held as face-to-face or hybrid meetings. The Group Director of HSE & Sustainability, the Group HR Director, the Director of Business Development & Strategy, the Director of Risk and Assurance (formerly the Head of Risk & Compliance), the Director of Trade Compliance and the Head of Treasury were invited to separately attend certain Board meetings during the year, to provide updates to the Directors and answer their questions.

Strategy

At every Board meeting held in 2022, the Directors discussed the Board's Strategy. This included topics such as the Group's markets and technologies, the divisional strategies, the key risks that could impact on the Board's strategy, people planning, divestments and acquisitions and forecasting and scenario planning.

Financial and contractual matters

During the year, the Board meeting agendas included financial and contractual matters such as the Group's trading and performance, the refinancing of the Group's Revolving Credit Facilities, the 2022 full-year and interim results, Going Concern and Viability, the 2021 and draft 2022 Annual Report & Accounts, including the TCFD disclosures made, the reinstatement of dividends to shareholders, and the approval of major capital expenditure for projects over £2m.

Operational management

In December 2021, the Board approved the Group's 2022 annual operating budget. It was kept informed of operational management's activities through receipt of the Group Chief Executive Officer's Board report at every meeting; his reports include updates on: the market backdrop, HSE and sustainability, people, investor relations, the Company's share price performance and analysts' expectations on the Company's performance. At every Board meeting, the Directors were given the opportunity to put questions on these reports to David Squires and Bindi Foyle. In December 2022, the Board approved the Group's 2023 annual operating budget.

Governance

The Group Company Secretary advises the Directors on all corporate governance matters and updates them on statutory and regulatory developments at every Board meeting. Strong corporate governance is of key importance to the Board. This includes Board effectiveness, adherence to the Group's policies and procedures and stakeholder engagement.

Risk and compliance

Amy Legenza, the Director of Risk and Assurance (formerly the Head of Risk & Compliance), advises the Board on all risk and compliance matters across the Group. Amy also attends all Audit Committee meetings held in a year. In 2022, the Board reviewed the Group's approach to risk management and monitored all principal risks.

EXECUTIVE COMMITTEE

DAVID SQUIRES



MARTIN BARNES



ANDREW BODENHAM



LAUNIE FLEMING



BINDI FOYLE



JANE JOHNSTON



MIKE SHEPPARD



AMY LEGENZA



The Executive Committee oversees the running of all Senior Group Operations.

Executive Committee meeting attendance

The Executive Committee met nine times during 2022.

David Squires

See biography on page 92.

Martin Barnes

Martin became the Director of Business Development & Strategy in October 2021 and was appointed to the Executive Committee on that date. Prior to this appointment, Martin was the CEO of Senior Flexonics Lymington and of Senior Flexonics Upeca. Martin joined the Senior Group in April 2016.

Andrew Bodenham

See biography on page 92.

Launie Fleming

A US citizen, he has worked for the Group for over 20 years. Launie joined the Executive Committee upon his appointment as Chief Executive of Aerospace Fluid Systems in September 2008. In October 2020, Launie was appointed Chief Executive of the Aerospace Division, formed by the consolidation of the Aerospace Fluid Systems division and Aerospace Structures division. Prior to these divisional roles, Launie was the Chief Executive of Senior Aerospace SSP.

Bindi Foyle

See biography on page 91.

Jane Johnston

Jane joined Senior as Group HR Director in May 2016. A Fellow of the Chartered Institute of Personnel and Development, Jane has considerable experience heading up HR functions across a range of global geographies. She has worked in a number of different sectors, including technology, drug development, construction, professional services and, prior to joining Senior, was Group HR Director at Pace plc.

Mike Sheppard

A US citizen, Mike has worked for the Group for over 30 years and is the Chief Executive of the Flexonics Division. A qualified engineer, Mike's previous positions within the Group included operational roles at the two largest Flexonics businesses, Pathway and Bartlett.

Amy Legenza

A US citizen, Amy became the Director of Risk and Assurance on 1 January 2023 and was appointed to the Executive Committee on that date, having previously served as the Group's Head of Risk & Compliance. A Certified Public Accountant, Amy joined the Group in 2008 and has broad experience in senior finance and accounting roles.

Executive Committee composition as at 31 December 2022

Gender

	Number of Executive management members	Percentage of Executive management members
Men	5	71%
Women	2	29%
Not specified	-	-

Ethnicity

	Number of Executive management members	Percentage of Executive management members
White British or other White (including minority-white groups)	6	86%
Mixed/Multiple Ethnic groups	-	-
Asian/ Asian British	1	14%
Black/African/Caribbean/Black British	-	-
Other ethnic group, including Arab	-	-
Not specified	-	-

REPORT OF THE DIRECTORS

Executive Committee Activities

The purpose of the Executive Committee is to assist the Group Chief Executive Officer in the performance of his duties, including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- the monitoring of operating and financial performance;
- the assessment and control of risk;
- the prioritisation and allocation of resources; and
- the monitoring of competitive forces in each area of operation.

The Committee is also responsible for the consideration of all other matters not specifically reserved for consideration by the Board. A report on the activities of the Executive Committee is provided to the Board by the Group Chief Executive Officer at each Board meeting.

The Committee is comprised of two members of the Board, David Squires and Bindi Foyle, together with Launie Fleming (Chief Executive of the Aerospace Division), Mike Sheppard (Chief Executive of the Flexonics Division), Martin Barnes (Director of Business Development & Strategy), Andrew Bodenham (Group Company Secretary) and Jane Johnston (Group HR Director).

Health, Safety & Environment ("HSE") Committee

The HSE Committee is appointed by the Executive Committee; it oversees all health, safety and environmental matters across the Group. Its Terms of Reference can be found on the Company's website.

There is a process in place for the Board to be kept regularly informed of all matters discussed by the HSE Committee. The Group Chief Executive Officer provides an HSE update at every Board meeting.

The members of this committee are David Squires (Chair of the Committee), Mike Sheppard (Chief Executive of the Flexonics Division) and Launie Fleming (Chief Executive of the Aerospace Division). The Committee met three times during the year and there was full attendance at every Committee meeting. Mark Roden, the Group HSE & Sustainability Director, attended all of the meetings held during the 2022.

The Directors present their Report and supplementary reports, together with the audited Financial Statements for the year ended 31 December 2022.

Disclosures located elsewhere in the Annual Report & Accounts 2022

The Strategic Report on pages 2 to 81 includes details of Senior's business model, strategic priorities, financial and non-financial key performance indicators, risks and uncertainties, market overview, key growth drivers and a summary of the Group's 2022 performance.

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Activities and business review

Senior plc is a holding company. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 81. Its Group undertakings are shown on pages 194 and 195. Six of the Company's operating businesses are located in the UK and 20 in the Rest of the World.

Dividends

An interim dividend of 0.30 pence per share (2021 – nil pence) has already been paid and the Directors recommend a 2022 final dividend of 1.00 pence per share (2021 – nil pence). The final dividend, if approved, will be payable on 26 May 2023 to shareholders on the Register of Members at the close of business on 28 April 2023. This would bring the total dividend for the year to 1.30 pence per share (2021 – nil pence).

Policy on employee disability

Senior provides support, training and development opportunities to all our employees irrespective of any disabilities they may have. We give full and fair consideration to disabled applicants, and where an existing employee becomes disabled during their employment, we will make every effort to ensure they are able to continue working for Senior in their original or an alternative role.

Employee share plans

Details of employee share plans are set out in Note 33.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital, and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code 2018, the Companies Act 2006 and related legislation. The Articles may be amended by special resolution of the shareholders. The powers of Directors are described in the Matters Reserved for the Senior plc Board, which may be found on the Company's website. Each year, shareholder approval is sought to renew the Board's authority to allot relevant securities.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements, and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Conflicts of Interest

The Board has a procedure for identifying and managing Directors' potential conflicts of interest. The Group Company Secretary maintains the Register of Directors' Potential

Conflicts of Interest. Directors are required to declare their own potential conflicts, together with those of their close family members, their partners, any trust to which they are a beneficiary, a corporate body in which they have a 20% interest or above, or a firm in which they are a partner. The Directors review and confirm their Register entries at least annually. At every Board meeting, the Directors are required to declare if they have any potential conflicts of interest in the business to be discussed at the meeting. In 2022, the Directors confirmed there were no potential or actual conflicts of interest.

Directors' indemnities

Qualifying third-party indemnity provisions for the benefit of the Directors were renewed by the Company during the year and remain in force at the date of this Report.

Research and Design

In 2022, the Group incurred £19.8m (2021 – £19.2m) on research and design. Product development and improving manufacturing processes represent the primary focus of the Group's research and design activities.

Political donations

No political donations were made by the Company or any of the Group's operations during the year.

Major shareholdings

The Company has been notified that the following shareholders were interested in 3% or more of the issued share capital of the Company:

	% at 8 February 2023
Alantra Asset Management	17.38
Aberforth Partners	8.71
Heronbridge Investment Management	5.97
Columbia Threadneedle Investments	4.91
Vanguard Group	4.63
BlackRock	4.48
Janus Henderson Investors	3.30
Legal & General Investment Management	3.25

So far as is known, no other shareholder had a notifiable interest amounting to 3% or more of the issued share capital of the Company, and the Directors believe that the close company provisions of the Income and Corporation Taxes Act 1988 (as amended) do not apply to the Company.

Annual General Meeting

The Notice of Annual General Meeting describes the business to be considered at the AGM to be held at 11.30 am on Friday 21 April 2023 at Ironmongers' Hall, Off Shaftesbury Pl, Aldersgate St, Barbican, London EC2Y 8AA. Please see the Notice of Annual General Meeting 2023 for the details of the AGM; a copy of the Notice can be found on the Company's website.

Authority to purchase the Company's own shares

The Company purchased no ordinary shares of 10 pence each in the capital of the Company; 2,992,477 shares in the Company (2021 – nil shares) were purchased by the Senior plc Employee Benefit Trust in the year to satisfy the future vesting of executive share awards and employee share plans. At the end of the year, the Directors had authority, under a shareholders' resolution dated 21 April 2022, to make market purchases of the Company's shares up to an aggregate nominal amount of £42m (2021 – £42m), which represented approximately 10% of the issued share capital of the Company. A resolution to renew this authority will be proposed at the forthcoming AGM.

Auditor

- Each of the persons who is a Director of the Company at the date of approval of this Annual Report & Accounts confirms that so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In 2016, the Group undertook a formal tender process for its external audit function, which resulted in KPMG LLP being appointed the Group's External Auditor for the financial year commencing 1 January 2017. KPMG's re-appointment was last approved by the Company's shareholders at the 2022 AGM. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as Auditor of the Company is to be proposed at the forthcoming AGM.

By Order of the Board

Andrew Bodenham

Group Company Secretary
24 February 2023

COMPOSITION, SUCCESSION AND EVALUATION



"The Group seeks to ensure diversity in the composition of the Board, including gender, ethnicity, personal and cognitive skills."

Ian King
Chair

NOMINATIONS COMMITTEE REPORT

Dear Shareholder, Overview

The Nominations Committee is chaired by me and comprises all non-executive Directors. The Group Company Secretary acts as Secretary to the Committee. Senior members of management and advisers are invited to attend meetings, as appropriate. There were four scheduled meetings of the Committee in 2022. Two members constitute a quorum for the Nominations Committee. The Committee's attendance records are shown on page 89.

The Committee is tasked with administering the process for appointments, considering succession planning, regularly reviewing such processes and overseeing the composition of the Board. The Nominations Committee's Terms of Reference can be found on the Company's website.

Appointments to the Board

In 2021, two consultancy firms were engaged to assist with the recruitment of two new Board members, as part of the Board's succession planning process. The Nominations Committee sought confirmation that candidates under consideration would have sufficient time to perform their duties as a Director of the Board, if appointed. The time commitment of the Directors is kept under review and the potential for over-boarding monitored and discouraged. Following a diligent interview process, Mary Waldner was appointed to the Board on 1 December 2021 and Barbara Jeremiah was appointed to the Board on 1 January 2022.

A full and comprehensive induction programme was provided to Mary and Barbara. The induction process covered areas such as financial forecasts, Group strategy and values, corporate ethics and training on the Group's Code of Conduct, together with other relevant topics. Visits to some of the Group's operations by the newly appointed Directors were also undertaken.

The Nominations Committee and the Board are supportive of the aim to increase diversity and the level of female representation in Board and senior leadership positions. Five of the nine Directors are female (55%).

In addition, the Nominations Committee and the Board have ensured the Board's composition is diverse in terms of the Directors' ethnic backgrounds, as recommended by the Parker Review; further detail can be found on page 89.

At 31 December 2022, there were seven members of the Group's Executive Committee, of which two are female (29%). On 1 January 2023, Amy Legenza joined the Executive Committee and therefore at the time of signing this report 38% of that committee are female.

The Nominations Committee regularly discusses the benefits of diversity with regard to the Board and its Committees.

Extension of appointments to the Board

In 2022, Celia Baxter and Giles Kerr reached their nine year anniversary with Senior; their appointments were extended until the conclusion of the 2023 AGM to support the induction of Mary Waldner and Barbara Jeremiah, when it has been announced they will retire from the Board.

Succession planning

The Committee regularly considers succession planning for Board-level and the Group's senior management roles. Cognisant of the length of the terms of Celia Baxter and Giles Kerr, the Committee followed its recruitment process, described above, and appointed Mary Waldner and Barbara Jeremiah to the Board in December 2021 and January 2022 respectively, thereby allowing for a suitable transition period between them and the two departing Board members. Mary's and Barbara's skills and previous work experience make them a good fit for the Company and complement those of the existing Board members; a summary of their biographies can be found on pages 90 to 92.

The Group continues to focus on maximising the potential of its employees and improving succession planning. The Group's Executive Committee, supported by the Group HR Director, conducted an extensive review of senior executive succession plans. The review identified key employees who are considered capable of being developed into leadership roles, which is critical to the success of the Group. Appropriate plans are in place to ensure there is a mix of employees within the Group who could fill key roles in the short and longer term.

In 2022, the Nominations Committee also reviewed the Group, divisional and operating business level succession plans, and maintained its focus on further strengthening diversity in these plans, particularly gender diversity in operational roles.

Independence

The Nominations Committee and the Board consider all of the non-executive Directors to be fully independent and free from conflicting interests which could cause difficulties whilst performing their duties. Senior considers its non-executive Directors to be proactive in contributing their respective experiences and skills gained from a range of sectors. Conflicts of interest are fully disclosed by Directors upon appointment and are reviewed on a regular basis throughout each year.

I am confident that Senior has the requisite diversity of skills, people, and experience that will guide the Company in delivering shareholder value. This Report was reviewed and approved by the Nominations Committee and signed on its behalf by:

Ian King

Chair of the Nominations Committee
24 February 2023

Nominations Committee

The Company's Nominations Committee leads the process for Board appointments and supervises leadership development and succession planning. It also makes recommendations to the Board on all new Board appointments and re-appointments. The Committee, which consists entirely of non-executive Directors, is chaired by Ian King; its composition is shown on page 89.

Details of the Directors' external statutory appointments can be found in their biographies on pages 90 to 92. The Board believes that the Directors' experience of working with other companies adds value to their contribution to the Company's Board and Committee meetings. In compliance with the Corporate Governance Code, all Directors offered themselves for re-election at the Company's 2022 AGM. All continuing Directors will again offer themselves for re-election at the 2023 AGM. The resolutions to be put to shareholders at the 2023 AGM can be found in the Notice of Annual General Meeting, which is available on the Company's website.

The Board confirms that in 2022 all Directors in office at the time worked assiduously and diligently. Each Board member made a very positive contribution to the running of the Company and the Board confirms that they will all continue to work to ensure its long-term success.

Nominations Committee Activities

In February 2022, the Nominations Committee discussed the composition of the Board and the performance of the Directors and recommended to the Board that all Directors currently in office stand for election or re-election at the 2022 AGM. At this meeting, the Nominations Committee also reviewed and discussed the draft 2021 Nominations Committee Report contained within the Annual Report & Accounts 2021 and the draft Board Diversity and Inclusion Policy and recommended to the Board that they both be approved. In June 2022, the Nominations Committee met and discussed the succession plans at Group, Divisional and Operating Business levels. In July 2022, the Nominations Committee held a meeting to discuss possible updates to the Board Diversity and Inclusion Policy, to bring it in line with an amendment made to the FCA's Listing Rules and the Disclosure and Transparency Rules; the Nominations Committee recommended to the Board that it approved the updates. The Nominations Committee convened to review the Executive Committee's succession plans in December 2022.

Following the 2022 year end, the Nominations Committee held a meeting to discuss and make recommendations to the Board concerning the Directors to stand for election at the AGM 2023 and the draft 2022 Nominations Committee Report, as contained within the Annual Report & Accounts 2022.

Remuneration

The Remuneration Committee Report on pages 108 to 128 fully describes the Board's approach to remuneration matters.

Board effectiveness

The Board is structured under a non-executive Chair and currently comprises two executive Directors and six independent non-executive Directors, who were each selected for appointment because of their wide industrial and commercial experience. The Directors believe that the Board and its committees have the appropriate balance of skills, experience and knowledge to enable them to fulfil their duties and responsibilities effectively. The Nominations Committee reviews the composition of the Board at least annually.

Board diversity and inclusion

The Group seeks to ensure diversity in the composition of the Board, including, amongst other qualities, diversity of gender, ethnicity, personal and cognitive skills. The Company's female representation on the Board complies with the recommendations of the Hampton-Alexander Review, and meets the proposals on ethnic diversity outlined by the Parker Review. Furthermore, we endeavour to incorporate diversity into our recruitment process by engaging, wherever possible, with recruitment firms that have committed to follow the Voluntary Code of Conduct for Executive Search Firms, and by widening the pool of candidates from diverse backgrounds.

We confirm that the Company has met the targets stipulated in the Listing Rule 9.8.6R(9) as at 31 December 2022. The numerical data on the ethnic background and the gender identity of the individuals on the Board of the Company and in its Executive Committee as at 31 December 2022 is set out on pages 89 to 94. There have been no changes to the Board since 31 December 2022. Data used for the purpose of making the disclosures was collected through the Company's diversity monitoring forms completed by the individuals on the Board of the Company and in its Executive Committee.

Board induction and development

Appointments to the Board are made following a rigorous, formal, recruitment process supported by professional consultants. All Directors receive induction upon joining the Board and are encouraged to update their knowledge and skills on a frequent basis. The Nominations Committee arranged for Mary Waldner and Barbara Jeremiah, our most recently appointed non-executive Directors, to receive early and appropriate induction. The Group Company Secretary provides the Board with statutory and regulatory updates at every Board meeting and notifies them of any pressing points that are relevant between meetings.

The Directors are cognisant of the fact that the Board, and its Committees, should have the appropriate combination of skills, experience and knowledge to enable them to perform their duties effectively. Membership of the Board and its Committees is kept under regular review and refreshed when appropriate, taking into account the Directors' lengths of service and their ability to devote sufficient time to Company matters.

Evaluation of the Board and the Directors

In 2022, the Directors felt that it was again appropriate to undergo an external Board evaluation process and chose to engage a different firm to bring a new perspective when undertaking the evaluation. Clare Chalmers Limited undertook the evaluation which included attending a full Board meeting and conducting individual confidential interviews with each Board Director, the Group Company Secretary, the Group HR Director and the Chief Executives of the Aerospace and Flexonics Divisions.

The Board had operated and made only a limited number of recommendations for the Board to consider.

The Board was found to be functional, effective, engaged and motivated and with clear progress being made against prior actions. Non-executive

Directors' succession had been handled smoothly and it was agreed that process should be extended to hire an additional non-executive Director with relevant industrial and business experience aligned to our strategy. The Board is to also review the structure of the Board meetings schedule and agendas to ensure adequate time is given to debate and engagement.

The Board continued its momentum during 2022, building on further strengthening the business as it emerged from the difficult conditions encountered during the COVID-19 pandemic. The findings of the 2022 evaluation will add to the Board's development as the recovery phase of our end markets and the strategic growth of the Company continue to make timely progress.

Clare Chalmers Limited has no other connection with the Company or its Directors.

In addition, the Chair undertakes individual reviews of each Director and provides feedback and guidance on their performance and contribution to the Board. The Senior Independent Director, in consultation with the non-executive Directors, undertakes a similar review process of the Chair.

Succession planning

The Nominations Committee met four times during the year and considered succession plans for Board-level and senior management roles.

The Group has continued to increase its focus on maximising the potential of its employees and improving succession planning. The Group Chief Executive Officer and Group HR Director present a detailed Executive Succession Plan for each Executive Committee role, to the Nominations Committee twice a year. This ensures that the Nominations Committee is able to undertake a detailed review of the succession plans for the Executive Committee, the talent pipeline, and a talent profile for each member of the Executive Committee. The review includes discussions regarding individuals' strengths and areas for development plans. As a result, development activities are identified, for example, supporting the Executives in pursuing external non-executive director roles. Prior to the 2022 Nominations Committee review, the Executive Committee, supported by the Group HR Director, conducted an extensive review of the Group's operating business leadership succession plans. Utilising skills and talent mapping, assists both the Executive Committee and, ultimately, the Nominations Committee in identifying any gaps, taking into account the Group's long-term strategy to provide a solid foundation for Senior's growth aspirations.

When reviewing succession plans, the Committee recognises the benefits of a diverse workforce, diversity of thought and employing individuals from diverse backgrounds and experience across the organisation, including Board members and senior managers.

AUDIT, RISK AND INTERNAL CONTROL

Resources, internal controls and risk management

The Board has ultimate accountability for the Group's risk management process.

The Board determines the nature and extent of the significant actions necessary to achieve its strategic objectives and maintains a sound system of internal control. The Company's Audit Committee reports to and, for certain matters, advises the Board of Directors. The Audit Committee Report on pages 102 to 107 describes the role and activities of the Audit Committee, together with the significant risks and judgments that it considered in relation to the 2022 Financial Statements and its relationship with the internal and External Auditors. Details of the Group's approach to risk management and its Risk and Assurance Framework can be found on pages 60 to 62.

Communicating the Senior plc Code of Conduct and operating with integrity

In 2021, the executive Directors published an updated booklet for issue to all employees and relevant third parties, explaining the Group's Code of Conduct (the Code) and Senior's Values; these values can be found on page 38. The booklet includes a message from the Group Chief Executive Officer, explaining that it is his unshakeable belief that how you do business is as important as what you do in business. It contains work-related scenarios, together with a selection of questions and answers, to help employees to understand the Code and relate it to their individual roles and working environment. Copies of the Code are issued to all new employees and reissued periodically to continuing employees to remind them of the required level of conduct.

Senior trains its employees on the requirements of the Code upon induction, educating them on what they can and cannot do, and how to address any ethical dilemmas they may face. A compulsory 2022 Global Code of Conduct online training course was rolled out across the Group to all employees during the year. The 2022 course contained training modules on: Anti-bribery, Preventing Harassment & Promoting Respect, Business

Ethics and Avoiding Conflicts of Interest. All employees and Directors were required to achieve a Pass grade, as a minimum.

Typically, all the Group's operations are visited by the Group Chief Executive Officer, the Group Finance Director or other members of the Executive Committee on an annual basis and make presentations to local senior management, reinforcing the Code and the importance of maintaining an absolute commitment to the highest possible standards of ethics and a zero tolerance towards bribery and corruption. Until travel restrictions imposed as a result of COVID-19 were lifted, site visits by the Executive Directors and members of the Executive Committee were not possible; however, they reinforced the Code at meetings held at Divisional and local levels and monitored the progress of the training programme across the Group. The Board verifies compliance with the Code through its internal audit programme, ensuring that employees have received the mandatory training and that the Group's businesses operate with integrity at all times and in compliance with the Code.

Operating with integrity and in an ethical manner builds trust with customers and other stakeholders and underpins the Board's strategic objectives.

Human rights

The Group recognises the importance of the Universal Declaration of Human Rights and adheres to the core principles and values defined within it. The majority of countries in which Senior operates have their own laws banning child labour and promoting human rights. Senior monitors the ages of its workforce across the world to ensure compliance and identify any potential succession issues.

Senior is committed to preventing slavery and human trafficking in its corporate activities and throughout its supply chain. Senior does not restrict any of its employees in any of the countries in which it operates from joining a trade union if they wish to do so. Senior also works closely with its suppliers to ensure that they at least meet internationally recognised minimum requirements for workers' welfare and conditions of employment. Senior publishes a Modern Slavery Act Statement, which is kept under review and updated as necessary. The current statement has been signed by the Group Chief Executive Officer and was

published in February 2023, it can be found on the Company's website.

Reporting and investigating concerns and whistle-blowing

As part of its internal control procedures, the Company has a Whistle-blowing Policy that is communicated throughout the Group. This policy provides employees with the opportunity to report suspected unethical or illegal corporate conduct confidentially and anonymously.

Senior is committed to maintaining high ethical standards across the Group. Employees and representatives of Senior have an obligation to act honestly, with integrity, and to comply with applicable laws. Consequently, employees are encouraged to report any suspected unethical or illegal corporate conduct in accordance with this policy.

Senior will not tolerate the harassment or victimisation (including the application of informal pressure) of a person reporting corporate conduct in good faith. In addition to the legal protection provided to such employees, Senior will treat retaliatory conduct in violation of this policy as a serious disciplinary offence.

The Group encourages its employees to discuss any ethical concerns that they may have with local management, or at Group level if more appropriate. Where an employee feels unable to approach local or Group management, or are dissatisfied with the response, they can contact Senior's third-party whistle-blowing service provider by telephone, a web reporting tool or, in some languages, an app. The provider will pass on information to an investigating officer within Senior, maintaining anonymity of the individual, if requested.

All reports of suspected unethical or illegal corporate conduct are independently investigated and tracked from inception to resolution and, where necessary, actions are taken to rectify any weakness in systems that may have been identified. These actions, and the overall integrity of the reporting system, are subject to regular scrutiny by the Audit Committee. This process is also available to third parties, such as suppliers and customers. Subject to confidentiality considerations, the outcome of each investigation is provided, insofar as it is possible, to the individual who reported the concern. All reported whistle-blowing incidents are reviewed by the Board

of Directors, which the Company believes to be the most appropriate forum.

Celia Baxter is the Company's Senior Independent Director, providing employees and third parties with an alternative channel of communication to resolve issues if they have a concern that the Chair, Group Chief Executive Officer or Group Finance Director have failed to resolve the issues, or where such contact with them is not appropriate.

Managing external sales agents and representatives

Senior has in place a Responsible Sourcing Policy which establishes the minimum standards expected of our supply chain. Senior is committed to the highest possible standards of environmental, ethical and social responsibility performance in respect of all its products and services. Senior strives to be the best for its customers and its people and looks to make a positive contribution to society wherever it operates. Adherence to this policy is mandatory and all Group operations are required to ensure that they are aware of the requirements of the policy.

The Board recognises the potential bribery and corruption risks posed by the markets in which the Group operates and, in particular, the use of third-party intermediaries it engages. All external sales agents and representatives working on behalf of Senior across the world are required to operate in compliance with Senior's Code of Conduct or have their own code of conduct of an equivalent high standard. Local management is required to conduct a due diligence and risk assessment process prior to engaging or re-appointing any sales agents and to issue them with a copy of the Code, ensuring that they understand, acknowledge and accept its requirements.

International trade compliance

The Code of Conduct includes a section dedicated to Complying with International Sanctions and Trade Compliance Requirements. It states "Senior will conduct its business in full compliance with all global trade laws and regulations and all relevant sanctions for the import and export of goods and services in the countries within which it operates."

Managing gifts and hospitality

The Board recognises that gifts and hospitality have the potential to create a conflict of interest, or the perception of a conflict of interest. As a result, there is a Group policy restricting the receiving and giving of gifts and hospitality from, and to, third parties. This policy requires that all gifts and hospitality must be recorded annually through a self-declaration process. The Internal Audit Manager assesses adherence with the Group's gifts and hospitality policy during internal audit visits, which are carried out physically or virtually.

Group information and operations business security policy and data protection

The Group's confidential information is valued highly by the Board. In early 2022, the Group Head of Information Security departed the Group and his successor appointed, with a suitable handover period arranged to ensure continuity. In 2019, a three-year roadmap was developed, which contained a prioritised, risk-based, improvement plan. Linked to the three-year roadmap, a tactical execution plan was created annually, building on the activity to date; the incoming Group Head of Information Security continued this work. In September 2022, the Group Head of Information Security was invited to present to the Board meeting, providing an update on the 2019 to 2022 maturity journey. The key focus areas on the journey included the external security posture, the risk management framework, patch and vulnerability management, security event monitoring and incident response and network security.

In 2022, all Group employees continued to receive regular updates on information security, supported by circulation of weekly tips of the week. The aim of these weekly communications was to provide small, bitesize recommendations and guidance on all matters information security related. These included informing employees how to protect themselves both in their personal lives as well as when at work.

An Acceptable Use Policy is in place to provide guidelines for the acceptable and appropriate use of the Group's information technology and operational technology assets by all Group employees. The policy sets out the controls

that are in place to help reduce risk associated with the inappropriate use of the Group's information technology and operational technology assets, which could lead to data loss, manufacturing disruption, virus or malware infection or other issues that could have a negative financial or reputational impact on the Group. In compliance with the Data Protection (Charges and Information) Regulations 2018, the Company is registered with the Information Commissioner's Office.

To ensure compliance with the General Data Protection Regulations (GDPR), both in the EU and the UK, the Company and all relevant Group operations have in place a GDPR policy and breach incident procedure which have been communicated to their employees. As the Company is not a public authority, its core activities do not require regular and systematic monitoring of individuals on a large scale and it does not process special categories of personal data, criminal convictions or offences data on a large scale, it is not required to appoint a data protection officer. However, the Company and relevant Group operations each have a Data Protection Champion, whom employees can approach for guidance if they have any queries or concerns relating to data protection. Compliance with data protection regulations will continue to be monitored on an ongoing basis.



"Collectively, the members of the Audit Committee have significant commercial and financial experience at a senior management level."

Giles Kerr

Chair of the Audit Committee

AUDIT COMMITTEE REPORT

Dear Shareholder,

The Audit Committee has been established by the Board and consists entirely of independent non-executive Directors. The primary role of the Audit Committee is to maintain the integrity of the financial reporting of the Group and to ensure appropriate risk management and internal control procedures. To enable the Audit Committee to fulfil this role, its main responsibilities include:

- conducting the process for selecting the External Auditor and making recommendations to the Board, and ultimately shareholders for approval, of the appointment of the External Auditor, the audit fee, initiating tender processes in accordance with regulatory requirements, and the resignation or dismissal of the External Auditor;
- if an External Auditor resigns, investigating the issues leading to this and deciding whether or not any action is required;
- monitoring and assessing annually the independence and objectivity of the External Auditor, its compliance with regulatory requirements, the effectiveness of the external audit process and authorising the provision, if any, of non-audit services and the impact this may have on independence;
- monitoring the integrity of the Company, including its annual and the half-yearly reports, preliminary announcements and related formal statements. Reviewing and reporting to the Board on significant financial reporting issues and judgments which those statements contain, having regard to matters communicated to it by the Auditor. Reviewing any other statements requiring Board approval which contain financial information where practicable and consistent with any prompt reporting requirements. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board;
- reviewing the Company's statement on the Annual Report & Accounts prior to endorsement by the Board, that taken as a whole the Annual Report & Accounts is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy;
- discussing with the External Auditor issues and reservations, if any, arising from the year-end audit and the half-year review, and any other matters the External Auditor may raise;
- reviewing and approving the terms of the External Auditor's engagement, including the management representation letter addressed to the External Auditor at the start of each audit;
- reviewing the longer-term viability and the going concern basis of accounting in preparation of the Financial Statements of the Group;
- approving the appointment or termination of appointment of the Director of Risk and Assurance (formerly the Head of Risk & Compliance);
- reviewing the effectiveness of the internal audit function (currently headed by the Director of Risk and Assurance, formerly the Head of Risk and Compliance); considering the major findings of internal audit activities and management's response; ensuring co-ordination between the internal audit function and the External Auditor; reviewing and approving the role and mandate of the internal audit function. Annually approving the Internal Audit Charter, ensuring it is appropriate for the Group's current needs, that the function is adequately resourced and has appropriate standing within the Group;
- ensuring the internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensuring there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensuring that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- ensuring the internal Auditor has direct access to the Board Chair and to the Audit Committee Chair, providing independence from the Executive and accountability to the Audit Committee;
- carrying out an annual assessment of the effectiveness of the internal audit function;
- reviewing the effectiveness of the Group's internal controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- developing and recommending to the Board the Group's Policy for the Provision of Non-Audit Services by the External Auditor, including specifying permitted non-audit services and their approval requirements;
- ensuring the External Auditor's remuneration fee level is appropriate to enable an effective and high quality audit;
- monitoring the External Auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard;
- ensuring the co-ordination of the External Auditor and the internal audit function;
- agreeing with the Board a Policy on the Employment of Former Employees of the Group's External Auditor, taking into account the Ethical Standard and legal requirements, and monitoring the application of this Policy;
- understanding the strategy at both Group and operational levels to ensure that business risks and other relevant issues are effectively identified and communicated to the Board;
- assessing the Audit Committee's capabilities in relation to diversity, risk experience and the financial expertise of its members;

- understanding the implications of changes to accounting standards;
- ensuring the Company's corporate ethics, anti-bribery and compliance procedures are up to date in terms of addressing the potential risks of fraud and misconduct;
- reviewing the Group's Whistle-blowing Policy, to ensure that appropriate procedures are in place for employees, contractors and external parties to raise, in confidence, any concerns that they may have relating to suspected malpractice, illegal acts, omissions or other unethical corporate conduct, regarding financial or other matters; and ensuring that arrangements are in place for investigation of such matters and follow-up action;
- giving due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules;
- after each Audit Committee meeting, the Audit Committee Chair formally reports to the Board on its proceedings and how the Committee has discharged its duties;
- working and liaising with all other Board Committees, ensuring interaction between the Committees and the Board is reviewed regularly; and
- considering any other topics specifically delegated to the Audit Committee by the Board from time to time.

The Audit Committee is required to report its findings to the Board, identifying any matters where it considers that action or improvement is needed, and to make recommendations as to the steps taken.

Composition of the Audit Committee

The Terms of Reference for the Audit Committee state that the Audit Committee shall be appointed by the Board from amongst the independent non-executive Directors of the Company, excluding the Company Chair, at least one of whom shall have recent and relevant financial experience. The Audit Committee shall consist of not less than three members, of which all shall be independent of any business connection with the Group. Appointments to the Audit Committee shall be for a period of up to three years, which may be extended by a maximum of two additional three-year periods, subject to the members remaining independent.

The Audit Committee is composed entirely of independent non-executive Directors, as shown in the table above.

Member	Appointment date	Retirement date
Giles Kerr (Committee Chair)	2 September 2013	–
Celia Baxter	2 September 2013	–
Susan Brennan	1 January 2016	–
Barbara Jeremiah	1 January 2022	–
Rajiv Sharma	1 January 2019	–
Mary Waldner	1 December 2021	–

Two members constitute a quorum for the Audit Committee. The Group Company Secretary acts as Secretary to the Audit Committee.

There was full attendance at every Audit Committee Meeting held during 2022.

Collectively, the members of the Audit Committee have significant commercial and financial experience at a senior management level. I have the recent and relevant financial experience required by the UK Corporate Governance Code to chair the Audit Committee. Mary Waldner will succeed me as Chair of the Audit Committee, upon my retirement following the conclusion of the 2023 AGM; Mary too has the recent and relevant financial experience required by the Code.

For details of the qualifications of members of the Audit Committee, please refer to the Board of Directors' biographies shown on pages 90 to 92.

No member of the Audit Committee has any connection with the company's External Auditor, KPMG LLP.

Audit Committee's Terms of Reference

Periodically, the Audit Committee's Terms of Reference are reviewed to take into account current views on good practice and recent updates to the UK Corporate Governance Code. The UK Corporate Governance Code 2018 was adopted by the Audit Committee from the accounting period beginning on 1 January 2019. The Audit Committee's Terms of Reference were updated in December 2022.

The Board expects the Audit Committee to have an understanding of:

- the principles, contents and developments in financial reporting, including the applicable accounting standards and statements of recommended practice;
- the key aspects of the Group's operations, including corporate policies, its products and services, Group financing, and systems of internal control;
- the matters that could influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the roles of internal and external auditing and risk management; and
- the regulatory framework for the Group's businesses.

The full Terms of Reference of the Audit Committee may be found on the Company's website.

Activities of the Audit Committee

The Audit Committee met on 22 February 2022 to consider the 2021 year-end report and during the subsequent 12 months conducted the following business on the four standard scheduled meeting dates, as indicated below:

26 May 2022 <ul style="list-style-type: none"> Discussed and approved the external audit plan and strategy proposed by KPMG LLP for the 2022 audit, including materiality, scope, significant risks and other areas of audit focus, the audit cycle and auditor reporting. Reviewed KPMG LLP's 2022 Audit Fee Estimate. Reviewed and approved the terms of the proposed letter of engagement addressed to the External Auditor. Received and reviewed KPMG LLP's assessment on its objectivity and independence 	27 July 2022 <ul style="list-style-type: none"> Received and considered an Internal Audit Report including Risk & Assurance and Mapping reports presented by the Head of Risk & Compliance (now the Director of Risk and Assurance). Received and reviewed KPMG LLP's assessment on its objectivity and independence Reviewed the accounting presentation and judgmental issues, and the funding and liquidity reports for the half-year ended 30 June 2022.. Reviewed, challenged and agreed the basis for going concern to be adopted for the 2022 Interim Results. Reviewed the Tax Memorandum for the half-year ended 30 June 2022. Reviewed and accepted KPMG LLP's Report to the Audit Committee on the half-year review for the six months ended 30 June 2022. Reviewed and approved the terms of the management representation letter addressed to the External Auditor. Discussed the Group's draft Announcement of the 2022 Interim Results together with the draft slides for the analysts' presentation. Approved KPMG LLP's proposed fees for the 2022 Audit. Noted the FRC's Audit Quality Review of KPMG LLP's audit work in 2021/22.
29 September 2022 <ul style="list-style-type: none"> Reviewed the effectiveness of the external audit process. Assessed the significant risks that are considered by the Audit Committee, agreeing they would broadly unchanged from 2021, subject to review at the next meeting. Addressed Government agency recommendations on the Company's Annual Report & Accounts 2021, agreeing areas that could be better signposted in the Annual Report & Accounts 2022. Received and considered an Internal Audit Report presented by the Head of Risk & Compliance (now the Director of Risk and Assurance). Received an update on the Group's cyber risk communications programme and on 2022 Code of Conduct training.. Reviewed the effectiveness and quality of the 2021 external audit. Approved the existing Policy for the Provision of Non-Audit Services by the External Auditor and the Policy on the Employment of Former Employees of the Company's External Auditor, with no changes required. Reviewed the draft updated Terms of Reference of the Audit Committee with one small update agreed. Approved the Group's existing Whistle-blowing Policy, with no changes required. 	21 February 2023 <ul style="list-style-type: none"> Reviewed the accounting presentation and judgmental issues, and the viability assessment report for the year ended 31 December 2022, which included consideration of compliance with all debt covenants at all measurement dates out to 31 December 2025. Reviewed and approved the addition of acquisition accounting as a significant risk and a risk assessment change of inventory net realisable value risk from significant risk to other focus area. Reviewed and approved the statements included in the Annual Report & Accounts 2022 concerning internal control, risk management, including the assessment of principal risks and emerging risks, TCFD and the Viability Statement. Reviewed, challenged and agreed the going concern basis to be adopted for the 2022 Accounts. Reviewed the Tax Memorandum for the year ended 31 December 2022. Reviewed and accepted KPMG LLP's Report to the Audit Committee on the audit of the Financial Statements for the year ended 31 December 2022. Reviewed KPMG LLP's confirmation of its objectivity and independence, including identification of a prohibited non-audit service which was provided to a residual component from 2018 to 2022. The Audit Committee was satisfied with the conclusions and actions taken by the Auditor. Reviewed and approved the terms of the management representation letter addressed to the External Auditor. Approved the Audit Committee Report for 2022. Reviewed the effectiveness of the Group's risk management and internal control systems and disclosures made in the Annual Report & Accounts 2022. Reviewed the draft Annual Report & Accounts 2022 and reviewed the Company's statement on the draft Annual Report & Accounts prior to endorsement by the Board, that, taken as a whole, the draft Annual Report & Accounts is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy. Discussed the Group's draft Announcement of the 2022 Final Results together with the draft slides for the analysts' presentation. Reviewed the Notice of Meeting for the 2023 AGM and the Proxy Form for the 2023 AGM. Received and considered a report presented by the Director of Risk & Assurance, which included the proposed 2023 internal audit plan. Reviewed and approved the Internal Audit Charter. Assessed the effectiveness of the internal audit function.

The Audit Committee held a private meeting with the External Auditor and a private meeting with the Group's Director of Risk and Assurance (formerly the Group's Head of Risk & Compliance) on 27 July 2022 and 21 February 2023, without executive management being present.

In addition to the four scheduled meetings summarised above, meetings were held in January 2022 to approve the Full-year 2021 Post Close Trading Update and in November 2022, to approve the draft Trading Update for the 10-month period ended October 2022, subject to final confirmation by the Disclosure Committee.

Audit Committee Attendance and Separate Discussions

The Audit Committee typically invites the non-executive Chair, Group Chief Executive Officer, Group Finance Director, Group Financial Controller, the Group's Director of Tax & Strategic Finance, the Group's Director of Risk and Assurance (formerly the Head of Risk & Compliance) and senior representatives of the external audit firm to attend its meetings, although it reserves the right to request any of these individuals to withdraw from any meeting.

During 2022, the Audit Committee also held separate discussions with the External Auditor and the Group's Director of Risk and Assurance, without executive management being present. In addition, the Chair of the Audit Committee held separate meetings with each of these during the course of the year.

Significant risks considered by the Audit Committee

The table below summarises the significant risks considered by the Audit Committee, including significant judgments and estimates:

Significant risks considered by the Audit Committee	How the risk was addressed by the Audit Committee
Other provisions Provisions are held where management considers there is an obligation, payment is probable and the amount payable can be reliably estimated. Provisions held by the Group include but are not limited to: <ul style="list-style-type: none"> those held against legal claims and contractual matters, product warranties; and tax provisions for uncertain risk exposures. There is a risk that other provisions overstate or understate the associated liability.	The Audit Committee considered the basis upon which management had made its accounting judgments to determine the level of other provisions. The Audit Committee receives a separate report from the Group Head of Tax that sets out the various uncertain risk exposures and any related provisions that are based on the best estimate of the amounts likely to be payable. The Audit Committee carefully considers the assumptions applied and provides appropriate challenge including an assessment of the related sensitivities. These were further discussed with the External Auditor. The Audit Committee believes there are no further reportable issues arising from these significant areas.
Acquisition accounting On 25 November 2022, the Group acquired substantially all of the assets of Spencer Aerospace Manufacturing, LLC, for total consideration of \$100m split between initial, deferred and contingent payments (See Note 31 for further details). There is judgment in determining the valuation of the intangible assets and associated goodwill with the acquisition.	The Group recognised goodwill of £42.0m and intangible assets of £31.0m on the acquisition date. The Audit Committee held discussions with executive management regarding the procedures performed to fair value the assets and liabilities acquired. The Committee noted the use of external valuation experts in order to form the necessary judgments. The external auditor provided the Audit Committee with details of the audit work performed to assess that the assets and liabilities are held at fair value. The Audit Committee was satisfied that the assumptions used were appropriate and that the assets and liabilities are valued at fair value.
Inventory net realisable value, which was a significant risk in the Annual Report & Accounts 2021, is no longer considered a significant risk by the Audit Committee given strengthening demand and subsequent impact on expected utilisation of inventory. It is now a focus area as outlined below.	

Other judgments and estimates

The Audit Committee considered other areas of focus where judgments and estimates have a significant effect on the amounts recognised in the 2022 Financial Statements. These areas of focus and how they were addressed by the Audit Committee are described below:

Other focus area considered by the Audit Committee	How these were addressed by the Audit Committee
Other key judgments and estimates These include, but are not limited to, judgments and estimates in areas not covered by significant risks such as inventory net realisable value, going concern and viability, goodwill impairment assessment, retirement benefits, leases and tax (excluding provisions for uncertain tax which is a significant risk).	The Audit Committee reviewed the accounting presentation and judgmental issues paper, including a funding and liquidity report, for the related reporting period from the Group Financial Controller. In addition, the Audit Committee received a tax memorandum paper for the related reporting period from the Group's Head of Tax. In its review of these presentation papers, the Audit Committee challenged management on the critical accounting judgments, and the key sources of estimation and uncertainty that were taken in the preparation of the Financial Statements, and concluded that they were appropriate. The Audit Committee believes there are no further reportable issues arising from these other key judgments and estimates.

Presentation of results

The Board presents adjusted key measures of profit, in addition to reported measures, where items are significant in size and either they do not form part of the trading activities of the Group or their separate presentation enhances understanding of the underlying financial performance. The Audit Committee assessed the presentation to ensure a fair and balanced treatment of what is and is not included as an adjusting item.

The Audit Committee considered the accounting policy applied to exclude adjusted items by reference to guidance issued by the FRC and the European Securities and Markets Authority ("ESMA"), and the need to ensure any alternative performance measures are presented with equal prominence to reported figures and on a consistent basis year-on-year.

The Audit Committee discussed the presentation of adjusted items with the External Auditor, and concurs with management's view that the presentation of items excluded from adjusted results provides useful disclosure to aid the understanding of the performance of the Group.

External audit

Independence of the External Auditor and policy on the provision of non-audit services

To fulfil its responsibility regarding the independence of the External Auditor, the Audit Committee reviewed:

- a report from the External Auditor describing the arrangements that had been made to identify, report and manage any conflicts of interest and to maintain its independence; and
- the FRC's Audit Inspection Unit public report on KPMG LLP.

The Audit Committee's policy in respect of services provided by the External Auditor and its Policy on the Provision of Non-Audit Services by the External Auditor are as follows:

- The External Auditor is invited to provide services which, in its position as auditor, it must or is best placed to undertake. This includes formalities relating to borrowings, shareholder and other circulars, various other regulatory reports and certain work in respect of larger acquisitions and disposals;
- The Company has a Policy on the Provision of Non-Audit Services by the External Auditor, which is in line with the recommendations set out in the Financial Reporting Council's ("FRC") Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2019) (the "Ethical Standard"). In line with these recommendations and requirements, the external audit firm is only appointed to perform a service when doing so would be consistent with both the requirements and the overarching principles of the Ethical Standard, and when its skills and experience make it the most suitable supplier. In addition, the Ethical Standard requires an assessment of whether it is probable that an objective, reasonable and informed third party would conclude independence is not compromised.

The approval of the Audit Committee must be obtained before the External Auditor is engaged to provide any non-audit services and these services are limited to activities which feature on the approved Permitted Non-Audit Services list. The total fees for non-audit services shall be limited to no more than 70% of the average of the statutory audit fee for the Company, of its controlled undertakings and of the consolidated Financial Statements paid to the External Auditor in the last three consecutive financial years;

- Other services may not be provided where precluded by law, regulation, or Ethical Standards or where the Audit Committee believes that it would compromise audit independence and objectivity; and
- All proposed contracts for permitted services to be provided by the External Auditor require the Audit Committee's approval. Approval for permitted services below £0.050m has been delegated by the Audit Committee to its Chair and below £0.025m to the Group Finance Director.

In 2022, the level of permitted services undertaken by KPMG LLP was broadly unchanged, as set out in the table below.

The Audit Committee considered that it was beneficial for the Company to retain KPMG LLP for a small amount of permitted non-audit work and audit related services, because of the firm's knowledge of the Group and our requirements that the Interim audit to be performed by the External Auditor. The Audit Committee continues to closely monitor the nature and level of such permitted non-audit work.

Fees	2022	2021
Interim review	£0.06m	£0.05m
Auditor assessment of tax incentives in Malaysia and certification of expenses in France	£0.01m	£0.01m
Total audit-related services:	£0.07m	£0.06m

Non-audit related services:	£nil	£0.1m
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Apart from the matter noted below, KPMG have not performed any non-audit services during the year ended 31 December 2022 or subsequently which are prohibited by the FRC Ethical Standard. In early 2023, KPMG identified that a KPMG member firm had provided preparation of local GAAP financial statement services over the period 2018 to 2022 to an entity which was a residual component and therefore not in scope for the Group audit. The services, which have been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. The work had no direct or indirect effect on Senior plc's Consolidated Financial Statements. KPMG sent a letter to the Audit Committee explaining the cause, analysis of implications and actions taken. The Audit Committee reviewed the letter and following discussions, have concurred with KPMG's professional judgment, that based on the assessment of the breach, KPMG's integrity and objectivity as Auditor has not been compromised and believe that an objective,

reasonable and informed third party would conclude that the provision of this service would not impair KPMG's integrity or objectivity for any of the impacted financial years.

Policy on tendering

In order to maintain auditor independence and comply with FRC, EU guidance and the provisions of the CMA Order 2014 on audit tendering, the Group undertook a formal tender of its external audit during the first half of 2016, led by the Audit Committee. The appointment of KPMG LLP as the Group External Auditor for the financial year commencing 1 January 2017 received approval by shareholders at the Annual General Meeting held in April 2017. The Audit Committee reviews annually whether it is appropriate to put the external audit out to tender and concluded in 2022 that it was not appropriate to do so. In 2022, the Group's Audit Partner was rotated off the Senior account and a new Audit Partner appointed, in line with regulatory rotation requirements. The Audit Committee fully evaluates auditor performance and independence annually but does not favour mandatory five-year rotation.

Assessment of external audit quality and effectiveness

The Audit Committee reviewed the effectiveness of the External Auditor and the external audit process, including an assessment of the quality of the audit, at its September 2022 meeting.

In 2022, the effectiveness of the external audit process was again performed by assessing a range of key areas through a formal questionnaire that was individually distributed to all the members of the Audit Committee and all other executive and non-executive Directors. This framework required consideration of performance areas which needed future focus by the External Auditor, the areas where the External Auditor was meeting expectations and those where it was considered to have a special strength.

Senior management received answers and comments from all questionnaires and consolidated them into a report. The Audit Committee used this report to facilitate a debate at its September 2022 meeting and to assist in assessing the level of external audit effectiveness. The Audit Committee discussed: the calibre of the external audit firm, the robustness of the external audit process and degree of challenge to matters of significant audit risk and areas of management subjectivity, the degree of professional scepticism applied by the External Auditor, the quality of delivery of the audit and the service provided by the External Auditor, the Audit Partner, the audit approach and planning, the role of management, the communication by the Auditor to the Audit Committee, the provisions of support for the work of the Audit Committee by the Auditor, the sharing of insights and adding value by the Auditor, the audit fee, the Auditor's independence and objectivity, and the quality of formal reporting by the Auditor to the Audit Committee. Feedback about the effectiveness of the external audit process from the local management teams was also considered by

the Audit Committee. The Audit Committee concluded that the External Auditor had challenged the thinking of the Company and of the Audit Committee on a number of significant issues and had maintained its independence, notwithstanding the provision of an insignificant non-audit service to a residual component of the Group as discussed in the previous section.

In July 2022, the Financial Reporting Council (FRC) published its 2021/2022 Audit Quality Inspection Reports (AQIR) for each of the largest audit firms, including KPMG. Five of the largest firms had no audits requiring significant improvements and the FRC had found KPMG's individual audit inspections to have improved significantly. The Audit Committee noted the FRC was to continue to closely monitor KPMG LLP's banking audits. Following completion of the assessment process outlined above, the Audit Committee concluded that it was satisfied with the effectiveness of the External Auditor; as a consequence, the Audit Committee has recommended to the Board that KPMG LLP be re-appointed as Auditor for 2023.

Specific areas referred to the External Auditor

In 2022, the Audit Committee has not asked the Auditor to explicitly review any specific areas because the significant risks and other focus areas considered by the Auditor were aligned with the significant risks considered by the Audit Committee. The Audit Committee was satisfied with the results of the Auditor's results and findings.

Internal audit

The Audit Committee is required to assist the Board in fulfilling its responsibilities relating to the effectiveness, resourcing and the plans of the Group internal audit function, which were headed by the Group Head of Risk & Compliance (now the Director of Risk and Assurance) throughout 2022. The Internal Audit Manager reports to the Director of Risk and Assurance.

In 2022, as set out on pages 60 to 62, the Group further strengthened its risk management procedures and these have been reviewed by the Audit Committee. Risk has been assessed on a top down and bottom up basis and the consideration of emerging risks has been formally added to the process. A risk-based programme of internal audit has been conducted in the year. In 2022, the internal audit programme was delivered through a combination of face-to-face and remote working methods.

The Chair and non-executive Directors are actively encouraged to visit the Group's operating businesses unaccompanied by executive Directors and such visits were able to recommence in 2022, following the lifting of travel restrictions imposed by governments during the pandemic. Such visits enable the Directors to meet the local management teams and employees and also undertake site tours to review matters including production methods, health and safety and the status of internal audit findings. These visits are viewed by the Audit Committee as making a positive contribution to the internal control framework.

Conclusion

As a result of its work during the year, the Audit Committee has concluded that it has acted fully in accordance with its Terms of Reference. At its meeting held on 21 February 2023, the Audit Committee considered each section of the Annual Report & Accounts 2022, and the document as a whole, as proposed by the Company; it reached a conclusion and advised the Board that it considered the Annual Report & Accounts 2022 to be fair, balanced and understandable and that it provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. As the Chair of the Audit Committee, I will be available at the 2023 AGM to answer any shareholders' questions about the work of the Audit Committee. As previously announced, I shall be retiring from the Board of Directors following the conclusion of the 2023 AGM and Mary Waldner will succeed me as Chair of the Audit Committee; Mary too will be attending the 2023 AGM.

Change of Audit Committee Chair

During 2022, I have been working with Mary Waldner who will be taking over from me as Audit Committee Chair after the AGM in April 2023. I wish her every success in the role and thank everyone for their support over the previous nine years.

Approval

This Report was reviewed and approved by the Audit Committee and signed on its behalf by:

Giles Kerr

Chair of the Audit Committee
24 February 2023

REMUNERATION

CHAIR'S ANNUAL STATEMENT



"The implementation of our Remuneration Policy seeks to motivate and support outperformance."

Celia Baxter

Chair of the Remuneration Committee

REMUNERATION REPORT: ANNUAL STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

I am pleased to present the Report of the Remuneration Committee for the financial year ended 31 December 2022. This statement sets out the work of the Committee during the year and provides the context for the decisions taken.

Remuneration is linked to our strategy and operational performance

Senior's vision is to be a trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, free cash flow and shareholder value.

Our Remuneration Policy ("Policy") and practices support this vision, with our bonus plans incentivising earnings growth and free cash flow, and our long-term plans rewarding the creation of shareholder value, earnings growth and return on capital. We regularly consider the alignment of our performance metrics with the business strategy. Following feedback from some of our shareholders we continue to include ROCE as a third measure within our LTIP for awards granted from 2021 onwards. This recognises the need to build the business back to healthy returns and brings consideration of capital deployment into sharper focus.

Sustainability is a key element of our strategy, and the Board continues to be satisfied with the ongoing progress of the Group in this area. Senior was the first company in its sector to set science-based greenhouse gas emission reduction targets, committing to net zero targets and our health and safety performance is excellent. Although our Policy allows the Committee to include in the bonus, strategic measures limited to 25% of the bonus opportunity, this facility has not been used nor have we included an ESG target within the long

term incentive plan. Having carefully considered shareholder feedback, current market conditions and the stage of recovery of the business, we continue to believe that it is more important at this stage of our rebuilding to incentivise the executive Directors on delivering the core financial performance of EPS, ROCE, Free Cash Flow and TSR. Part of our thinking is that it is clear from past and current performance, that our sector-leading Environmental, Social and Governance (ESG) metrics and progress has been achieved without the need to incentivise, due to our core values. We have therefore decided once again not to introduce a sustainability metric for incentives, but we will continue to keep this matter under review.

Senior's performance during 2022

As explained in the Chair's Statement and the Group Chief Executive Officer's Statement, Senior has continued to make good strategic, operational and financial progress, with strong delivery across the Group. This is reflected in significantly improved profitability, excellent free cash flow generation, further strengthening of the balance sheet and improved its sector-leading sustainability progress. This has been achieved while navigating through the impact of the pandemic, the disruption and deglobalisation of the supply chain, exacerbated by the conflict in Ukraine and the consequent energy crisis. Key headlines include:

- the Group's revenue increased by 20% (on a constant currency basis);
- adjusted operating profit increased by 285% (on a constant currency basis);
- the Group's adjusted operating margin increased by 250 basis points, to 3.4% for the full year;
- adjusted earnings per share increases by 2,465%, to 4.36 pence; and
- the Group generated excellent free cash flows of £27.7m, double that of the prior year.

The restructuring of the Group to meet our strategy and purpose continued in a focused manner with the acquisition of Spencer Aerospace, as well as an ongoing review of the portfolio within the Group, and continued investment in technologies for emissions reduction and environmental efficiency.

Consultation with stakeholders during the year

Consultation with employees regarding executive remuneration

During 2022, I once again consulted with employees by holding a video conference with representatives from Senior's six UK operating businesses. We reminded them of the structure of our Board of Directors' pay and explained the outcome of the AGM voting on the Remuneration Policy and Remuneration Report. We asked them if they thought that our executive Directors should have ESG targets linked to their bonus, any suggestions they had for changes to the remuneration policy which would be subject to shareholder vote in 2024 and their views on the clarity of the Remuneration Report within the Annual Report. The consensus view was that they would be supportive of introducing an ESG element within the remuneration of the executives. There were no suggestions for remuneration policy change, and it was commented that the Remuneration Report was clear and well laid out. We will continue to run these sessions in the coming year as we are keen to get input from our employees in this area.

This was the fourth year of running employee focus groups. In 2021, we were unable to travel to the US when we had planned due to travel restrictions and therefore, we focused on the UK operations only. In 2022, the Group HR Director and I have undertaken a further 15 focus groups at four of our West Coast US locations, together with four focus groups in Germany, thereby meeting and talking to over 200 people from a cross section of each business. There were no questions raised related to executive pay.

Consultation with shareholders

As previously reported, following extensive consultation with major shareholders and the major governance agencies during 2021, the executive Directors offered and the Committee agreed that the alignment of their pension contributions to that available to the UK workforce, would be brought forward to the end of 2022. This has now been implemented.

During 2022, I have undertaken a number of discussions regarding executive remuneration and will continue to do so with individual shareholders as per their request. Further in early 2023 I have consulted our major shareholders and the major governance agencies with regard to the implementation of our 2023 Long Term Incentive which I detail in the relevant section below. We listened to the views of shareholders and have made changes to our proposals to take account of their feedback.

Executive Directors' remuneration 2022

The basic salaries of the Group Chief Executive Officer and Group Finance Director were increased by 3.15% and 4.99% respectively with effect from 1 January 2022, broadly in line with the increase applied to the wider workforce. In line with the Remuneration Policy, the executive Directors were eligible for a maximum bonus equivalent to 125% of basic salary, payable subject to the satisfaction of performance targets linked to Adjusted EPS and Free Cash Flow targets.

For the Annual Bonus Plan, we set Adjusted EPS and Free Cash Flow targets in January 2022 which were viewed as appropriately challenging. The proportion of bonus related to the achievement of EPS targets and Free Cash Flow targets remained unchanged from 2021 60% and 40% respectively, reflecting the continued importance of earnings growth and Free Cash Flow to the business.

The Committee retains an overriding discretion in relation to the amount of bonus it awards notwithstanding any formulaic calculations and targets. The targets are disclosed in the Annual Report on Remuneration on page 123.

LTIP awards were granted to both executive Directors and senior management and are subject to the satisfaction of challenging three-year targets linked to Adjusted EPS growth, relative TSR and ROCE to align with our business strategy and due to the importance of building the business back to healthy levels of returns. The executive Directors' LTIP awards were subject to a two-year holding period on vested awards and the enhanced malus and clawback conditions. The LTIP awards to the Group Chief Executive Officer and the Group Finance Director were at a level of 150% of basic salary. As a matter of best practice, before finalising the LTIP awards, the Committee considered the movements in the share price since the beginning of 2021 financial year. As the share price had increased over the period, it was felt appropriate to grant the LTIP awards to the executive Directors based on the normal percentage of salary of 150% of basic salary.

Incentive scheme outcomes for 2022

After the end of the financial year, the Committee reviewed the extent to which the targets under the Annual Bonus Plan had been achieved. In considering the outcome, the Committee took into account the ongoing performance of the management team who continue to:

- lead the Group's recovery of profitability and healthy revenue growth;
- manage efficiently and diligently the pressures across the business due to supply chain disruptions and the energy crisis;
- reshape the structure and strategy of the Group moving forward;
- maintain liquidity;
- lead the sector in sustainability progress and commitments; and
- invest in technology to ensure that the business and its customers meet carbon reduction targets.

The Committee decided that the annual bonus outturn was appropriate taking into consideration the attainment of continued cash generation within the business, maintaining the savings post-restructuring, and further progress in meeting sustainability targets. Therefore, the executive Directors' bonus awards for the year shall be 100 % of the maximum bonus opportunity (representing 125% of the 2022 base salary), of which one third will be delivered in shares deferred for three years and two thirds will be delivered in cash.

Awards made under the LTIP in 2020 were subject to Adjusted EPS and TSR performance measured over three years up to the end of 2022. Unfortunately, the Adjusted EPS and the TSR performance was below threshold as a result of the impact of the COVID pandemic on Senior's markets and customers, and therefore there was no vesting of this award.

The Committee is satisfied that the above outcomes were a fair reflection of the performance of the Company over the relevant performance periods for the incentive schemes. The Committee did not have to exercise any discretion in agreeing the outcome of the incentive plans and no adjustments were made relating to the acquisition of Spencer Aerospace nor as a consequence of the impact of the pandemic on the Group's ability to meet its LTIP targets.

The current economic environment and the wider workforce's remuneration

Recognising the impact of high rates of inflation, Senior has taken steps to help the broader workforce including salary settlements that reflected regional costs of living pressures. The impact of this has been particularly felt by our more junior employees and therefore although approaches vary between businesses, these employees have been targeted for higher salary increases or other initiatives such as:

- Introducing or extending bonus plans;
- One-off special 'cost of living' payments; and
- Support with travel costs.

In addition, there were changes made for the benefit of the wider workforce, such as:

- Offering an increased level of pension contributions to the majority of the UK workforce;
- Introducing a more flexible approach to working hours; and
- Promoting employee assistance programmes and wellbeing initiatives.

Implementation of the Policy for 2023

The basic salaries of the Group Chief Executive Officer and Group Finance Director were increased by 5.4% and 5.5% respectively with effect from 1 January 2023. Typically, pay of employees at our UK operations increased by 6% or higher, depending upon skills and geographic location.

As previously reported, the pension contributions of the executive Directors were reduced from 1 January 2023 to 15% which aligns with the pension contribution available to the majority of the UK workforce.

LTIP 2023

Senior's markets have been impacted by a number of external events since the grounding of the Boeing 737 Max, the effects on profitability have been huge. We remain confident in the resilience and recovery of these markets and in our ability to recover profitability from our products and technology over the medium term. This rationale was the reason behind why the Board rejected the Lone Star bid as it was not good value for our shareholders. In order to deliver on this commitment we need to retain and motivate the leaders through this key period of recovery.

Senior has a decentralised business model, comprised of discrete business units run by senior managers each with their own profit and loss account. These senior managers are key to our success and to meet our aspirations we will require a stable and highly motivated leadership team. The LTIP is an important tool to achieve this, ensuring the ongoing recovery is built on and outperformance delivered.

For the reasons set out above, the Committee intends to provide a special long-term incentive to drive material outperformance through the next stage of the recovery, by enhancing the LTIP for 2023 by granting awards at higher than normal levels to all participants in the LTIP (approximately 50 senior leaders), with awards granted at a value that will typically be one-third higher than granted in 2022. For the executive Directors, this means they will receive LTIP awards at a level of 200% of basic salary, up from the normal level of 150%.

The Committee appreciates that an LTIP award at a level higher than normal must be accompanied by particularly challenging and stretching performance targets. For the 2023 award, we have decided to retain the same overall construct in our plan design, i.e. using three equally-weighted performance metrics: ROCE, relative TSR and adjusted EPS. Targets for each metric will be measured based on performance up to the end of the financial year ending 31 December 2025, with a range of targets from threshold to maximum. For the amount of each award above the normal grant level, we have incorporated additional "super-stretch" targets. Participants will therefore only receive the full benefit of their enhanced award if performance is delivered above and beyond what would be required in normal circumstances, as follows:

- **ROCE** – The maximum of the enhanced award will vest only in the event of ROCE in 2025 being at a level materially higher than our stated target of 13.5% over the medium term. Threshold for vesting will require achieving 12.5% ROCE and maximum will require achieving 17.0% ROCE.

- **Relative TSR** – Our approach to measuring TSR against a broad group of FTSE 350 companies will remain unchanged. Threshold for vesting will continue to require median performance against the peer group. For maximum vesting of the enhanced award, we will require upper quintile (rather than upper quartile) performance against the peer group.
- **Adjusted EPS** – We will assess this based on the absolute level of adjusted EPS reported in 2025. Threshold for vesting will be adjusted EPS of 11.77p and maximum vesting will be at 18.50p, more than quadrupling adjusted EPS, compared to 2022.

The Committee remains confident that a mix of ROCE, relative TSR and adjusted EPS provides a balanced approach to measuring performance over the next three-year period which aligns with Senior's strategy for recovery and growth. We have again reflected on the potential use of a specific sustainability measure, recognising the expectations of some investors in this space. Sustainability is central to the strategy of the business and taken very seriously by the executive Directors and other senior leaders, and we remain of the view that Senior's sector-leading ESG performance demonstrates that we do not need to include an explicit ESG target within the incentive schemes to ensure appropriate focus on these matters. As a result, we are not changing our approach for 2023 but we will consider this again later in the year as we review the Remuneration Policy ahead of its renewal at the AGM in 2024.

We have also considered the LTIP proposal, and executive Directors' remuneration more broadly, very carefully in the context of the remuneration of the wider workforce. As noted above, a key feature of the proposal is its application to all LTIP participants, ensuring consistency across the senior executive population. Given Senior's decentralised nature, it is important that we align all leaders with a consistent award structure and set of targets which focuses them on the performance of the overall Group. More broadly, the Committee has reflected on the specific challenges facing the wider workforce in an environment when inflation has returned and many are experiencing cost-of-living pressures, as outlined above.

The Remuneration Committee believes that the enhanced award is in the best interests of the Group and its shareholders. The Committee retains the discretion to adjust the level of vesting if it considers the outcome to be anomalous or is not reflective of the underlying performance of the Group over the period, taking into account the resilience of the markets in which Senior operates and trends in the underlying equity markets.

Annual bonus plan 2023

Having considered the priorities for the year we will be maintaining the same bonus performance conditions and weightings as in 2022: Adjusted EPS (60% weighting) and Free Cash Flow (40% weighting).

The Committee has set targets that are both stretching and challenging in the current environment and retains an overriding discretion in relation to the amount of bonus it awards not withstanding any formulaic calculations and targets. We also have malus and clawback arrangements in place.

At the AGM in April 2023, shareholders will be asked to vote on the Annual Remuneration Report. I hope that the decisions the Committee has taken in respect of 2022 will have your support.

Change of Remuneration Committee Chair

During 2022, I have been working with Barbara Jeremiah who will be taking over from me as Remuneration Committee Chair after the AGM in April 2023. I wish her every success in the role and wish to thank everyone for their support over the previous nine years.

Celia Baxter

Chair of the Remuneration Committee

2022 REMUNERATION REPORT AT A GLANCE

Overview of our remuneration framework for 2022

Element of remuneration	Key features
Salary and employment benefits	Market competitive to attract and retain high quality executives (including fully expensed car or car allowance, private medical insurance, life insurance, income protection, and defined contribution retirement benefits or allowances)
Annual bonus: Adjusted EPS 60% Free Cash Flow 40%	Rewards achievement against annual performance objectives: <ul style="list-style-type: none"> • Maximum bonus is 125% of salary • 1/3 of any award is paid in shares, deferred for three years • Group Chief Executive Officer and Group Finance Director target: 62.5% of salary
Long-Term Incentive Plan: Adjusted EPS (33.3%) TSR (33.3%) Return on Capital Employed (33.3%)	Supports the Company's longer-term strategic aims to create sustainable growth in shareholder value and to incentivise, motivate and retain senior talent: <ul style="list-style-type: none"> • Maximum award is 200% of salary and normal awards are 150% of salary • 25% vesting at "threshold"
Shareholding requirements	Equivalent to 200% of executive Directors' salary Post-employment shareholding requirement applies for a period of two years following cessation, as set out on page 116
Clawback and malus provisions	Cash Bonus Awards subject to clawback Share awards (LTIP and unvested deferred shares) subject to clawback, malus and post-employment shareholding requirement

Performance highlights and incentive outcomes

Annual bonus	Target	Actual	Achieved (% of maximum)
Performance condition			
Free Cash Flow – full year	£6.0m	£27.7m	100%
Adjusted EPS – full year internal target ⁽¹⁾	2.91p	3.88p	100%
Bonus award to Group Chief Executive Officer and Group Finance Director: 100% of maximum			

(1) Adjusted EPS is measured on a constant currency basis to reduce the impact of exchange rate movements on bonus outcomes

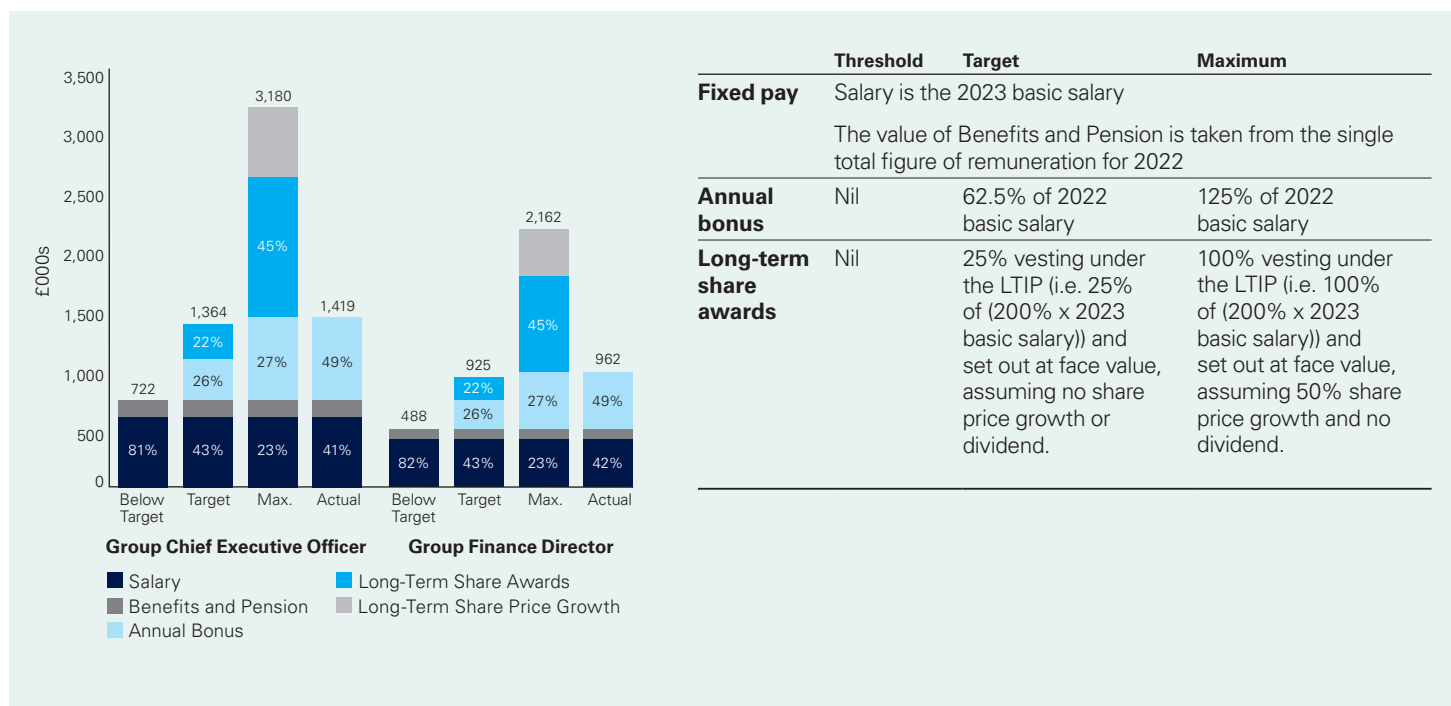
Long-Term Incentive Plan (2020 award)	Targets (threshold – maximum)	Actual
Adjusted EPS (50%)	13.5p (minimum threshold) to 16.5p (maximum threshold) for the final Financial Year of the three-year performance period	4.36p (below threshold)
Total Shareholder Return (50%)	TSR ranking: 50th percentile (minimum threshold) to 75th percentile (maximum threshold)	24th percentile (below threshold)

Targets for the 2020 Awards were not achieved and therefore the awards shall lapse in full.

Application of Remuneration Policy

The chart below shows how the composition of each of the executive Directors' packages varies at different levels of performance under the Remuneration Policy. The assumptions noted for "target" performance in the graph below are provided for illustration purposes only.

This chart is based on the following assumptions:



Changes made in 2022

There were no changes to the Remuneration Policy in 2022. The Pension section of the Remuneration Policy was changed in 2021 in line with shareholder feedback. In accordance with the changes made in 2021 to the Pension section of the Remuneration Policy, the pension contributions or pension allowance for executive Directors were reduced from the end of 2022 to 15% which aligns with the pension contribution available to the majority of the UK workforce. The details of the full Remuneration Policy for ease of reference is laid out on pages 114 to 116.

About this Report

The Report on Remuneration on pages 119 to 128 is produced in accordance with the 2013 Regulations and the relevant provisions of the Listing Rules of the Financial Conduct Authority. Parts of the Annual Report on Remuneration are subject to audit, as indicated within this Report.

The rest of the Report covers the following key areas:

- Remuneration Policy:
 - How shareholder views are taken into account
 - Discretions of the Remuneration Committee
 - Policy for non-executive Directors
- Annual Report on Remuneration

2022 REMUNERATION REPORT: POLICY

This part of the report sets out the Remuneration Policy that was put to a binding vote of the shareholders at the AGM held on 23 April 2021. This policy applies for a maximum of three years from the date of approval and took effect from 1 January 2021. The revised policy was reviewed in the context of the business strategy and the evolving expectations of our shareholders and stakeholders, which included pension alignment and post-employment shareholding provisions.

When developing policies and practices, the Remuneration Committee regularly considers the approach to remuneration and makes decisions to ensure it is aligned to the business strategy. We do this by developing an overall package that reflects the skills and experience of the individuals and appropriate short- and long-term incentive plans. The key performance metrics for both the bonus plan and the long-term incentive plan are directly linked to the delivery of the strategy and the creation of shareholder value. Currently the bonus incentivises free cash flow and earnings growth; Adjusted EPS, TSR and ROCE are included in the long-term incentive plan. We continue to believe that it is more important at this stage of our rebuilding to incentivise the executive Directors and senior managers on delivering the core financial performance of EPS, ROCE, Free Cash Flow and TSR. We have therefore decided once again not to introduce a sustainability metric for incentives, as it is clear from past and current performance, that our sector-leading Environmental, Social and Governance (ESG) metrics and progress has been achieved without the need to incentivise; rather it is something driven by our core values, but we will continue to keep this matter under review.

Factors considered in reviewing the Policy

The Committee is comfortable that the Policy and its implementation are fully consistent with the factors set out in Provision 40 of the 2018 UK Corporate Governance Code (set out below):

- **Clarity** – The Policy and the way it is implemented is clearly disclosed in this policy section of the Directors' Remuneration Report, with full transparency of all elements of Directors' remuneration.
- **Simplicity** – The Policy is simple and straightforward, based on a mix of fixed and variable pay. The annual bonus and LTIP include performance conditions which are aligned with Senior's business strategy.
- **Risk** – The Committee believes that the performance targets in place for the incentive schemes provide appropriate rewards for stretching levels of performance without driving behaviour which is inconsistent with the Company's risk profile and values. Potential reward is aligned with market levels of peer companies and the reputational risk from a perception of "excessive" pay-outs is limited by the maximum award levels set out in the Policy and the Committee's discretion to adjust formulaic remuneration outcomes.

- **Predictability** – The Policy includes full details of the individual limits in place for the incentive schemes as well as "scenario charts" on page 112 which set out potential pay-outs in the event of different levels of performance, based on a number of reasonable assumptions. Any discretion exercised by the Committee in implementing the Policy will be fully disclosed.
- **Proportionality** – The link between the delivery of strategy, long-term performance, shareholder return and the remuneration of the executive Directors is set out in the Remuneration Report.
- **Alignment to culture** – The approach to Directors' remuneration is consistent with the Group's culture and values.

Summary of Decision-Making Process for Policy Changes

In determining and implementing the Policy, the Committee follows a robust process which includes discussions on the content of the Policy at Remuneration Committee meetings. To support this process, the Committee receives advice from independent advisers. It also considers representations from other key stakeholders, including shareholders, executive management and employees (whilst ensuring potential conflicts of interest are suitably managed), in the context of the evolving corporate governance landscape. The Committee monitors changes in corporate governance guidance and regulations to ensure the Policy remains compliant. The implementation of the Policy takes account of the remuneration of the wider workforce and is aligned with the Group's strategy by appropriately incentivising the executive Directors to deliver the strategic objectives.

Policy for executive Directors

The Policy which was approved by shareholders at the 2021 AGM can be found on page 114. Following shareholder feedback after the 2021 AGM, the Pension section of the Policy was updated to bring forward the alignment of the pension contributions or pension allowance for executive Directors with the majority of the UK workforce to the end of 2022.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary	<ul style="list-style-type: none"> Reflects the performance of the executive Director, his or her skills and experience over time and the responsibilities of the role Provides an appropriate level of basic fixed pay avoiding excessive risk arising from over-reliance on variable income 	<ul style="list-style-type: none"> Will normally be reviewed annually with effect from 1 January Benchmarked periodically against companies with similar characteristics and sector companies Normally positioned within a range around the mid-market level taking into account the experience and performance in the role of the individual, complexity of the role, market competitiveness and the impact of salary increases on total remuneration 	<ul style="list-style-type: none"> Other than to reflect change in the size and complexity of the role/Company, the Committee will have regard to the basic salary percentage increases taking place across the Company more generally when determining salary increases for the executive Directors No maximum salary cap 	<ul style="list-style-type: none"> Individual performance in the role and Group performance are among the factors taken into consideration when awarding increases
Bonus	<ul style="list-style-type: none"> Incentivises annual delivery of corporate financial and non-financial goals Delivery of a proportion of bonus in deferred shares provides alignment with shareholders and assists with retention 	<ul style="list-style-type: none"> Up to 83.3% of salary paid in cash with up to a further 41.7% of salary paid as a conditional award of deferred shares Maximum bonus only payable for achieving demanding targets Deferred shares are released three years after award but are subject to forfeiture by a "bad leaver" Executives are entitled to receive the value of dividend payments that would have otherwise been paid in respect of vested deferred shares All bonus payments are at the discretion of the Committee Different performance conditions may be set when recruiting an executive Director The Committee may review the performance conditions from time to time The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for executive Directors The Committee has the discretion to adjust bonus targets or outcomes if deemed appropriate, where the bonus outcome feels perverse. In practice, this will only be used in exceptional circumstances for executive Directors 	<ul style="list-style-type: none"> Overall maximum of 125% of salary 	<ul style="list-style-type: none"> The Committee determines appropriate performance targets and weightings at the start of each year Details of the financial performance targets will normally be disclosed in the following Annual Report on Remuneration for reasons of commercial sensitivity The Committee may include non-financial metrics up to 25% of the overall award Performance below threshold results in zero payment. Payment rises from 0% to 100% of the maximum opportunity for levels of performance between the threshold and maximum targets Typically, threshold is around 90% of target, and on-target performance delivers approximately 50% of the maximum opportunity Subject to clawback at the Committee's discretion over cash bonus outcomes and unvested deferred shares in the event of material misstatement, gross misconduct, serious reputational damage or corporate failure and, if required, over any unvested LTIP awards

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Long-Term Incentive Plan (LTIP)	<ul style="list-style-type: none"> • Incentivises sustained performance over the longer term • The use of longer-term performance targets and delivery of awards in shares rewards the achievement of the Company's strategic goals and increases in shareholder value 	<ul style="list-style-type: none"> • Annual grants of performance shares which vest subject to performance measured over three years and continued service • Executives are entitled to receive the value of dividend payments that would have otherwise accrued during the three-year performance period in respect of vested LTIP awards • All awards are subject to the discretions contained in the plan rules • The Committee may review the performance conditions from time to time • The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for executive Directors • A two-year post-vesting holding period applied to LTIP awards from the March 2018 award, creating a five-year period between the grant of the awards and their final release 	<ul style="list-style-type: none"> • 150% of salary • 200% of salary in exceptional circumstances, such as upon recruitment 	<ul style="list-style-type: none"> • The Committee determines performance conditions and weightings at the start of each year, providing that the targets are not materially less challenging • In respect of each performance element, performance below the threshold target results in zero vesting. Vesting of each performance element starts at the 25% threshold and rises to 100% for maximum level of performance • Subject to clawback at the Committee's discretion during the period of three years following the date of vesting in the event of material misstatement, gross misconduct, serious reputational damage or corporate failure
All-Employee Share Schemes	<ul style="list-style-type: none"> • Employees including executive Directors are encouraged to become shareholders through the operation of the Sharesave Plan, the HMRC-approved all-employee share plan 	<ul style="list-style-type: none"> • The Sharesave Plan has standard terms under which participants can normally enter a savings contract in return for which they are granted options to acquire shares at the market value of the shares at the start of the performance period • The rules for this plan were first approved by shareholders at the 2006 AGM and the updated rules were approved at the 2016 AGM 	<ul style="list-style-type: none"> • Employees can normally elect for a three-year savings contract under standard terms and within HMRC limits • The option price for Sharesave awards can be set at a discount of up to 20% of the market value of the shares at the start of the savings contract, although to date no awards granted under the 2006 Sharesave Plan have been set at a discount 	<ul style="list-style-type: none"> • N/A
Pension	<ul style="list-style-type: none"> • Provides competitive retirement benefits for the Group's employees 	<ul style="list-style-type: none"> • The executive Directors may participate in the Senior plc Group Flexible Retirement Plan (Senior GFRP), a contract-based, money purchase pension plan and/or receive cash allowances • Bonuses are not included in calculating retirement benefits • From 2020, any new executive directors will receive a pension contribution in line with that available to the majority of employees in the relevant jurisdiction • The pension contributions or pension allowance for executive Directors will be aligned with the majority of the UK workforce by the end of 2022 	<ul style="list-style-type: none"> • From the end of 2022, the pension contributions or allowances for executive Directors reduced to 15% which aligns with the pension contribution available to the majority of the UK workforce 	<ul style="list-style-type: none"> • N/A

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Other benefits	<ul style="list-style-type: none"> Provides a competitive package of benefits that assists with recruitment and retention 	<ul style="list-style-type: none"> Benefits include provision of a fully expensed car or car allowance, private medical insurance, life insurance and income protection, tax equalisation and relocation benefits Any reasonable business-related expenses (including tax thereon) can be reimbursed 	<ul style="list-style-type: none"> The value of benefits is based on the cost to the Company and is not predetermined There is no monetary cap on other benefits 	<ul style="list-style-type: none"> N/A
Shareholding guidelines	<ul style="list-style-type: none"> Aligns executive Directors' interests with those of other shareholders in the Company 	<ul style="list-style-type: none"> Executive Directors to retain at least 50% of the shares that vest under the LTIP and Deferred Bonus Award, after allowing for tax liabilities, until a shareholding equivalent in value to 200% of base salary is built up Post-employment shareholding requirements will apply, for all LTIP awards granted from 2021 onwards and any shares that vest from deferred bonus from the 2021 bonus scheme onwards, for a period of two years following cessation of employment at the lower of (1) 80% of the in-employment shareholding guideline in place prior to cessation and (2) the actual shareholding held at the time of cessation. 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A

Recruitment of executive Directors

Salaries for newly appointed executive directors will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role.

Where it is appropriate to offer a below median salary initially, the Committee will have the discretion to allow phased salary increases over time for newly appointed directors, even though this may involve increases in excess of the rate for the wider workforce and inflation.

Benefits will be provided in line with those offered to other employees, with national or international relocation expenses/arrangements (e.g. schooling, tax equalisation) provided for if necessary.

The aggregate incentive offered to new recruits will be no higher than that outlined in the Policy on pages 114 to 116. The Remuneration Committee has flexibility to grant share awards of up to 200% of salary upon recruitment. Different performance measures may be set initially for the annual bonus and LTIP, taking into account the responsibilities of the individual, and the point in the financial year that they joined.

Current entitlements (benefits, bonus, share schemes) may be bought out on terms that are no more favourable than a like-for-like basis (with a comparable time horizon, fair value and subject to performance conditions). Existing incentive arrangements will be used to the fullest extent possible, although awards may also be granted outside these schemes if necessary and as permitted under the Listing Rules. In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the Board appointment).

Rationale behind performance metrics and targets

The performance-related elements take into account the Company's risk policies and systems and are designed to align the Directors' interests with those of shareholders. Variable pay elements aim to reward executive Directors for performance at the highest levels and, as such, the Committee aims to set targets that are both stretching and achievable.

All targets are set on a sliding scale. The Committee reviews the annual bonus measures set for all the Company's senior executives (not only the executive Directors) every year in order to ensure that they are aligned with the Company's strategy and annual goals and to ensure that bonus arrangements amongst the Company's senior executive team are consistent.

The annual bonus may include a mix of financial and non-financial measures reflecting the key annual priorities of the Group. The financial metrics currently include two of the Company's KPIs: Free Cash Flow, which is a key measure of the business's ability to fund future acquisitions; and Adjusted EPS, which will reflect the Group's ability to expand into new regions and product markets and increase the profitability of the existing operations. Adjusted EPS is measured on a constant currency basis to reduce the impact of exchange rate movements on bonus outcomes. If non-financial measures are selected, these may include reference to the Group's sustainability, safety and organisational goals.

The Free Cash Flow measure applies to 40% of the total bonus award, and the Adjusted EPS measure applying to the remaining 60% of the total bonus, reflecting the importance of both measures to the running of the Group.

The performance measures used in the LTIP awards consist of Adjusted EPS, TSR and ROCE; with ROCE being added as a third performance measure for awards granted from 2021 onwards, given its importance in the M&A evaluation process, capital investment decisions and customer bid evaluations. In line with the Policy, the Committee retains the ability to amend performance measures to reflect changes in market conditions and business strategy.

The targets will be reviewed prior to each grant by taking account of internal and external expectations. The targets for awards granted under this Remuneration Policy are set out in the Annual Report on Remuneration.

Relationship between executive Director and employee pay

The Remuneration Policy for the executive Directors is designed taking into account the policy for employees across the Group as a whole. There are some differences in the structure of the Remuneration Policy for the executive Directors and other senior employees, which the Remuneration Committee believes are necessary to reflect the different levels of responsibility of employees across the Company and reflect different market norms for different roles. The key differences in remuneration policy between the executive Directors and employees across the Group are the increased emphasis on performance-related pay and the inclusion of a share-based long-term incentive plan for executive Directors.

Executive Directors are provided with a competitive package of benefits that includes (depending on role) participation in the Group's occupational pension arrangements, and/or receipt of pension allowance, provision of a fully expensed car or car allowance, private medical insurance, life insurance and income protection.

The majority of senior managers are eligible to participate in annual bonus arrangements with challenging targets tied to the performance of their operating business, Division and, for the most senior executives, the Group's performance.

Long-term incentives are provided to the most senior executives and those anticipated as having the greatest potential to influence performance levels within the Company. A lower aggregate incentive quantum operates below the senior executive level, with levels driven by the impact of the role and market comparatives.

Awards under the Restricted Share Award Plan, a deferred share award plan without performance conditions, are a retention tool and are made to selected individuals who do not benefit from other long-term incentives but are considered to have significant potential or are key contributors.

In order to encourage wider employee share ownership, the Company operates a Sharesave Plan in which employees in the UK, North America and continental Europe, including executive Directors, may participate.

How employees' pay is taken into account when setting executive Director remuneration

The Committee also reviews the salaries of corporate, divisional and senior operational managers and therefore is fully cognisant of pay levels in the Group when determining the pay of the executive Directors.

In addition, the Committee's policy is that salary increases for the executive Directors and senior executives should not normally be greater than the general level of increases awarded to other senior managers in Europe and North America, other than when an executive changes role or when it is necessary in order to ensure levels of remuneration remain market competitive.

Recognising the impact of high rates of inflation, Senior has taken steps to help the broader workforce including salary settlements that reflected regional costs of living pressures. The impact of this has been particularly felt by our more junior employees and therefore although approaches vary between businesses, these employees have been targeted for higher salary increases. effect from 1 January 2023. Typically, pay of employees at our UK operations increased by 6% or higher, depending upon skills and geographic location. As previously reported, the pension contributions of the executive Directors were reduced from 1 January 2023 to 15% which aligns with the pension contribution available to the majority of the UK workforce.

As laid out in the Remuneration Committee Chair's Annual Statement, the Company consulted with employees in 2022 regarding executive Director remuneration.

Policy on outside appointments

The Remuneration Committee believes that it is beneficial both for the individual and the Company for an executive Director to take up one external non-executive appointment. Fees paid for the appointment may be retained by the executive.

Executive Directors' service agreements and loss of office payments

The table below summarises the key provisions of each executive Director's contract:

Provision	Detailed terms
Employment contract dates	David Squires – 5 January 2015 Bindi Foyle – 3 May 2017
Notice period	12 months from both the Company and the executive Director
Termination payment	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period, and the value of pension contributions and other benefits such as use of company car, life cover, income protection and private healthcare There are no provisions in the agreements, or otherwise, for additional termination payments Payments may be made in monthly instalments and, in these circumstances, there is a requirement for the Director to mitigate loss
Change of control	There are no enhanced provisions in relation to a change of control

Copies of the executive Directors' service contracts are available from the Group Company Secretary at the Company's Registered Office during normal business hours. The Committee's policy in the event of early termination of employment is set out below.

Policy on payment for departure from office

On termination of an executive Director's service contract, the Committee will take into account the departing executive Director's duty to mitigate his or her loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive Directors leaving the Group is described below and is designed to support a smooth transition from the Company, taking into account the interests of shareholders:

Component of pay	Voluntary resignation or termination for cause	Death, ill health, disability, retirement excluding redundancy	Departure on agreed terms
Base salary, pension and benefits	Paid for the proportion of the notice period worked	Paid up to the date of death or leaving, including any untaken holidays prorated to such date. In the case of ill health, a payment in lieu of notice may be made and, according to circumstances, may be subject to mitigation. In such circumstances, some benefits such as company car or medical insurance may be retained until the end of the notice period	Any agreed terms will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and the terms of any termination agreement
Annual bonus cash	Cessation of employment during a bonus year will normally result in no cash bonus being paid	Cessation of employment during a bonus year or after the year-end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and prorated for the relevant portion of the financial year worked and performance achieved	
Annual bonus deferred shares	Unvested deferred share awards will lapse	In the case of the death of an executive Director, all deferred shares will be transferred to the estate as soon as possible after death. In all other cases, subject to the discretion of the Committee, unvested deferred shares will be transferred to the individual on a date determined by the Committee	
LTIP share awards	Unvested LTIP share awards will lapse	Subject to the discretion of the Committee, unvested LTIP share awards will remain subject to the relevant performance conditions and normally be measured at the original vesting date. The awards will normally be prorated for the relevant proportion of the performance period worked. However, in the case of the death of an executive Director, the Committee will determine the extent of vesting within 12 months of the date of death	
Options under Sharesave	As per HMRC regulations	As per HMRC regulations	
Other	None	Statutory payments and disbursements such as any legal costs and outplacement fees	

Notes

- a) The Committee will have the authority to settle any legal claims against the Company e.g. for unfair dismissal etc. that might arise on termination.
 b) There are no enhanced provisions in relation to a change of control.

How shareholder views are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. In 2020, major shareholders were consulted on the updating of the Remuneration Policy and its implementation for the 2021 financial year. Prior to the 2021 AGM there was further interaction with major shareholders regarding the Remuneration Policy and Remuneration Report. Following the AGM held in April 2021, major shareholders were consulted on the AGM voting of the Remuneration Policy and Remuneration Report resolutions. As a result of the consultation, an amendment was made to the Remuneration Policy regarding pension alignment. Consultation with shareholders has always been constructive.

During 2022, I have undertaken a number of discussions regarding executive remuneration and will continue to do so with individual shareholders as per their request. Further in early 2023 I have consulted our major shareholders and the major governance agencies with regard to the implementation of our 2023 Long Term Incentive which I detail in the relevant section below. We listened to the views of shareholders and have made changes to our proposals to take account of their feedback.

Discretions of the Remuneration Committee

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants for the annual bonus plan and LTIP awards;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table commencing on page 114);
- adjusting the constituents of the TSR comparator group;

- determining the extent of LTIP vesting based on the assessment of performance, including the discretion to allow the override of formulaic outcomes;
- determining "good leaver" status and the extent of vesting in the case of the LTIP and deferred shares;
- determining the extent of vesting in the case of the LTIP in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- varying the performance conditions to apply to LTIP awards if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question;
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and LTIP from year to year;
- adjusting bonus and LTIP targets or outcomes if deemed appropriate, for example to take account of material M&A activity or other exceptional circumstances when they arise; and
- adjusting bonus targets or outcomes if deemed appropriate, where the bonus outcome feels perverse.

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Policy for non-executive Directors

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Non-executive Directors and Chairman fees	<ul style="list-style-type: none"> Takes account of recognised practice and set at a level that is sufficient to attract and retain high calibre non-executive Directors 	<ul style="list-style-type: none"> The Chair of the Board is paid a single fee for all their responsibilities as determined by the Remuneration Committee. The non-executive Directors are paid a basic fee. The Senior Independent Director and the Chairs of the Audit and Remuneration Committees receive additional fees to reflect their extra responsibilities When reviewing fee levels, account is taken of market movements in non-executive Director fees, Board Committee responsibilities, ongoing time commitments and the general economic environment Fee increases, if applicable, are normally effective from 1 January The Chair of the Board and non-executive Directors do not participate in any pension, bonus, share incentive or other share option plans The remuneration of the non-executive Directors is determined by the Board of Directors. The non-executive Directors do not participate in any discussion or decisions relating to their own remuneration Any reasonable business-related expenses (including tax thereon) can be reimbursed 	<ul style="list-style-type: none"> Other than when a non-executive Director changes role or where benchmarking indicates fees require realignment, fee increases will not normally exceed the general level of increases for the Group's employees 	<ul style="list-style-type: none"> N/A

Non-executive Directors' letters of appointment

The Chair of the Board and non-executive Directors do not have service agreements but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment. The Chair's appointment may be terminated on providing 12 months' notice by either party. The appointments of the other non-executive Directors may be terminated by the Company or non-executive Director on providing one month's notice. Copies of the Chair's and non-executive Directors' letters of appointment are available from the Group Company Secretary at the Company's Registered Office during normal business hours.

Non-executive Directors' terms of appointment

Name	Date original term commenced	Date current term commenced	Expected expiry date of current term
Ian King	Joined the Board November 2017 and became Chairman in April 2018	–	–
Celia Baxter	September 2013	September 2019	April 2023 ⁽¹⁾
Susan Brennan	January 2016	January 2022	December 2024
Barbara Jeremiah	January 2022	January 2022	December 2024
Giles Kerr	September 2013	September 2019	April 2023 ⁽¹⁾
Rajiv Sharma	January 2019	January 2022	December 2024
Mary Waldner	December 2021	December 2021	November 2024

(1) In September 2022, Celia Baxter and Giles Kerr reached the ninth anniversary of their respective appointments to the Board. Both Directors are to retire from the Board at the conclusion of the AGM in April 2023; at which time Barbara Jeremiah will become Senior Independent Director and Chair of the Remuneration Committee, and Mary Waldner will become Chair of the Audit Committee and the Director nominated for Employee Engagement.

Summary of the Committee's Terms of Reference

The Terms of Reference of the Remuneration Committee, available in full on the Company's website, are summarised below:

- determine and agree with the Board the framework or broad policy for the remuneration of the Chair of the Board, the executive Directors and other members of the executive management as it is designated to consider;
- within the terms of the agreed Policy and in consultation with the Chair of the Remuneration Committee and/or Group Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chair of the Board, each executive Director, and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- approve the design of, and determine targets for, any performance related pay plans operated by the Company and approve the total annual payments made under such plans;
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive Directors, and other designated senior executives and the performance targets to be used; and
- oversee any major changes in employee benefits structures throughout the Group.

Members

The Remuneration Committee consists entirely of non-executive Directors.

Member	Number of meetings during term ⁽¹⁾	Number of meetings attended
Celia Baxter – Chair	5	5
Susan Brennan	5	5
Barbara Jeremiah	5	5
Giles Kerr	5	5
Ian King	5	5
Rajiv Sharma	5	5
Mary Waldner	5	5

(1) The full Committee met five times in 2022. In addition, authority was delegated to two members of the Committee, Celia Baxter and Ian King, to hold one additional meeting to confirm the granting and vesting of share awards.

Other attendees at Remuneration Committee meetings

The Group Chief Executive Officer and Group HR Director attend meetings by invitation and the Group Company Secretary acts as secretary to the Committee but no executive Director or other employee is present during discussions relating to his or her own remuneration.

Advisers

Before recommending proposals for Board approval, the Remuneration Committee may seek advice from external remuneration consultants to ensure that it is fully aware of comparative external remuneration practice as well as shareholder, legislative and regulatory developments. The Committee also considers publicly available sources of information relating to executive remuneration.

All advisers to the Remuneration Committee are appointed and instructed by the Committee. During the year, the Committee was advised by Korn Ferry in relation to remuneration advice, LTIP performance monitoring and the provision of LTIP advice, and by FIT Remuneration Consultants in relation to the provision of LTIP advice. During 2022, the Company incurred fees of £6,408 from Korn Ferry and of £8,784 from FIT Remuneration Consultants, and these costs were based on a combination of hourly rates and fixed fees for specific items of work.

The Committee does not have a formal policy of subjecting its remuneration consultants to a regular fixed-term rotation, although the Committee remains cognisant of the need to seek objective advice and good value whilst also benefiting from the consultants' knowledge of the Company. Other than described above, neither remuneration consultants have other connections with the Company or its Directors. The Committee is satisfied that the advice it has received during 2022 has been objective and independent.

Principal activities and matters addressed during 2022

The Committee has a calendar of standard items within its remit and in addition it held in-depth discussions on specific topics during the year. The Committee typically meets four times each year. In addition, authority was delegated to two members of the Committee, Celia Baxter and Ian King, to hold one additional meeting to confirm the grant and vesting of share awards. The table below shows the items considered at each meeting, leading up to the meetings in February and March where the key decisions regarding performance, outcomes and grants for the coming year are determined.

	Standard agenda items	Ad hoc items
January	Preliminary review of performance and outcomes under the Annual Bonus and Deferred Bonus Award. Preliminary Review of performance and vesting under long-term incentives. Discuss incentive structure and targets for the 2022 financial year.	
February	Review of performance and outcomes under the Annual Bonus and Deferred Bonus Award. Review of performance and vesting under long-term incentives. Determine incentive structure for the 2022 financial year including finalisation of targets. Review and approve draft Remuneration Report.	Review gender pay gap reporting and CEO Pay Ratio.
March	Confirmation of grants of LTIP, Deferred Bonus Awards and Restricted Share Awards. Confirmation of vestings of Deferred Bonus Awards and Restricted Share Awards.	
September		Discuss options relating to the existing share-based executive award plans, and current shareholder thinking and topical matters, including the use of ESG targets.
December (two meetings)	Review and approval of Directors' and senior managers' salary and total remuneration packages for the following financial year taking into consideration available salary market data. Performance update on outstanding incentive and bonus awards. Discussion on 2023 LTIP and bonus targets; and associated shareholder consultation. Determine remuneration of Chairman. Review of Committee's Terms of Reference.	Review feedback from UK employee consultation.

Statement of voting at General Meeting

At the AGM held on 21 April 2022, shareholder votes on the Directors' Remuneration Report were cast as follows:

	Voting	For	Against	Total	Withheld ⁽¹⁾	Reason for vote against, (if known)	Action taken by Committee
Remuneration Report	Votes	308,019,668	30,221,012	338,240,680	6,954,222	See below	N/A
	%	91.07%	8.93%	100%	N/A		

(1) A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "For" and "Against" a resolution.

The Committee consulted extensively with shareholders prior to the 2022 AGM concerning executive remuneration. A large proportion of the votes cast against the Remuneration Report related to a single large shareholder's objection to a Total Shareholder Return performance condition being included in the executive Directors' LTIP awards. A TSR performance condition has been used in executive Directors' LTIP awards for many years, in conjunction with the EPS and (since the 2021 awards) Return of Capital Employed performance conditions. The Remuneration Committee considers these performance metrics provide an appropriate balance of targets to properly incentivise the executives to deliver long-term value for shareholders. The Committee will continue to review the suitability of these and other potential performance conditions in advance of the granting of each year's LTIP awards.

Single total figure of remuneration (Audited information)

The following table shows a single total figure of remuneration in respect of qualifying service for the 2022 financial year for each Director, together with comparative figures for 2021. Aggregate Directors' emoluments are shown at the end of the Single Total Figure of Remuneration section.

	Salaries and fees £000s		Taxable benefits and allowances ⁽¹⁾ £000s		Bonus ⁽²⁾ £000s		Long-term incentives ⁽³⁾ £000s		Pension benefits including cash in lieu of pension £000s		Total fixed remuneration £000s	Total variable remuneration £000s	Total £000s	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2022	2022	2021
Executives														
David Squires	557	540	24	27	696	675	0	0	111	108	692	696	1,388	1,350
Bindi Foyle	379	361	12	22	474	451	0	0	76	72	467	474	941	906
Total remuneration	936	901	36	49	1,170	1,126	0	0	187	180	1,159	1,170	2,329	2,256
Non-executives														
Ian King (Chairman)	197	191	2	1	–	–	–	–	–	–	199	–	199	192
Celia Baxter	73	71	–	–	–	–	–	–	–	–	73	–	73	71
Susan Brennan	55	53	–	–	–	–	–	–	–	–	55	–	55	53
Barbara Jeremiah ⁽⁵⁾	55	–	–	–	–	–	–	–	–	–	55	–	55	–
Giles Kerr	64	62	–	–	–	–	–	–	–	–	64	–	64	62
Rajiv Sharma	55	53	–	–	–	–	–	–	–	–	55	–	55	53
Mary Waldner ⁽⁵⁾	55	4	–	–	–	–	–	–	–	–	55	–	55	4
Total remuneration	554	434	2	1	–	–	–	–	–	–	556	–	556	435

(1) Taxable benefits for executive Directors include the provision of a fully expensed company car or car allowance and private medical insurance. Taxable benefits for non-executive Directors are travel expenses.

(2) Awards for the deferred share element of the Bonus in respect of 2022 performance will be granted following the announcement of the 2022 results. The deferred bonus element that is to be granted in the form of shares to David Squires and Bindi Foyle following the announcement of the 2022 results, is included in the Bonus figure and will be equivalent in value to one-third of the Bonus figure, namely £232,083 and £157,917 respectively.

(3) The performance conditions attached to David Squires' and Bindi Foyle's 2020 LTIP Awards were not achieved, and this award will lapse in March 2023. Further details on the performance conditions can be found on page 111.

(4) The aggregate amount of remuneration paid to or receivable by Directors in respect of qualifying services as per paragraph 9 of SI 2008/40 Schedule 5 was £2,696,061.

(5) Mary Waldner was appointed to the Board on 1 December 2021 and her 2021 fee is the amount paid from that date. Barbara Jeremiah was appointed to the Board on 1 January 2022.

Fees received for outside appointments

The Board supports executive Directors taking up appointments outside the Company to broaden their knowledge and experience. Each executive Director is permitted to accept one non-executive appointment from which they may retain any fee. Any external appointment must not conflict with a Director's commitments to Senior plc.

David Squires does not hold any outside appointments for which he is remunerated. Bindi Foyle was appointed to the Board of Avon Protection plc as a non-executive director with effect from 1 May 2020 and retained fees of £60,000 for the year ending 31 December 2022 (£59,205 for the year ended 31 December 2021). Prior to her taking up this appointment, the Nominations Committee considered the time commitment required for this new role and was supportive of her taking up that appointment.

Annual fees of non-executive Directors

The non-executive Directors do not participate in any pension, bonus, share incentive or other share option plans. Their remuneration reflects both the time given and the contribution made by them to the Company's affairs during the year, including membership or chairing of the Board or its Committees. The remuneration of the non-executive Directors is determined by the Board of Directors. The non-executive Directors do not participate in any discussion or decisions relating to their own remuneration.

Having considered Senior's financial performance, the then current market conditions experienced by the Group and its 2022 outlook, the Board agreed that the salaries and fees paid to the Directors would increase in 2022 as follows:

Fees	2022 £	2021 £	Percentage change
Chairman	197,000	191,000	3.14%
Non-executive Director	54,500	53,000	2.83%
Chair of Audit Committee	9,000	9,000	0%
Chair of Remuneration Committee	9,000	9,000	0%
Senior Independent Director	9,000	9,000	0%

Senior managers' emoluments

In addition to setting the remuneration of the executive Directors, the Remuneration Committee oversees the remuneration of other senior managers.

The table below shows the cumulative benefits of the two Divisional CEOs, the two Divisional CFOs and the most senior corporate managers. For the purpose of valid comparison, the benefits and payments that had been made to one of the senior corporate managers who had retired in December 2021 and was not replaced in 2022, have been excluded from the prior year comparator.

	2022 Total £000s	2021 Total £000s
Short-term employee benefits	3,325	2,926
Post-employment benefits	55	42
Share-based payments	1,356	881
Total	4,736	3,849

Performance against performance targets for annual bonus (audited information)

Bonuses are earned by reference to the financial year and paid in March following the end of the financial year. Consistent with recent years, the bonuses accruing to the executive Directors in respect of 2022 have been determined by Adjusted EPS and Free Cash Flow performance as set out in the table below. The acquisition of Spencer Aerospace completed on 25 November 2022; the Committee determined that this acquisition had no material impact on the achievement of the maximum thresholds of the Free Cash Flow and Adjusted EPS targets and that no adjustment to the 2022 bonus payments was required.

A summary of the measures, weightings and performance achieved is provided in the table below:

	2022							2021		
	Threshold	Target	Maximum	Actual achieved	Maximum bonus achievable	Percentage of maximum achieved	Bonus payable (% of 2022 salary) ⁽¹⁾	Maximum bonus achievable	Percentage of maximum achieved	Bonus payable (% of 2020 salary) ⁽¹⁾
Free Cash Flow targets – full year	£4.0m	£6.0m	£15.0m	£27.7m	50.00%	100%	50%	50.00%	100.00%	50%
Adjusted EPS targets ⁽²⁾ – full year internal target	2.63p	2.91p	3.56p	3.88p	75.00%	100%	75%	75.00%	100.00%	75%
Totals					125.00%	100%	125%	125.00%	100.00%	125%

(1) When bonus is payable, this is paid two-thirds in cash and one-third in deferred shares. The deferred share element of the 2021 bonus was awarded on 8 March 2022 based on a share price of £1.21 and shall ordinarily vest on the third anniversary of the award on 8 March 2024. The deferred element of any 2022 bonus shall be awarded following the announcement of the 2022 annual results in 2023 and the details disclosed in the 2023 Remuneration Report.

(2) The internal Adjusted EPS target is calculated on a constant currency basis.

Total pension entitlements (audited information)

The 2022 single figure remuneration for pension benefits for David Squires and Bindi Foyle consisted of a cash allowance of £111,400 (2021 – £108,000) and £75,800 (2021 – £72,200) respectively, this being 20% of the respective base salaries.

The pension contributions or pension allowance for executive Directors were reduced to 15% from the end of 2022 which aligns with the pension contribution available to the majority of the UK workforce.

Further detail may be found on page 115 of the Remuneration Report: Policy section.

Payments for loss of office (audited information)

There were no payments made in the year for loss of office.

Performance against performance conditions for LTIP vesting

The performance conditions are set out below.

By reference to performance in the financial year (audited information)

Set out below are the performance conditions attached to the 2020 LTIP award. Neither performance condition was achieved and therefore the 2020 LTIP awards shall lapse in full.

Performance condition	Target (25% vesting)	Maximum (100% vesting)	Actual	Percentage of total award achieved
Total shareholder return percentile ranking (50% of Award)	50th	75th	24th	0%
Adjusted earnings per share for the final Financial Year of the Performance Period (50% of Award)	13.5p	16.5p	4.36p	0%

Scheme interests awarded during the financial year (audited information)

Directors	Scheme	Basis of award	Face value £000s	Percentage vesting at threshold performance	Number of shares	Performance period end date
David Squires ⁽¹⁾	LTIP	Annual award	836	25%	690,495	31 December 2024
Bindi Foyle ⁽¹⁾	LTIP	Annual award	569	25%	469,834	31 December 2024

(1) The face value of the awards represented 150% of the executive Directors' respective 2022 base salaries.

Current position on outstanding LTIP awards (non-audited information)

The following table shows the current position against performance targets for LTIP awards outstanding from 2021 and 2022.

Performance condition	Conditional share awards granted in 2022			Conditional share awards granted in 2021		
	Threshold (25% vesting)	Maximum (100% vesting)	Actual to date	Threshold (25% vesting)	Maximum (100% vesting)	Actual to date
Total shareholder return ranking	50th percentile	75th percentile	52nd percentile	50th percentile	75th percentile	98th percentile
Adjusted EPS performance for the final Financial Year of the performance period	10.05p	12.35p	4.36p⁽²⁾	5.67p	7.56p	4.36p ⁽¹⁾
Return on Capital Employed	10.0%	13.5%	4.7%⁽⁴⁾	9.8%	11.0%	4.7% ⁽³⁾

(1) Actual to date figure of 4.36p represents the Adjusted EPS during the first two years of the three-year performance period for the 2021 LTIP award.

(2) Actual to date figure of 4.36p represents the Adjusted EPS during the first year of the three-year performance period for the 2022 LTIP award.

(3) Actual to date figure of 4.7% represents the Return on Capital Employed during the first two years of the three-year performance period for the 2021 LTIP award.

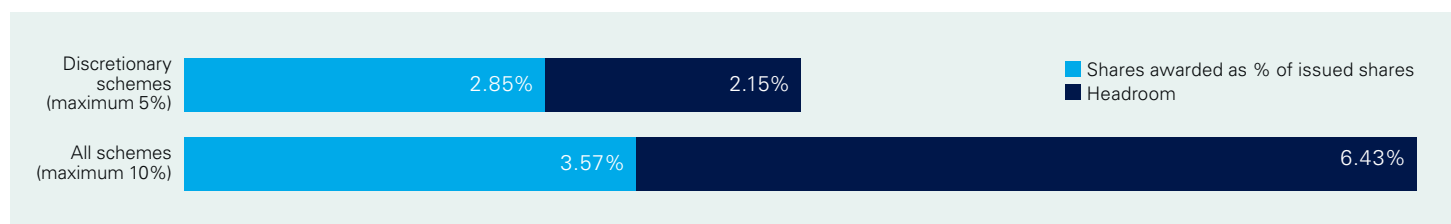
(4) Actual to date figure of 4.7% represents the Return on Capital Employed during the first year of the three-year performance period for the 2022 LTIP award.

To ensure a suitably broad peer group, the TSR comparator group applicable to LTIP awards is the FTSE 350 index, excluding sectors with limited direct relevance to Senior and those exhibiting high volatility. TSR is averaged over three months prior to the start and end of the performance period.

The acquisition of Spencer Aerospace completed on 25 November 2022; the Committee reviewed the potential impact of the acquisition on the three performance targets for the outstanding LTIP awards: Total Shareholder Return; Earnings per Share; and, for the awards granted in 2021 and 2022, Return on Capital Employed, and agreed that the original targets for the outstanding LTIP awards should remain unaltered.

Shareholder dilution

Percentage of issued shares



The Company complies with the dilution guidelines contained within The Investment Association Principles of Executive Remuneration.

At 31 December 2022, awards outstanding and shares issued in the previous 10 years under the Senior plc 2005 Long-Term Incentive Plan (the 2005 LTIP), the Senior plc 2014 Long-Term Incentive Plan (the 2014 LTIP), and the 2006 Savings-Related Share Option Plan (the Sharesave Plan)) amounted to 3.57% of the issued ordinary share capital of the Company. At 31 December 2022, awards outstanding and shares issued in the previous 10 years under executive (discretionary) plans (the 2005 LTIP and 2014 LTIP) amounted to 2.85% of the issued ordinary share capital of the Company.

During 2022, all share awards were satisfied using market-purchased shares. The Remuneration Committee monitors the flow rates of the Company's share plans, in particular before new share awards are made, to ensure the flow rates remain within the Investment Association dilution guidelines.

Statement of Directors' shareholding and share interests (audited information)

The Remuneration Committee encourages Directors to own shares in the Company and, in support of this policy, it expects executive Directors to retain at least 50% of the shares that vest under the LTIP awards and the deferred share element of the Bonus, after allowing for tax liabilities, until a shareholding equivalent in value to 200% of base salary is built up. Included within the Directors' holdings are 325,000 shares and 38,788 shares that David Squires and Bindi Foyle purchased respectively.

The table below shows how each Director complies with this requirement. Shares are valued using the Company's closing share price on 31 December 2022 of 125.2p (31 December 2021 – 147.03p). No options under the Sharesave Plan were exercised by the executive Directors during the year.

	Number of shares required to be held (equivalent to 200% of basic salary at 31 December 2022)	Number of shares held (including unvested deferred shares net of tax) at 31 December 2022	Share ownership requirements met	Unvested awards, subject to performance conditions	Unvested awards, not subject to performance conditions	
				LTIP award ⁽¹⁾	Sharesave	Total deferred share award
Executive Directors						
David Squires	889,776	809,003	No – 90.9%	1,891,412	0	355,940
Bindi Foyle	605,431	354,843	No – 58.6%	1,272,669	0	237,785

(1) The minimum thresholds were not reached for the two performance conditions attached to David Squires' and Bindi Foyle's 2020 LTIP awards over 482,832 shares, and 322,782 shares respectively (included within their respective LTIP award figures above) and therefore these awards shall lapse in full in March 2023.

The interests of Directors have remained unchanged between the date of the review and the date of the signing of the Annual Report and Accounts.

	Number of shares owned outright (including connected persons) at 1 January 2022	Shares vested during 2022 ⁽¹⁾	Shares retained from 2022 vested shares	Shares purchased during 2022	Number of shares owned outright (including connected persons) at 31 December 2022
Executive Directors					
David Squires	512,125	73,230	73,230	35,000	620,355
Bindi Foyle	202,887	49,013	25,930	–	228,817
Non-executive Directors					
Ian King	514,297	–	–	300,000	814,297
Celia Baxter	31,653	–	–	–	31,653
Susan Brennan	5,900	–	–	–	5,900
Barbara Jeremiah ⁽²⁾	–	–	–	25,000	25,000
Giles Kerr	10,000	–	–	–	10,000
Rajiv Sharma	–	–	–	–	–
Mary Waldner	–	–	–	10,000	10,000

(1) In 2022, the following gains were made by David Squires and Bindi Foyle: £90,122 and £60,319 respectively upon the vesting of the deferred share element of the Bonus and dividend equivalent shares. The gains were calculated by multiplying the number of shares that vested by the average share price secured by all recipients that sold vested shares on the vesting day of 8 March 2022 of 123.07p.

(2) Barbara Jeremiah was appointed to the Board on 1 January 2022.

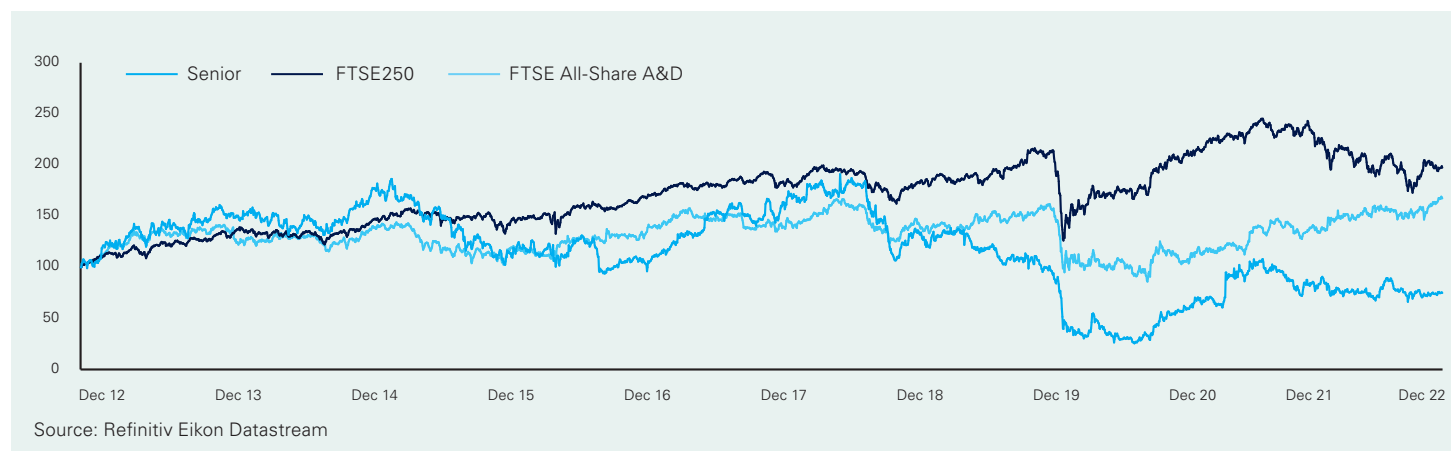
Performance graph

Share price performance

The closing middle market price of the shares at 31 December 2022 was 125.2p (2021 – 147.03p). During 2022, the shares traded in the range of 111.0p to 152.1p.

Senior plc total shareholder return

The following TSR graph compares the total shareholder return of the Company's shares against the FTSE All-Share, Aerospace & Defence index, and the FTSE 250 Index over a ten-year period (where dividends are included gross of tax). This graph allows a comparison to be made against organisations facing broadly similar economic and market conditions as the Company.



Remuneration of Group Chief Executive Officer

	2013	2014	2015 ⁽¹⁾	2016	2017	2018 ⁽²⁾	2019	2020	2021	2022
CEO single figure of total remuneration (£000s)	1,726	1,316	1,020	790	1,009	1,107	1,203	917	1,350	1,388
Annual variable element award rates against maximum opportunity (%)	65	54	14	31	79	75	58	40	100	100
Long-term incentive vesting rates against maximum opportunity (%)	100	91.8	21	0	0	0	28	0	0	0

(1) During 2015, Mark Rollins retired from the Board on 31 May 2015 and David Squires was appointed a Director on 1 May 2015. The CEO single figure of total remuneration includes the combined 2015 values for Mark Rollins and David Squires.

(2) The annual variable maximum bonus opportunity increased from 105% to 125% in 2018.

Percentage change in remuneration of Directors

The table below shows how the percentage changes in Directors' salary, benefits and bonus between 2020 and 2021 and between 2021 and 2022 compare with the percentage change in the average of each of those components of pay for Senior plc employees. During 2020, the executive Directors, the Chair and the non-executive Directors voluntarily reduced their salaries and fees by 20% for a three-month period in recognition of the disruption caused by the pandemic. The percentage change of Salary figures in the table below are calculated using the 2020 salaries before the voluntary reduction in salaries and fees for the Directors and some Senior plc employees. Employees who joined or left in either year have been excluded to prevent distortion.

	2021 vs 2022			2020 vs 2021		
	Salary	Taxable benefits and allowances	Bonus	Salary	Taxable benefits and allowances	Bonus
	Percentage change ⁽¹⁾	Percentage change ⁽²⁾	Percentage change	Percentage change ⁽¹⁾	Percentage change	Percentage change
Executive Directors						
David Squires	3.2%	-12.3%	3.2%	0%	3.4%	150.0%
Bindi Foyle	5.0%	-44.3%	5.0%	0%	4.8%	150.0%
Non-executive Directors						
Ian King	3.1%	—	—	0%	—	—
Celia Baxter	2.1%	—	—	0%	—	—
Susan Brennan	2.8%	—	—	0%	—	—
Barbara Jeremiah ⁽³⁾	N/A	—	—	N/A	—	—
Giles Kerr	2.4%	—	—	0%	—	—
Rajiv Sharma	2.8%	—	—	0%	—	—
Mary Waldner ⁽³⁾	N/A	—	—	N/A	—	—
Senior plc Employees, excluding Directors	6.7%	7.0%	6.7%	3.3%	2.0%	158.6%

(1) The Salary Percentage change figure also includes any merit increases awarded to Directors and employees.

(2) Bindi Foyle's Taxable benefits and allowances reflects the transition from having a car allowance to having a company car during 2022.

(3) Mary Waldner was appointed to the Board on 1 December 2021 and Barbara Jeremiah was appointed to the Board on 1 January 2022.

CEO Pay Ratio narrative

The CEO Pay Ratio is calculated using Option B, by taking the gender pay gap data (based on Senior's largest UK employer, Senior UK Limited) and adding the data for Senior's two additional UK employing entities. For the purpose of making a valid comparison, leavers were excluded. Using the same principles as the gender pay data, the best equivalents were identified, namely: the 25th, 50th and 75th percentile. The full-time equivalents pay and benefits figures for the year ending December 2022 were calculated, and then reviewed to ensure that the selected best equivalents were reasonably representative. The modest change compared to prior year was mainly due to the increase in the number of employees receiving a bonus during 2022.

Year	Pay ratio			
	Method ⁽¹⁾	25th percentile	50th percentile	75th percentile
2022	B	51 : 1	44 : 1	36 : 1
2021	B	53 : 1	49 : 1	33 : 1
2020 ⁽²⁾	B	25 : 1	20 : 1	16 : 1
2019	B	53 : 1	39 : 1	32 : 1

(1) Method B was selected as the most appropriate basis for selecting the 25th percentile, median and 75th percentile pay ratios because the Gender Pay Gap data was more readily available.

Year 2022	25th percentile	50th percentile	75th percentile
Base salary	£21,286	£24,801	£33,910
Total	£27,392	£31,484	£38,692

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in the financial year ended 31 December 2022 compared with the financial year ended 31 December 2021.

	2022 £m	2021 £m	Percentage change
Employee remuneration costs (excluding social security) ⁽¹⁾	234.7	198.9	18.0%
Adjusted profit/ (loss) before tax	20.1	(1.9)	1,158%
Dividends paid	1.2	–	N/A

(1) The 2021 Employee Remuneration costs include those incurred by Senior Aerospace Connecticut during the period until its disposal in April 2021.

2023 Remuneration (non-audited information)**Salaries and fees for 2023**

Recognising the impact of high rates of inflation, Senior has taken steps to help the broader workforce including salary settlements that reflected regional costs of living pressures. The impact of this has been particularly felt by our more junior employees and therefore although approaches vary between businesses, these employees have been targeted for higher salary increases or other initiatives, more broadly described in the Chair's Annual Statement on page 108. When determining the 2023 basic salaries of the Group Chief Executive Officer and Group Finance Director, which were increased by 5.4% and 5.5% respectively, the Committee was cognisant of the increases applied to the wider UK workforce, which were typically 6% or higher, depending upon skills and geographic location.

Although determined by the Board, rather than the Remuneration Committee, the 2023 fees for the Non-executive Directors were increased by 5.5% and had been determined after considering the increasing time commitment of the non-executive Directors, and the increases applied to the wider UK workforce, and to those for the executive Directors. The fees for the roles of the Chairs of the Audit and Remuneration Committees and for the Senior Independent Director were last increased in 2016.

	2023 £	2022 £	Percentage change
Executive Directors			
David Squires	587,000	557,000	5.39%
Bindi Foyle	400,000	379,000	5.54%
Non-executive Directors⁽¹⁾			
Chairman	208,000	197,000	5.58%
Non-executive Directors	57,500	54,500	5.50%
Chair of Audit Committee	10,000	9,000	11.11%
Chair of Remuneration Committee	10,000	9,000	11.11%
Senior Independent Director	10,000	9,000	11.11%
Director with responsibility for employee engagement ⁽²⁾	6,000	–	N/A

(1) No additional fees are payable for Committee membership.

(2) The Committee considered the significant time commitment required of the non-executive Director with designated responsibility for employee engagement and determined that it would be appropriate for a fee of £6,000 p.a. be paid for this role with effect from 1 January 2023.

Annual bonus for 2023

The maximum bonus opportunity remains unchanged for the 2023 annual bonus and is 125% of basic salary, with two-thirds payable in cash and one-third in deferred shares. The individual weightings of the KPIs for the executive Directors for the annual bonus are set out below.

	2023		2022	
	Maximum possible cash award	Maximum share award	Maximum possible cash award	Maximum share award
Free Cash Flow target – full year	33.33%	16.67%	33.33%	16.67%
Adjusted EPS target – full year internal target	50.00%	25.00%	50.00%	25.00%
Totals	83.33%	41.67%	83.33%	41.67%

The actual targets are currently considered commercially sensitive because of the information that this provides to the Company's competitors. Full disclosure of the 2023 targets will be in the 2023 Annual Report.

LTIP Awards for 2023

Senior's markets have been impacted by a number of external events since the grounding of the Boeing 737 Max, the effects on profitability have been huge. We remain confident on the resilience and recovery of these markets and our ability to recover profitability from our products and technology over the medium term. This rationale was the reason behind why the Board rejected the Lone Star bid as it was not good value for our shareholders. In order to deliver on this commitment we need to retain and motivate the leaders through this key period of recovery.

Senior has a decentralised business model, comprised of discrete business units run by senior managers each with their own profit and loss account. These senior managers are key to our success and to meet our aspirations we will require a stable and highly motivated leadership team. The LTIP is an important tool to achieve this, ensuring the ongoing recovery is built on and outperformance delivered.

The Remuneration Committee intends to provide a special long-term incentive to drive material outperformance through the next stage of the recovery, by enhancing the LTIP for 2023 by granting awards at higher than normal levels to all participants in the LTIP (approximately 50 senior leaders), with awards granted at a value that will typically be one-third higher than granted in 2022. For the executive Directors, this means they will receive LTIP awards at a level of 200% of basic salary, up from the normal level of 150%.

We have also considered the LTIP proposal, and executive Directors' remuneration more broadly, very carefully in the context of the remuneration of the wider workforce. As noted above, a key feature of the proposal is its application to all LTIP participants, ensuring consistency across the senior executive population. Given Senior's decentralised nature, it is important that we align all leaders with a consistent award structure and set of targets which focuses them on the performance of the overall Group. More broadly, the Committee has reflected on the specific challenges facing the wider workforce in an environment when inflation has returned and many are experiencing cost-of-living pressures, as outlined above.

Adjusted EPS, TSR and ROCE metrics will be retained as the performance measures in the LTIP and have equal weighting of 33.3%: 33.3%: 33.3%. The Adjusted EPS target has been set to be stretching and challenging. The target is expressed as absolute growth achieved in 2025 compared to 2022. TSR performance will continue to be measured against the FTSE 350 (excluding companies in the following sectors: Banks; Financial Services (other than Closed End Investments); Life and Non-life Insurance; Oil, Gas & Coal; Precious Metals & Mining; Industrial Support Services; and Real Estate Investment Services and Trusts). The excluded sectors remain the same to those used in previous years. The Company has consistently stated that its medium-term ROCE target is a minimum of 13.5% pre-tax, post IFRS 16 and this has not changed. The ROCE targets set for the 2023 LTIP award have been increased from those set in 2022 to reflect where we are on our recovery. The targets are set at a stretching level that takes account of market conditions and the minimum medium-term target.

The Thresholds and Maximum for 2022 and 2023 are set out in the table below:

	2023			2022		
	Weighting (%)	Threshold (25% vesting)	Maximum (100% vesting)	Weighting (%)	Threshold (25% vesting)	Maximum (100% vesting)
Return on Capital Employed	33.33%	12.5%	17.0%	33.33%	10.0%	13.5%
Total Shareholder Return ranking	33.33%	Median or higher	Upper quintile or higher	33.33%	Median or higher	Upper quartile or higher
Adjusted earnings per share	33.33%	11.77p	18.5p	33.33%	10.05p	12.35p

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 24 February 2023.

Signed on behalf of the Board

Celia Baxter

Chair of the Remuneration Committee
24 February 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the Financial Statements, 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
- the Strategic Report 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 and Accounts, 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.

David Squires

Group Chief Executive Officer
24 February 2023

Bindi Foyle

Group Finance Director
24 February 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SENIOR PLC

1. Our opinion is unmodified

We have audited the financial statements of Senior plc ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 21 April 2017. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

Apart from the matter noted below, we have not performed any non-audit services during the year ended 31 December 2022 or subsequently which are prohibited by the FRC Ethical Standard.

In early 2023, we identified that a KPMG member firm had provided preparation of local GAAP financial statement services over the period 2018 to 2022 to an entity which was a residual component and therefore not in scope for the group audit. The services, which have been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. The work in each case had no direct or indirect effect on Senior plc's consolidated financial statements.

In our professional judgment, we confirm that based on our assessment of the breach, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. The audit committee have concurred with this view.

Overview

Materiality:	£3.2m (2021: £3.2m)
Group financial statements as a whole	0.4% (2021: 0.5%) of Group revenue

Coverage

- 75%(2021: 72%) of Group revenue
- 80%(2021: 89%) of Total losses/profit before tax
- 84%(2021: 82%) of Group total assets

Key audit matters vs 2021

Event driven	<ul style="list-style-type: none"> • New: Business combination accounting ▲
Recurring risks	<ul style="list-style-type: none"> • Provision for uncertain tax positions ◀▶ • Recoverability of the Parent Company's investment in its subsidiary ◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of

audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Business combination accounting</p> <p>Valuation of intangible assets acquired of £31m and contingent consideration of £28.7m in respect of Spencer Aerospace Manufacturing LLC ("Spencer Aerospace") (2021: £nil).</p> <p>Refer to the Audit Committee Report in the Governance section on pages 105, Note 2 (significant accounting policies) and Note 31 (acquisition and disposal activities).</p>	<p>Subjective estimate</p> <p>The acquisition of Spencer Aerospace on 25 November 2022 required the net assets acquired to be recorded at fair value and for intangible assets to be separately identified from goodwill.</p> <p>Estimation was required to value the part of the consideration paid that was contingent on the future revenue of Spencer Aerospace. This estimation is dependent on significant estimates and assumptions management makes related to the sales forecasts of Spencer Aerospace.</p> <p>The fair value of intangible assets acquired are determined through complex valuation methods including by forecasting and discounting future cash flows (based on assumptions such as growth rates, and expected revenue opportunities), which are inherently highly judgemental.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of intangible assets acquired on acquisition and determination of the contingent consideration of Spencer Aerospace contain a high degree of estimation uncertainty, with a potential range of reasonably possible outcomes greater than our materiality as a whole, and possibly many times that amount.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> Assessing the valuer's credentials: We evaluated the competence and independence of the expert engaged by the Directors and whether they had been appropriately instructed and were provided with complete, accurate data on which to base their valuations. Our corporate finance expertise and our sector knowledge: We evaluated the basis upon which the Directors identified the intangible assets acquired. We assessed whether the measurement basis used to estimate the fair values of the intangible assets were reasonable, taking account of our experience of similar assets in other comparable situations and our assessment of the work performed by the third party expert. Benchmarking assumptions: We challenged the appropriateness of discount rates, growth rates, and expected revenue opportunities which have been used to value acquired intangible assets and contingent consideration with reference to assumptions developed by our own valuation specialists, post acquisition trading, and market data. Assessing transparency: We assessed whether the appropriate disclosures have been provided on the judgements and estimates applied in arriving at the fair values. <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our results</p> <ul style="list-style-type: none"> We found the fair values adopted for the intangible assets acquired and contingent consideration to be acceptable.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SENIOR PLC CONTINUED

	The risk	Our response
<p>Provision for uncertain tax positions</p> <p>The Group recorded a provision for uncertain tax position totalling £16.2m as at 31 December 2022 (2021: £16.7m)</p> <p>Refer to the Audit Committee Report in the Governance section on pages 105, Note 2 (significant accounting policies) and Note 21 (tax balance sheet).</p>	<p>Subjective estimate</p> <p>The Group operates in a number of different tax jurisdictions and judgment is required to determine tax provisions across the Group, principally in the US.</p> <p>Determination of provisions for tax uncertainties is subject to judgment in assessing the probable outflow of taxes that will be borne by the entity relating to matters where the relevant tax authority's final assessment of the tax treatment is uncertain.</p> <p>The tax risk provisions held in connection with transfer pricing, including inter-company royalty charges, is a key risk due to its size and the subjective nature of the arm's length basis to which the pricing should adhere to.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the provision for uncertain tax positions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole. The Financial Statements (Note 21) disclose the range estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Our tax expertise: We have used our own tax specialists to assess the Group's tax positions, the Company's correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine provisions for tax uncertainties. This is based on our knowledge and experiences of the application of the tax legislation, and our understanding of the production activities at the sites where royalty charges are applied. We challenged the Directors on the adequacy of the Group's provision for transfer pricing risks particularly arising in the US. • Assessing transparency: We assessed the adequacy of the Group's disclosures in respect of tax and uncertain tax positions and the range of possible outcomes. <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our results</p> <ul style="list-style-type: none"> • We found the level of provisions for tax uncertainties to be acceptable. (2021 result –acceptable.)
<p>Recoverability of the Parent Company's investment in its subsidiary</p> <p>The parent Company recorded an investment carrying value of £259.9m as at 31 December 2022 (2021: £259.9m).</p> <p>Refer to Note 36 (accounting policies) and Note 38 (financial disclosures) and Parent Company Balance Sheet.</p>	<p>Low risk, high value:</p> <p>The carrying amount of the Parent Company's investment in its subsidiary represents 59% of its total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgment. However, due to its materiality in the context of the Parent Company Financial Statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail: We compared the carrying amount of the investment with the relevant subsidiary's draft statutory balance sheet to identify whether its net assets, being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessed whether the subsidiary has historically been profit-making. <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our results:</p> <ul style="list-style-type: none"> • We found the company's conclusion that there is no impairment of its investment in its subsidiary to be acceptable. (2021 result –acceptable.)

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £3.2m (2021: £3.2m), determined with reference to a benchmark of Group revenue of which it represents 0.4% (2021: 0.5%).

We consider total revenue to be the most appropriate benchmark in 2022 as it provides a more stable measure year on year than Group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £2.9m (2021: £2.9m), which is the component materiality for the parent company determined by the group audit engagement team. This is lower than the materiality we would otherwise have determined by reference to parent Company total assets of which it represents 0.7% (2021: 0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as

to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £2.4m (2021: £2.4m) for the Group and £2.2m (2021: £2.2m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £160,000 (2021: £160,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 31 (2021: 30) reporting components (excluding the Parent Company), we subjected 10 to full scope audits for group purposes and 4 to specified risk-focused audit procedures (2021: 14 combined). The latter were not individually financially significant enough to require a full scope audit for group purposes, but we performed specified procedures across all material accounts in line with those components subject to full scope audit.

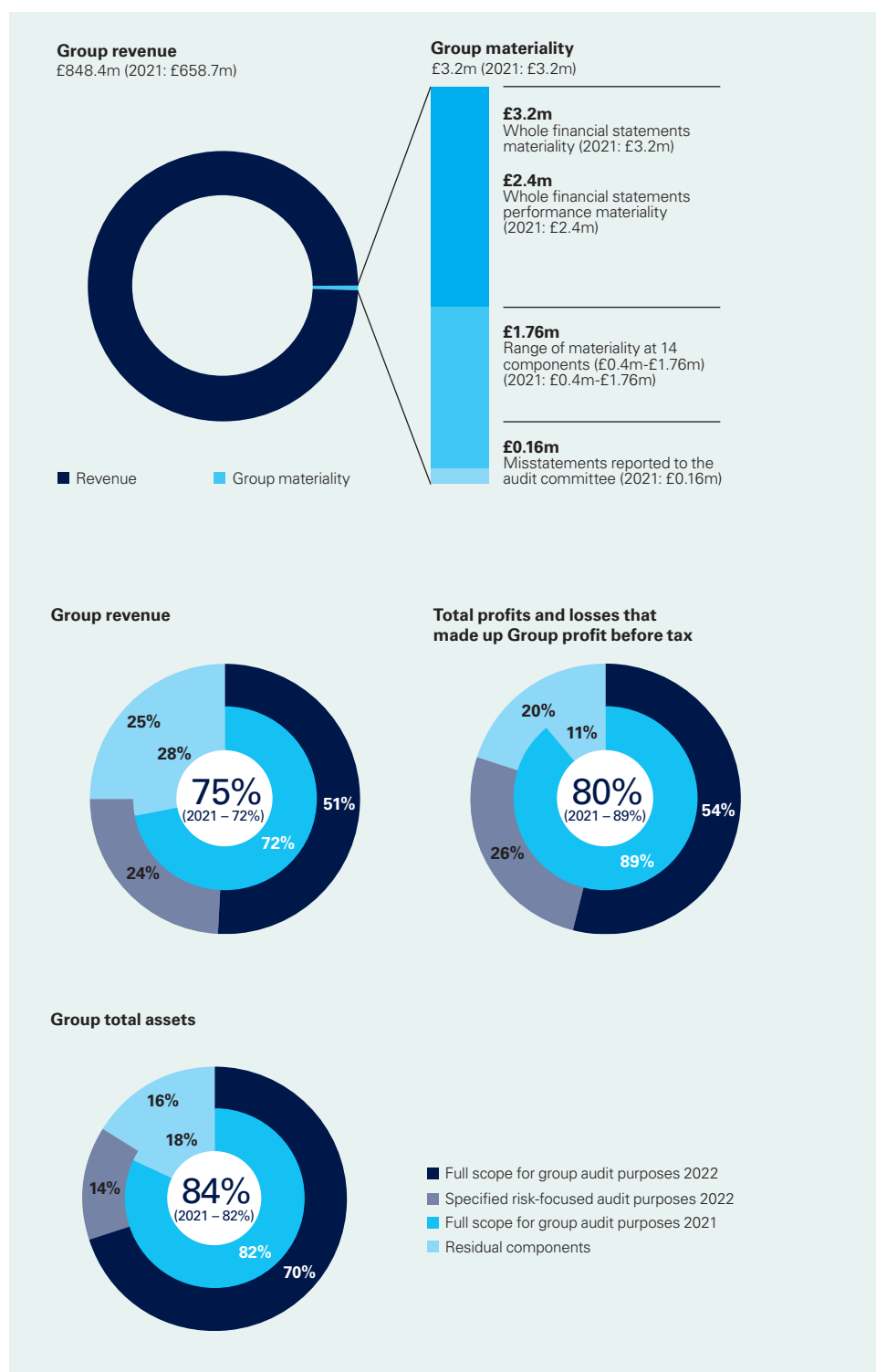
The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 25% (2021: 28%) of total Group revenue, 20% (2021: 11%) of total profits and losses that made up Group profit before tax and 16% (2021: 18%) of total Group assets is represented by 17 (2021: 16) reporting components, none of which individually represented more than 5% (2021: 5%) of any of total Group revenue, total profits and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.4m to £1.76m (2021: £0.4m to £1.76m), having regard to the mix of size and risk profile of the Group across the components. The work on 10 of the 14 components (2021: 9 of the 14 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

The Group team visited 5 component locations in the US and UK to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SENIOR PLC CONTINUED

4. The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

Climate change impacts the Group in a variety of ways including the impact of climate risk on the substitution of existing products and services with lower emissions options, increased costs to transition to lower emissions technology and the impact on useful lives of assets from physical and obsolescence risks. There is also potential reputational risk associated with the Group's delivery of its climate related initiatives, and greater emphasis on climate related narrative and disclosure in the annual report.

As part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. We held discussions with our own climate change professionals to challenge our risk assessment, including the goodwill impairment assessment, the estimates made regarding useful economic lives of property, plant and equipment, and the valuation of inventory, recoverability of trade receivables and going concern. Taking into account the extent of headroom on goodwill, the expected remaining useful lives of property, plant and equipment, the nature of customers and products, our assessment is that the climate related risks to the Group's business, strategy and financial planning did not have a significant impact on our key audit matters given the nature of the Group's operations and knowledge gained of its impact on critical accounting estimates during our risk assessment procedures and testing.

We have read the Group's and the Parent Company's disclosure of climate related information in the front half of the annual report as set out on pages 30 to 31, and considered consistency with the financial statements and our audit knowledge.

5. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- The impact of a global economic downturn on the Group's key end markets, including increasing inflationary pressures;
- The volatility of and disruption to supply chain affecting critical materials or components; and
- The uncertainty of the recovery following the impact of COVID-19.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in Note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and dependencies. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in Note 2 to be acceptable; and
- the related statement under the Listing Rules set out on page 82 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors including the long-term incentive plan for Management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and market consensus, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. In particular the risk that revenue is overstated through recording revenues in the wrong period and the risk that Group and component Management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the valuation of acquired intangibles, contingent consideration, provisions for uncertain tax provisions and pension assumptions.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension scheme legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, environmental laws and regulations, anti-bribery and corruption, employment law and export laws and regulations, recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SENIOR PLC CONTINUED

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement page 82 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 82 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements 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;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 129, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Barradell

(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

24 February 2023

FINANCIAL STATEMENTS

IN THIS SECTION



"Senior delivered a strong set of results in 2022."

Bindi Foyle
Group Finance Director

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Accumulators and Reservoirs

Accumulators and reservoirs manage operating pressures in fluid systems to account for fluctuating working fluid volumes throughout the aircraft. Senior is a leading designer and manufacturer of maintenance free accumulators and reservoirs for demanding applications like those found on all three variants of the F-35 Lightning.



Accumulators and Reservoirs



Tube and Duct Assemblies

A modern 5th-generation fighter jet like the F-35 has extremely challenging thermal management requirements, satisfied by thousands of complex tubes and ducts carrying fuel, hydraulic fluid, oxygen, and various coolants throughout the aircraft. These components range from 0.25 inches up to 3 inches in diameter and are manufactured from multiple materials and must conform to precise geometry to take up as little space in the aircraft as possible.

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	15	0.4	0.2
Operating profit ⁽¹⁾	5	32.5	10.5
Investment income	7	1.9	0.5
Finance costs	8	(10.6)	(8.5)
Corporate undertakings	9	(1.4)	21.2
Profit before tax ⁽²⁾		22.4	23.7
Tax (charge)/credit	10	(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⁾	12	4.86p	5.82p
Diluted ⁽⁴⁾	12	4.73p	5.73p
⁽¹⁾ Adjusted operating profit	9	28.5	6.1
⁽²⁾ Adjusted profit/(loss) before tax	9	20.1	(1.9)
⁽³⁾ Adjusted earnings per share	12	4.36p	0.17p
⁽⁴⁾ Adjusted and diluted earnings per share	12	4.24p	0.17p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 2022 £m	Year ended 2021 £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	28	(2.3)	(3.4)
Foreign exchange (gain) recycled to the Income Statement on disposal and restructuring (business closures)	28	–	(2.9)
Exchange differences on translation of overseas operations	28	24.5	(3.8)
Tax relating to items that may be reclassified	10	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	34	(23.1)	19.7
Tax relating to items that will not be reclassified	10	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	13	199.7	150.2
Other intangible assets	14	36.2	4.2
Investment in joint venture	15	4.4	3.9
Property, plant and equipment	16	307.2	294.6
Deferred tax assets	21	10.9	5.7
Retirement benefits	34	51.8	72.2
Trade and other receivables	18	0.4	0.1
Total non-current assets		610.6	530.9
Current assets			
Inventories	17	194.3	145.2
Current tax receivables	21	2.1	2.6
Trade and other receivables	18	126.7	98.0
Cash and bank balances	32c	43.2	51.1
Total current assets		366.3	296.9
Total assets		976.9	827.8
Current liabilities			
Trade and other payables	23	191.2	143.0
Current tax liabilities	21	17.7	14.6
Lease liabilities	22, 32c	12.7	0.4
Bank overdrafts and loans	19	0.5	14.8
Provisions	24	16.7	13.8
Deferred consideration	31	23.4	–
Total current liabilities		262.2	186.6
Non-current liabilities			
Bank and other loans	19	143.2	116.2
Retirement benefits	34	12.1	11.0
Deferred tax liabilities	21	4.7	10.5
Lease liabilities	22	65.7	72.8
Provisions	24	2.9	2.2
Contingent consideration	31	28.9	–
Others	23	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	25	41.9	41.9
Share premium account	26	14.8	14.8
Equity reserve	27	6.4	5.8
Hedging and translation reserve	28	51.5	28.6
Retained earnings	29	346.5	343.2
Own shares	30	(11.7)	(9.2)
Equity attributable to equity holders of the parent		449.4	425.1
Total equity		449.4	425.1

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 24 February 2023. They were signed on its behalf by:

David Squires
Director

Bindi Foyle
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

All equity is attributable to equity holders of the parent								
Notes	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total equity £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	28	–	–	(3.4)	–	–	–	(3.4)
Foreign exchange loss/(gain) recycled to the Income Statement on disposal	28	–	–	2.6	(5.5)	–	–	(2.9)
Exchange differences on translation of overseas operations	28	–	–	–	(3.8)	–	–	(3.8)
Actuarial gains on defined benefit pension schemes	34	–	–	–	–	19.7	–	19.7
Tax relating to components of other comprehensive income	10	–	–	0.8	–	(6.4)	–	(5.6)
Total comprehensive income/(expense) for the period	–	–	–	–	(9.3)	37.5	–	28.2
Share-based payment charge	33	–	–	3.5	–	–	–	3.5
Tax relating to share-based payments	–	–	–	–	–	0.1	–	0.1
Use of shares held by employee benefit trust	30	–	–	–	–	(2.3)	2.3	–
Transfer to retained earnings	29	–	–	(2.8)	–	2.8	–	–
Dividends paid	11	–	–	–	–	–	–	–
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	28	–	–	(2.3)	–	–	–	(2.3)
Foreign exchange loss/(gain) recycled to the Income Statement on disposal	28	–	–	–	–	–	–	–
Exchange differences on translation of overseas operations	28	–	–	–	24.5	–	–	24.5
Actuarial losses on defined benefit pension schemes	34	–	–	–	–	(23.1)	–	(23.1)
Tax relating to components of other comprehensive income	10	–	–	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	33	–	–	4.3	–	–	–	4.3
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	(4.5)	(4.5)
Use of shares held by employee benefit trust	30	–	–	–	–	(2.0)	2.0	–
Transfer to retained earnings	29	–	–	(3.7)	–	3.7	–	–
Dividends paid	11	–	–	–	–	(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	32a	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	16	(28.7)	(20.2)
Purchases of intangible assets	14	(1.8)	(1.1)
Acquisition of Spencer	31	(25.3)	–
Proceeds on disposal activities net of cash balances	31	–	51.7
Net cash (used)/generated in investing activities		(54.6)	30.7
Financing activities			
Dividends paid	11	(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	32c	42.7	51.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Senior plc is a Company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the inside back cover. The nature of the Group's operations and its principal activities are set out in Note 3 and on pages 1 to 83.

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Financial Statements are presented in Pounds Sterling, which is the Company's functional and the Group's presentation currency.

2. Significant accounting policies

Basis of accounting

These Financial Statements have been prepared in accordance with UK-adopted international accounting standards. They have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and retirement benefit costs measured in accordance with IAS 19.

Going concern

In determining the appropriate basis of preparation of the Financial Statements for the year ended 31 December 2022, the Directors are required to consider whether the Group and Parent Company can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these Financial Statements (the "going concern period").

The Board has applied a robust process to assess the resilience of the forecast out-turns. This assessment included applying severe but plausible downside risks as set out in the Viability Statement on page 82. To address these risks the Board has considered mitigating factors that could be employed that would address the impact and provide options to the Group and Parent Company.

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.

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

Changes in accounting policies

At the date of authorisation of these 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.

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of Senior plc and the entities controlled by it (its subsidiaries) made up to 31 December 2022. Control is achieved when Senior plc has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for each acquisition is the aggregate of the fair values (at the date of exchange) of assets transferred, liabilities incurred or assumed, and equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets

acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The results of joint ventures are accounted for using the equity accounting method.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation, which was acquired in a business combination, is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is recognised as an asset and allocated, at acquisition, to the group of cash-generating units (CGU groups) that are expected to benefit from that business combination. If the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree is less than the fair value of the net assets acquired (i.e. bargain purchase), the difference is credited to the Consolidated Income Statement in the period of acquisition.

CGU groups to which goodwill has been allocated are tested for impairment at least annually and reviewed for indicators of impairment at the Balance sheet date. If impairment indicators exist, the individual assets within the CGUs, and the individual CGUs excluding goodwill, are tested for impairment before the CGU group is tested for impairment. Any impairment is recognised immediately through the Consolidated Income Statement and is not subsequently reversed. The determination of the recoverable amount of the CGU group is disclosed in the Notes to the Financial Statements (Note 13). If the recoverable amount of the CGU group is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU group and then to the other assets of the CGU group pro rata on the basis of the carrying amount of each asset in the CGU group.

On disposal of a subsidiary or part thereof, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill acquired in a business combination prior to the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

The Group predominantly has one revenue stream relating to engineered components or systems (products), which are customer specific, with a secondary revenue stream of funded development revenue. Both streams have identifiable customer contracts and pricing specific performance obligations.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognised net of discounts, VAT and other sales related taxes. The determination of the transaction price is based upon pricing specified in the customer contract i.e. a price per unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

Revenue is recognised as the identified performance obligations are satisfied.

The performance obligation for goods is a specific point in time when the customer obtains control, which is upon delivery or when available for collection. Allocation of transaction price to performance obligations is given in the contract i.e. a unit delivered or available for collection.

The performance obligation for development revenue is a specific point in time when the customer obtains control of the output, for example a first article good, which is the acceptance milestone specified in the customer contract.

Dividend income from investments is recognised when the shareholders' legal rights to receive payment have been established.

Interest

Interest receivable/payable is credited/charged to the Consolidated Income Statement using the effective interest method.

Leasing

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The assessment of control includes whether the Group has a right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use and the right to direct the use of the asset.

As a lessee, the Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or restore the underlying asset, less any lease incentives received.

Lease payments comprise fixed payments and variable lease payments based on an index or rate. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term includes optional extensions or terminations which are reasonably certain to be exercised by the Group. These optional terms are reassessed periodically or when there is a significant event which affects the lease. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. Periodically the right-of-use asset is reduced for impairment, if necessary, as well as re-measurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method, which is initially equal to the present value of lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate determined on a lease portfolio basis. The lease liability is re-measured either as a modification or reassessment. Modification occurs where there is a change in terms, such as rental payments, which did not form part of the original terms of the contract. In this case, the lease liability is re-measured using the revised terms and a revised incremental borrowing rate at the modification date. Reassessment occurs where there are changes within the scope of the original terms of the contract, such as rental payments changes with reference to an index. For reassessment changes, the lease liability is re-measured in the same way as for a modification, except for the incremental borrowing rate, which is not changed from the original commencement date of the contract.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases which have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease

payments associated with these leases as an expense on a straight-line basis over the lease term. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, several indicators are assessed, such as the present value of the lease payments amounting to at least substantially all of the fair value of the asset. When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. The Group assesses the classification of the sub-lease with reference to the right-of-use asset arising from the head lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Balance Sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity, subject to meeting the requirements under IAS 21.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts (see section below on derivative financial instruments and hedging for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the Balance Sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange rate differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate on the relevant Balance Sheet date.

The exchange rates for the major currencies applied in the translation of results were as follows:

	Average rates 2022	Average rates 2021	Year-end rates 2022	Year-end rates 2021
US Dollar	1.24	1.38	1.21	1.35

Government grants

Government grants received for items of a revenue nature are recognised as income over the period necessary to match them with the related costs, which are deducted in reporting the related expense and presented net of the costs to which they relate. The Group recognises a COVID-19 grant when it has reasonable assurance that it will comply with the relevant conditions and the grant will be received. If the conditions are met, then the Group recognises income in the profit or loss on a systematic basis and in line with its recognition of the expenses that the grants are intended to compensate.

Government grants relating to investment in property, plant and equipment are deducted from the initial carrying value of the related capital asset.

2. Significant accounting policies continued

Retirement benefit costs

Payments to defined contribution retirement plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit plans are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement plan.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Method, with full actuarial valuations being carried out on a triennial basis, and updated at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and are presented in the Statement of Comprehensive Income.

Past service cost is recognised as an expense at the earlier of a plan amendment, curtailment, or restructuring.

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation, and as reduced by the fair value of scheme assets.

Taxation

Provisions for uncertain tax positions are included within current tax liabilities on the Consolidated Balance Sheet representing Management's best estimate of the likely cash outflow related to the uncertainty. There are transactions and activities that the Group engages in where the ultimate tax determination is uncertain and a provision may be made against the tax benefit. For example, the Group seeks to price transactions between Group companies on an arms length basis and in compliance with OECD transfer pricing principles and the laws of the relevant jurisdictions. The application of OECD principles and local tax laws require interpretation, and accordingly involves the application of judgment and is open to challenge by the relevant tax authorities. This gives rise to a level of uncertainty. Provisions for uncertain tax positions are established in accordance with IFRIC 23 based on an assessment of the range of likely tax outcomes in open years and reflecting the strength of technical arguments. Amounts are provided for individual tax uncertainties based on Management's assessment of whether the most likely amount or an expected amount based on a probability weighted methodology is the more appropriate predictor of amounts that the company is ultimately expected to settle. When making this assessment, the Group utilises specialist in-house tax knowledge and experience and takes into consideration specialist tax advice from third party advisers on specific items.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, including for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available for their utilisation before their expiry. Amounts will be recognised first to the extent that taxable temporary differences exist and it is considered probable that they will reverse and give rise to future taxable profits against which losses or other assets may be utilised before their expiry. Assets will then be recognised to the extent that forecasts or other evidence support the availability of future profits against which assets may be realised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of goodwill (other than in a business combination) of other assets and liabilities in a transaction that affects neither the Group's taxable profit nor its accounting profit.

The carrying value of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the Balance Sheet date. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited to Other Comprehensive Income or directly to Equity, in which case the deferred tax is also dealt with in Other Comprehensive Income or Equity.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Balance Sheet at their historical cost, or at modified historical cost, being a revaluation undertaken in 1988 which has been taken as the effective cost on transition to IFRS. Land and buildings were revalued to fair value at the date of revaluation. The Group does not intend to conduct annual revaluations.

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged to write off the cost of an asset on a straight-line basis over the estimated useful life of the asset, and is charged from the time an asset becomes available for its intended use. Annual rates are as follows:

Freehold land	Nil
Freehold buildings	2%
Right-of-use land and buildings	on the same basis as owned assets or, where shorter, over the lease term
Leasehold building improvements	on the same basis as owned assets or, where shorter, over the lease term
Plant and equipment	5%–33%
Right-of-use plant and equipment	on the same basis as owned assets or, where shorter, over the lease term

The Group primarily leases land and buildings for manufacturing use. The lease term, including options to extend which are reasonably certain, typically range from two to fifteen years. The Group also leases plant and equipment, including office equipment, vehicles and manufacturing equipment, with lease terms typically ranging from one to four years.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset at disposal and is recognised in the Consolidated Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

Internally generated intangible assets – development expenditure

An intangible asset arising from unfunded development work shall be recognised if the following can be demonstrated:

- i. the asset can be separately identified.
- ii. it is probable that the asset created will generate future economic benefits.
- iii. the development cost of the asset can be measured reliably during its development.
- iv. it is technically feasible to complete the asset so that it will be available for use or sale.
- v. there is intention to complete the asset and use or sell it.
- vi. the Group has ability to use or sell the asset.
- vii. the Group has availability of adequate technical, financial and other resources to complete the development work and to use or sell the asset.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Costs incurred in relation to funded development work are accumulated in inventory and are recognised when the related billings are made. Any amounts held in inventory are subject to normal inventory valuation principles. Expenditure on research, design and other development activities, that do not meet the capitalisation criteria above, is recognised as an expense in the period in which it is incurred.

Other intangible assets

Other intangible assets include computer software and intangible assets acquired as part of a business combination. The cost of acquiring computer software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Capitalised computer software is amortised over its estimated useful life of between three and five years on a straight-line basis, and is stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired as part of a business combination principally comprise qualified parts list, customer relationships, contracts and trade names. They are shown at fair value at the date of acquisition less accumulated amortisation at the rates of between one and eighteen years on a straight-line basis.

Impairment of tangible and intangible assets excluding goodwill

At each Balance Sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less the costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying

amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and an appropriate allocation of production overheads. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Financial instruments are classified as cash and cash equivalents, bank overdrafts and loans, lease liabilities, trade receivables, trade payables, deferred consideration payable, contingent consideration payable, other receivables and other payables, as appropriate.

Non-derivative financial assets are categorised as “Financial assets at amortised cost” and non-derivative financial liabilities are categorised as “Financial liabilities at amortised cost”. Derivative financial assets and liabilities that are not designated and effective as hedging instruments are categorised as “financial assets at fair value through profit or loss” and “financial liabilities at fair value through profit or loss”, respectively. The classification depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by loss allowance. The Group has elected to measure loss allowance for trade receivables at an amount equal to the lifetime expected credit losses (“ECLs”), which are based on quantitative and qualitative credit risk assessments, using historical and forward looking information. Changes in the carrying amounts of the loss allowance are recognised in the Consolidated Income Statement.

Trade receivables in default are considered uncollectible and are written off against the loss allowance. The Group considers a trade receivable to be in default when the customer is experiencing significant financial difficulties, bankruptcy, financial reorganisation or is in default or delinquent in paying its credit obligations to the Group in full. Subsequent recoveries of amounts previously written off are credited against the loss allowance.

Trade receivables are derecognised when reverse factored, without recourse, through schemes with financial institution counterparties who assume the risk of non-payment by the customer. Derecognition occurs when cash is received from the financial institution (less reverse factoring discount). For further details, see Strategic Report and the financial instrument credit risk section in the notes to the Consolidated Financial Statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Non-derivative financial liabilities

Non-derivative financial liabilities are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised financial liability and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of

2. Significant accounting policies continued

the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs. Contingent consideration payable is measured at fair value through profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the value of the proceeds received, net of direct transaction costs.

Derivative financial instruments and hedging

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange contracts and, on occasion, interest rate swap contracts to hedge these exposures. The use of financial derivatives is governed by the Group's Treasury Policies as approved by the Board of Directors, which provides written principles on the use of derivatives. The Group does not use derivative financial instruments for speculative purposes.

Certain derivative instruments do not qualify for hedge accounting. These are categorised as "fair value through profit or loss" and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

The Group designates certain hedging instruments in respect of foreign currency risk as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents, both at hedge inception and on an ongoing basis, whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For the Group's cash flow hedges of highly probable forecast transactions in foreign currencies, the hedged risk is always considered to be 1:1. If the underlying exposure changes over time, either due to commercial factors or timing differences, the hedging instruments will be rebalanced to ensure that the hedge ratio of 1:1 is maintained.

Changes in the fair value of derivative financial instruments that are designated and are effective as a cash flow hedge are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement. Gains or losses from remeasuring the derivative are also recognised in the Consolidated Income Statement. If the hedge is effective, these entries will offset in the Consolidated Income Statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted

transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in Equity is transferred to the Consolidated Income Statement for the period.

Gains and losses accumulated in Equity are recognised in the Consolidated Income Statement on disposal of the overseas business.

Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and Management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months. Assets that are classified as held for sale are not depreciated. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, taking into account the risks and uncertainties (such as timing or amount) surrounding the obligation. They are not discounted to present value if the effect is not material.

Provisions for restructuring are recognised when the Group has a detailed formal plan for the restructuring and the plan has been communicated to the affected parties. Provisions for the expected cost for warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products.

Share-based payments

The Group applies the requirements of IFRS 2 Share-based payments.

The Group issues equity-settled share-based payments to certain employees. The fair value (excluding the effect of non-market-related conditions), as determined at the grant date, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market-related conditions.

Fair value is measured by use of a Black-Scholes model for the share option plans, and a binomial model for the share awards under the 2005 Long-Term Incentive Plan.

The liability in respect of equity-settled amounts is included in Equity.

Critical accounting judgments

IAS 1 requires disclosure of the judgments Management makes when applying its significant accounting policies and that have the most significant effect on amounts that are recognised in the Group's Financial Statements. In the course of preparing the Financial Statements, no significant critical judgments have been made in the process of applying the Group's accounting policies, other than leases and those involving estimations, which are dealt with separately below. Management makes other judgments in the normal course of conducting business, such as those in relation to legal claims and contractual matters (see Note 24 for further details).

Leases

Where a lease includes the option for an extension to the lease term, Management makes a judgment as to whether they are reasonably certain the option will be taken. This will take into account the length of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

time remaining before the option is exercisable, current and forecasted plans for utilising the asset and the level and type of planned future capital investment. As at 31 December 2022, these extension options have an approximate average remaining lease term of seven years. These judgments are reassessed at each reporting period or when there is a significant event affecting the lease, which could result in a recalculation of the lease liability and a material adjustment to the associated balances.

Key sources of estimation and uncertainty

When applying the Group's accounting policies, Management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the Balance Sheet date and the amounts of revenue and expenses recognised during the period. Such assumptions are based upon factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources. The key sources of estimation and uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and beyond include:

Income taxes

In determining the Group provisions for income tax and deferred tax, it is necessary to consider transactions in a small number of key tax jurisdictions for which the ultimate tax determination is uncertain. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to income tax and deferred tax provisions held in the period the determination is made. The carrying amount of net current tax liability and deferred tax asset/liability at 31 December 2022 was £15.6m (2021 – £12.0m) and £6.2m asset (2021 – £4.8m liability), respectively. Further details on these estimates are set out in Notes 10 and 21.

Retirement benefits

Management makes assumptions and estimates, for the next financial year and beyond, which affect the value of the carrying amount of the UK Plan retirement benefit obligation at 31 December 2022. Management follows actuarial advice from a third party when determining estimation uncertainty on the valuation of the UK gross defined benefit obligation, the significant assumptions being discount rate, inflation and life expectancy (see Note 34). The carrying amount of the UK Plan's retirement benefits at 31 December 2022 was a surplus of £51.8m (2021 – surplus of £72.2m), being the present value of the defined benefit obligations of £198.4m (2021 – £294.9m) and fair value of plan assets of £250.2m (2021 – £367.1m). Further details and sensitivities from changes in estimates are set out in Note 34g.

Acquisition accounting

On 25 November 2022, the Group acquired substantially all of the assets of Spencer Aerospace Manufacturing, LLC, for total consideration of \$100m split between initial, deferred and contingent payments (See Note 31 for further details). There is judgment in applying assumptions and estimates which determine the valuation of the intangible assets and associated goodwill. The fair value of contingent consideration is based on the expected present value technique, using risk-adjusted discount rate to discount probability weighted cashflows. Intangible valuation is based on a hybrid cost/income approach, which is predominantly based on future income streams of the acquiree. The contingent consideration is subject to fair valuation reviews each reporting period.

Consideration of climate change

In preparing the Financial Statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 26 to 31. There has been no material impact identified on the financial reporting judgements and estimates. In

particular, the Directors considered the impact of climate change in respect of the following areas:

- Useful lives of assets – The useful lives of assets could be reduced by climate-related matters, for example as a result of physical risks, obsolescence or legal restrictions. The change in useful lives would have a direct impact on the amount of depreciation or amortisation recognised each year from the date of reassessment. The Directors' review of useful lives has taken into consideration the impacts of the Group's net zero commitments and has not had a material impact on the results for the year.
- Inventory valuation – Climate-related matters may affect the value of inventories as they could become obsolete as a result of a decline in selling prices or a reduction in demand. After consideration of the typical inventory days compared to the rate of change in the market the Directors consider that inventory is appropriately valued.
- Going concern and viability – risks identified in the TCFD disclosures in pages 26 to 31 have been factored into the going concern and viability assessment. See page 82 further details.
- Goodwill Impairment assessment – cash flow forecasts used in the impairment assessment of goodwill have considered potential changes in demand over the next 5 years as a result of changing customer preferences on Senior's products. This is not expected to have a material impact on the cashflows, with longer term growth rates based on forecasted market demand. Aerospace market rates were used for the Aerospace CGU and long-term GDP rates for advanced economies were used for the Flexonics CGU. Sensitivity analysis (See Note 13) shows that a 1 percent decrease in growth rate would not result in the carrying amount of CGU groups exceeding their recoverable amount.
- Recoverability of trade receivables – After consideration of the typical receivable days compared to the rate of change in the market, the Directors consider that receivables at 31 December 2022 are not adversely affected by climate change.
- Valuation of the UK Plan retirement gross benefit obligation - there is no material impact on key financial assumptions which are set according to market yields. Mortality assumptions take account of current views of possible climate pathways that may develop. Asset values are set according to market valuations which incorporate market expectations of climate impacts.

The Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

3. Revenue

Total revenue is disaggregated by market sectors as follows:

	Year ended 2022 £m	Year ended 2021 £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

3. Revenue continued

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

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

4. 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.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 and the sales between segments are carried out at arm's length. Adjusted operating profit, as described in Note 9, is the key measure reported to the Group's Executive Committee for the purpose of resource allocation and assessment of segment performance. Investment income, finance costs and tax are not allocated to segments, as this type of activity is driven by the central tax and treasury functions.

Segment assets include directly attributable computer software assets, property, plant and equipment (including right-of-use assets), working capital assets, goodwill and intangible assets from acquisitions. Cash, deferred and current tax and other financial assets (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Executive Committee.

Segment liabilities include directly attributable working capital liabilities and lease liabilities. Debt, retirement benefits, deferred and current tax and other financial liabilities (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Executive Committee.

Central costs, assets and liabilities are corporate items not allocated to segments, which is consistent with the format used by the chief operating decision-maker.

Segment information for revenue, operating profit/loss and a reconciliation to entity and profit/loss after tax is presented below:

		Aerospace Year ended 2022 £m	Flexonics Year ended 2022 £m	Eliminations/ central costs Year ended 2022 £m	Total Year ended 2022 £m	Aerospace Year ended 2021 £m	Flexonics Year ended 2021 £m	Eliminations/ central costs Year ended 2021 £m	Total Year ended 2021 £m
	Notes								
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		20.3	25.8	(17.6)	28.5	7.9	13.1	(14.9)	6.1
Amortisation of intangible assets from acquisitions	9	(0.2)	–	–	(0.2)	–	–	–	–
Net restructuring income	9	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	9				(1.4)				21.2
Profit before tax					22.4				23.7
Tax (charge)/credit					(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 9 for the derivation of adjusted operating profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. Segment Information continued

Segment information for assets, liabilities, additions to non-current assets and depreciation and amortisation is presented below:

	Year ended 2022 £m	Year ended 2021 £m
Assets		
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

	Year ended 2022 £m	Year ended 2021 £m
Liabilities		
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

	Additions to non-current assets Year ended 2022 £m	Additions to non-current assets Year ended 2021 £m	Depreciation and amortisation Year ended 2022 £m	Depreciation and amortisation Year ended 2021 £m
Aerospace	18.6	12.9	35.9	35.1
Flexonics	13.5	10.3	13.4	12.2
Sub total	32.1	23.2	49.3	47.3
Central	0.4	0.1	0.5	0.5
Total	32.5	23.3	49.8	47.8

The Group's revenues from its major products is presented below:

	Year ended 2022 £m	Year ended 2021 £m
Aerospace – Structures	242.6	178.9
Aerospace – Fluid Systems	310.4	260.0
Aerospace total	553.0	438.9
Land vehicles	164.1	118.8
Power & Energy	131.3	101.0
Flexonics total	295.4	219.8
Group total	848.4	658.7

No individual customer accounted for more than 10% of external revenue in 2022 or 2021.

4. Segment Information continued

Geographical information

The Groups' operations are located principally in North America and UK.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods. The carrying values of segment non-current assets are analysed by the geographical area in which the assets are located.

	Sales revenue Year ended 2022 £m	Sales revenue Year ended 2021 £m	Segment non-current assets Year ended 2022 £m	Segment non-current assets Year ended 2021 £m
USA	417.1	316.4	296.5	202.5
UK	140.6	105.0	158.8	181.8
Rest of the World	290.7	237.3	144.4	140.9
Sub total	848.4	658.7	599.7	525.2
Unallocated amounts	–	–	10.9	5.7
Total	848.4	658.7	610.6	530.9

The unallocated amounts on non-current assets relate to deferred tax assets.

5. Operating profit

Operating profit can be analysed as follows:

	Year ended 2022 £m	Year ended 2021 £m
Revenue	848.4	658.7
Cost of sales	(698.7)	(555.7)
Gross profit	149.7	103.0
Distribution costs	(6.3)	(5.4)
Administrative expenses	(111.4)	(87.3)
Profit on sale of fixed assets	0.1	–
Share of joint venture profit	0.4	0.2
Operating profit	32.5	10.5

Operating profit for the period has been arrived at after charging:

	Year ended 2022 £m	Year ended 2021 £m
Net foreign exchange losses/(gains)	4.6	(1.7)
Research and design costs	19.8	19.2
Depreciation of property, plant and equipment	48.1	46.3
Amortisation of intangible assets included in administration expenses	1.7	1.5
Cost of inventories recognised as expense	698.7	555.7
Provision for loss allowance against receivables	1.5	0.6
Restructuring: provision (release)/charge for impairment of property, plant and equipment and inventories	(1.4)	2.3
Restructuring: staff and other costs	1.2	2.5
COVID-19 grant (income)	–	(0.3)
Aerospace manufacturing grant (income)	(4.0)	(4.2)

Staff costs are disclosed in Note 6. The majority of research and design costs incurred during the year have been expensed in line with Note 2 Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. Operating profit continued

The analysis of the Auditor's remuneration is as follows:

	Year ended 2022 £m	Year ended 2021 £m
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	0.5	0.3
Fees payable to the Company's Auditor and their associates for other services to the Group		
– The audit of the Company's subsidiaries	1.7	1.5
Total audit fees	2.2	1.8

Fees payable to Company's Auditor and their associates for non-audit services to the Company are not required to be disclosed because the Consolidated Financial Statements are required to disclose such fees on a consolidated basis.

The Group paid £0.06m (2021 – £0.06m) to the Company's Auditor for audit related services and £nil (2021 – £0.1m) for non-audit related services during 2022, in line with the Company's policy on the use of Auditors for non-audit services.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the Auditor was used rather than another supplier and how the Auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on pages 102 to 107. No services were provided pursuant to contingent fee arrangements.

6. Staff costs

The average monthly number of employees (including Directors) was:

	Year ended 2022 Number	Year ended 2021 Number
Production	5,297	4,850
Distribution	64	63
Sales	249	252
Administration	495	473
Total	6,105	5,638

The actual number of employees at 31 December 2022 was 6,361 (2021 – 5,664).

	Notes	Year ended 2022 £m	Year ended 2021 £m
Their aggregate remuneration comprised:			
Wages and salaries		234.7	198.9
Social security costs		26.9	22.6
Termination benefits		–	1.0
Other pension costs – defined contribution	34a	8.9	8.6
Other pension costs – defined benefit	34e	0.8	0.7
Share based payments	33	4.3	3.5
Aggregate remuneration		275.6	235.3

The Group also incurred medical and other employee benefit expenses during the year of £24.6m (2021 – £20.9m) and received £nil (2021 – £0.3m) COVID-19 grant income related to government assistance schemes to compensate for furloughing of employees.

7. Investment income

	Year ended 2022 £m	Year ended 2021 £m
Interest on bank deposits	0.7	0.1
Net finance income of retirement benefits (Note 34e)	1.2	0.4
Total income	1.9	0.5

8. Finance costs

	Notes	Year ended 2022 £m	Year ended 2021 £m
Interest on bank overdrafts and loans		2.0	1.0
Interest on other loans and other finance costs		5.8	4.9
Interest on lease liabilities		2.5	2.6
Interest unwind on acquisition consideration	9, 31	0.3	–
Total finance costs		10.6	8.5

9. 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.

	Notes	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	31	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)

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 31 to the Financial Statements for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Taxation

	Year ended 2022 £m	Year ended 2021 £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 (Note 21):		
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)

On 24th May 2021, a future increase in UK corporation tax rate from 19% to 25% was substantially enacted with an effective date of 1 April 2023. Deferred tax assets and liabilities are measured at the rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Balance Sheet date. The impact of the tax rate change to 25% on deferred tax assets and liabilities has been reflected at the Balance Sheet date and this has resulted in a current year charge of £0.2m recognised in the Income Statement and a credit of £1.4m through Other Comprehensive Income. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The total charge for the year can be reconciled to the profit before tax per the Consolidated Income Statement as follows:

	Year ended 2022 £m	Year ended 2022 %	Year ended 2021 £m	Year ended 2021 %
Profit before tax	22.4		23.7	
Expected tax charge/(credit) at the UK standard corporation tax rate 19%	4.3		4.5	
Effect of different statutory rates in overseas jurisdictions	a	0.3	0.9	
Tax incentives and credits	b	(1.2)	(1.1)	
Tax losses not recognised	c	(0.4)	0.3	
Impact of share options	d	0.2	0.1	
Effect of difference in treatment of financing activities between jurisdictions	e	(0.4)	(0.3)	
Non-deductible expenses and other permanent differences	f	1.5	1.4	
Effect of changes in UK tax rate on deferred tax items	g	0.2	(0.6)	
Withholding taxes	h	0.2	0.1	
Adjustments in respect of prior periods – current tax items	i	(1.9)	(6.0)	
Adjustments in respect of prior periods – deferred tax items	j	(0.6)	0.2	
Tax charge / (credit) and effective tax rate for the year	2.2	9.8%	(0.5)	(2.1%)

a. Mainly attributable to a higher rate of tax in the US.

b. Includes a £1.2m benefit from enhanced US R&D deductions and the UK capital allowance super-deduction.

c. Tax losses utilised in the year includes £0.3m of UK tax losses whose use is uncertain and therefore unrecognised for deferred tax. Unrecognised amounts in 2021 included £0.5m of State tax losses in the US which have restricted use, net of tax losses utilised of £0.2m.

d. Impact of non-tax deductible share based payment charges net of current tax deductions for share exercises in the year and the deferred tax asset recognition for future exercises.

e. Effect of different rates of tax between jurisdictions on internal financing activities.

f. Non-deductible expenses and other permanent differences, includes a £1.7m charge in respect of uncertain tax positions in accordance with IFRIC 23 principles.

g. Relates to the Income Statement impact of the retranslation of UK deferred tax assets and liabilities following the substantial enactment of the future 25% tax rate effective from 1 April 2023.

h. Arises from irrecoverable withholding taxes.

i. Includes a credit in respect of the uncertain tax positions which have been resolved, settled or released in accordance with IFRIC 23 principles of £3.8m as well as prior year items arising from the true up of tax accruals in line with local tax filings which in many cases have an equal and opposite prior year item in deferred tax.

j. Arises from the true up of deferred tax estimates following the finalisation of entity statutory accounts and local tax returns.

10. Taxation continued

In addition to the amount charged to the Consolidated Income Statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £m	2021 £m
Deferred tax:		
Items that will not be reclassified subsequently to profit and loss		
Tax on actuarial items	4.3	(3.7)
Effect of change in UK tax rate	1.4	(2.7)
Items that may be reclassified subsequently to profit or loss		
Tax on foreign exchange contracts – cash flow hedges	0.7	0.8
Total tax credit/(charge) recognised directly in other comprehensive income	6.4	(5.6)

In addition to the amount charged to the Consolidated Income Statement and Other Comprehensive Income, the following amounts relating to tax have been recognised directly in equity:

	Year ended 2022 £m	Year ended 2021 £m
Deferred tax:		
Excess tax deductions related to share-based payments in exercised options	–	0.1
Total tax credit recognised directly in equity	–	0.1

Deferred tax (Note 21)	6.4	(5.5)
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11. Dividends

	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	–

12. Earnings per share

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

	Year ended 2022 Million	Year ended 2021 Million
Number of shares		
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Earnings per share continued

Earnings and earnings per share	Notes	Year ended 2022		Year ended 2021	
		Earnings £m	EPS pence	Earnings £m	EPS 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)	9	(3.5)	(0.84)	(4.6)	(1.11)
Corporate undertakings net of tax of £0.5m (2021 – £2.9m)	31	1.2	0.29	(18.3)	(4.40)
Non-cash tax credit	10	–	–	(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 9 for further details.

13. Goodwill

	Notes	Year ended 2022 £m	Year ended 2021 £m
Cost			
At 1 January		308.5	322.9
Corporate undertakings	31	42.0	(15.1)
Exchange differences		9.9	0.7
At 31 December		360.4	308.5
Accumulated impairment losses			
At 1 January		158.3	157.9
Exchange differences		2.4	0.4
At 31 December		160.7	158.3
Carrying amount at 31 December		199.7	150.2

In 2022, goodwill has increased by £49.5m, of which £42.0m relates to the acquisition of Spencer Aerospace (see Note 31), with £7.5m net foreign exchange differences.

Goodwill is allocated to the group of CGUs (CGU groups), namely Aerospace and Flexonics, reflecting the lowest level at which management exercises oversight and monitors the Group's performance. The table below highlights the carrying amount of goodwill allocated to these CGU groups, all of which are considered significant in comparison with the total carrying amount of goodwill.

	Year ended 2022 £m	Year ended 2021 £m
Aerospace	143.6	98.0
Flexonics	56.1	52.2
Total	199.7	150.2

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The timing of the annual assessment at 30 September 2022 coincided with the Board's review of the most recent financial strategy. Management applied the value in use methodology to assess impairment. The key assumptions on which the value in use calculations were based relate to business performance over the next five years, long-term growth rates beyond 2027 and the discount rates applied. The discount rates were pre-tax measures based on the rate of 10-year government bonds issued in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the CGU group. The key estimates were the level of revenue and operating

13. Goodwill continued

margins anticipated, the proportion of operating profit converted into cash flow in each year, long-term growth rates and discount rates applied. The forecast compound annual growth rate in revenue from 2022 to 2027 was 8% (2021 – 2021 to 2026 was 9%), reflecting continued market recovery post COVID-19 pandemic.

Forecasts used in the cash flow were based on the most recent financial strategy, as approved by Management for the next five years to 2027. These estimates up to 2027, where appropriate, take account of the current economic environment as set out in the Strategic Report on pages 1 to 83.

Cash flows after 2027 have been extrapolated based on estimated long-term growth rates into perpetuity, which has been determined by the lower of the long-term market growth rates and the historical forecast compound annual growth in revenue to 2027. For Aerospace, the long-term market growth rate is 3.7% per annum (2021 – 3.0%), which does not exceed the long-term average growth rate forecast for the aerospace market as included in market outlooks from Boeing and Airbus. For Flexonics, the long-term market growth rate is 1.5% per annum (2021 – 1.4%), which is based on the world long-term forecast GDP growth for advanced economies.

The pre-tax discount rates applied to discount the pre-tax cash flows for Aerospace and Flexonics are 10.9% and 13.7% respectively (2021 – 10.7% and 11.8%); these discount rates include CGU group specific risk adjustments which are the measurements used by Management in assessing investment appraisals specific to each CGU group. The increase in discount rates is mainly driven by changes in 10-year UK and US government bond yields.

Sensitivities reflecting reasonable possible changes have also been considered for each CGU group in relation to the value in use calculations: the long-term growth rate assumption was reduced to 1 percentage point and the discount rate was increased by a 1 percentage point. Neither these sensitivities or a reasonable possible change in the cash flows results in the carrying amount of the CGU groups exceeding their recoverable amount.

Further to the 30 September 2022 annual impairment test, the Board considered whether there were any triggering events as at the 31 December 2022 reporting date. The Board concluded that the market factors considered as at 30 September were largely unchanged and remained relevant for the year end reporting date, with no new triggers identified for impairment.

14. Other intangible assets

	Intangible assets from acquisitions Year ended 2022 £m	Computer software and others Year ended 2022 £m	Total Year ended 2022 £m	Intangible assets from acquisitions Year ended 2021 £m	Computer software and others Year ended 2021 £m	Total Year ended 2021 £m
Cost						
At 1 January	117.5	22.8	140.3	121.0	23.0	144.0
Additions	–	1.8	1.8	–	1.1	1.1
Acquired on acquisition	31.0	–	31.0	–	–	–
Disposals	–	(1.2)	(1.2)	(3.5)	(0.6)	(4.1)
Restructuring impairment and disposal	–	(0.4)	(0.4)	–	(0.6)	(0.6)
Reclassification	–	0.6	0.6	–	–	–
Exchange differences	8.8	1.7	10.5	–	(0.1)	(0.1)
At 31 December	157.3	25.3	182.6	117.5	22.8	140.3
Amortisation						
At 1 January	117.5	18.6	136.1	121.0	18.2	139.2
Charge for the year	0.2	1.5	1.7	–	1.5	1.5
Disposals	–	(1.2)	(1.2)	(3.5)	(0.6)	(4.1)
Restructuring impairment and disposal	–	(0.4)	(0.4)	–	(0.6)	(0.6)
Exchange differences	8.8	1.4	10.2	–	0.1	0.1
At 31 December	126.5	19.9	146.4	117.5	18.6	136.1
Carrying amount at 31 December	30.8	5.4	36.2	–	4.2	4.2

The carrying amount of intangible assets from acquisitions as at 31 December 2022 relates to the acquisition of Spencer Aerospace and consists of £23.8m relating to Qualified parts list, £6.5m relating to Customer relationships and £0.5m relating to Order backlog. These are being amortised over periods of 18 years and 1 month, 16 years and 1 month and 1 year and 1 month respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. 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. Senior Flexonics Technologies (Wuhan) Limited is a precision manufacturer of automotive components.

The results of the joint venture are accounted for using equity accounting.

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). The following amounts represent the aggregate amounts relating to the revenue and expenses and assets and liabilities of Senior Flexonics Technologies (Wuhan) Limited for the years ended 31 December 2022 and December 2021.

	2022 £m	2021 £m
Revenue	7.0	6.6
Expenses	(6.2)	(6.1)
Profit	0.8	0.5
Total assets	11.5	10.0
Total liabilities	(2.6)	(2.0)
Net assets	8.9	8.0
Group's share of profit	0.4	0.2
Group's share of net assets	4.4	3.9

16. Property, plant and equipment

	Freehold land and buildings Year ended 2022 £m	Leasehold building improve- ments Year ended 2022 £m	Plant and equipment Year ended 2022 £m	Right-of- use Land and Buildings Year ended 2022 £m	Right-of- use Plant and equipment Year ended 2022 £m	Total Year ended 2022 £m	Freehold land and buildings Year ended 2021 £m	Leasehold building improve- ments Year ended 2021 £m	Plant and equipment Year ended 2021 £m	Right-of- use Land and Buildings Year ended 2021 £m	Right-of- use Plant and equipment Year ended 2021 £m	Total Year ended 2021 £m
Cost or valuation												
At 1 January	104.6	4.5	518.8	88.2	6.5	722.6	111.7	4.2	536.7	86.1	6.2	744.9
Additions	1.2	0.3	27.2	0.8	1.2	30.7	0.3	0.3	19.6	0.9	1.1	22.2
Acquired on acquisition	–	–	1.1	2.6	2.1	5.8	–	–	–	–	–	–
Lease Modifications	–	–	–	2.7	(0.5)	2.2	–	–	–	3.7	(0.2)	3.5
Exchange differences	9.4	0.5	46.2	6.3	0.5	62.9	(1.1)	–	(5.0)	(0.5)	–	(6.6)
Disposed on disposal activities	–	–	–	–	–	–	(3.1)	–	(16.6)	–	–	(19.7)
Disposals	(0.3)	–	(11.2)	(1.5)	(0.5)	(13.5)	(0.1)	–	(11.0)	(0.4)	(0.2)	(11.7)
Reclassification	–	3.0	(6.7)	–	–	(3.7)	–	–	–	–	–	–
Restructuring impairment and disposal	(1.9)	–	(5.2)	–	–	(7.1)	(3.1)	–	(4.9)	(1.6)	(0.4)	(10.0)
At 31 December	113.0	8.3	570.2	99.1	9.3	799.9	104.6	4.5	518.8	88.2	6.5	722.6
Accumulated depreciation and impairment												
At 1 January	36.3	3.5	360.9	23.6	3.7	428.0	35.8	3.2	355.6	16.8	3.0	414.4
Charge for the year	2.6	0.3	34.9	8.7	1.6	48.1	2.5	0.3	34.0	8.1	1.4	46.3
Lease Modifications	–	–	–	0.3	(0.4)	(0.1)	–	–	–	–	(0.1)	(0.1)
Exchange differences	3.9	0.5	32.2	1.8	0.3	38.7	(0.3)	–	(2.3)	(0.1)	–	(2.7)
Eliminated on disposal activities	–	–	–	–	–	–	(0.9)	–	(11.3)	–	–	(12.2)
Eliminated on disposals	(0.3)	–	(10.8)	(1.5)	(0.5)	(13.1)	(0.1)	–	(10.8)	(0.4)	(0.2)	(11.5)
Reclassification	–	1.1	(4.2)	–	–	(3.1)	–	–	–	–	–	–
Restructuring impairment and disposal	(1.9)	–	(3.9)	–	–	(5.8)	(0.7)	–	(4.3)	(0.8)	(0.4)	(6.2)
At 31 December	40.6	5.4	409.1	32.9	4.7	492.7	36.3	3.5	360.9	23.6	3.7	428.0
Carrying amount at 31 December	72.4	2.9	161.1	66.2	4.6	307.2	68.3	1.0	157.9	64.6	2.8	294.6

As part of the restructuring programme (see Note 9), £1.3m (2021 – £3.8m) of property, plant and equipment has been impaired in 2022, of which £1.3m relates to Aerospace and £nil relates to Flexonics. The recoverable amount of the assets was determined based on value-in-use for assets with confirmed orders, or fair value less costs to sell, where assets are to be disposed.

At 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.9m (2021 – £3.4m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. Inventories

	Year ended 2022 £m	Year ended 2021 £m
Raw materials	77.5	56.5
Work-in-progress	80.6	60.1
Finished goods	36.2	28.6
Total	194.3	145.2

Inventory releases in 2022 were £1.9m (2021 – write-down of £2.5m), after releases of £2.7m (2021 – £1.5m) relating to restructuring (see Note 9).

18. Trade and other receivables

Trade and other receivables at 31 December comprise the following:

	Year ended 2022 £m	Year ended 2021 £m
Non-current assets		
Foreign exchange contracts	0.3	–
Other receivables	0.1	0.1
	0.4	0.1
Current assets		
Trade receivables	110.6	85.2
Value added tax	2.9	1.9
Foreign exchange contracts	2.4	0.8
Prepayments	10.7	10.0
Other receivables	0.1	0.1
	126.7	98.0
Total trade and other receivables	127.1	98.1

Credit risk

The Group's principal financial assets are bank balances and cash and trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of loss allowances. There are no other credit or impairment losses for other classes of financial assets.

Further disclosures on credit risk are included in Note 20.

The average credit period taken on sales of goods is 55 days (2021 – 52 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £3.3m (2021 – £2.0m). In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. At 31 December 2022, the carrying amount of the receivable from the Group's most significant customer was £8.3m (2021 – £6.7m from the same customer). The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the Directors believe that there is no further credit provision risk in excess of the loss allowance.

18. Trade and other receivables continued**Expected credit loss**

	Year ended 2022 £m	Year ended 2021 £m
Movements in loss allowance:		
At 1 January	2.0	1.6
Provision for impairment	1.5	0.6
Amounts written off as uncollectible	(0.2)	(0.2)
Amounts recovered	(0.2)	–
Exchange differences	0.2	–
At 31 December	3.3	2.0
Ageing analysis of past due, net of loss allowance:		
Up to 30 days past due	10.4	9.3
31 to 60 days past due	3.0	3.2
61 to 90 days past due	1.5	0.9
91 to 180 days past due	1.9	1.6
Total past due, net of loss allowance	16.8	15.0
Not past due	93.8	70.2
Total current trade receivables	110.6	85.2

There are no items past due in any other class of financial assets except for trade receivables.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above. The Group does not hold any collateral as security.

19. Bank overdrafts and loans

	Year ended 2022 £m	Year ended 2021 £m
Bank overdrafts	0.5	–
Bank loans	17.4	(0.5)
Other loans	125.8	131.5
	143.7	131.0
The borrowings are repayable as follows:		
On demand or within one year	0.5	14.8
In the second year	–	–
In the third to fifth years inclusive	118.5	70.7
After five years	24.7	45.5
	143.7	131.0
Less: amount due for settlement within 12 months (shown under current liabilities)	(0.5)	(14.8)
Amount due for settlement after 12 months	143.2	116.2

At 31 December 2022, bank loans of £18.6m are drawn and there are £1.2m of capitalised revolving credit facility transaction costs. At 31 December 2021, bank loans were undrawn, and there were £0.5m of capitalised revolving credit facility transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. Bank overdrafts and loans continued

Analysis of borrowings by currency

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m
31 December 2022				
Bank overdrafts	0.5	–	0.5	–
Bank loans	17.4	(1.2)	–	18.6
Other loans	125.8	26.9	24.7	74.2
	143.7	25.7	25.2	92.8
31 December 2021	Total £m	Pound Sterling £m	Euros £m	US Dollars £m
Bank overdrafts	–	–	–	–
Bank loans	(0.5)	(0.5)	–	–
Other loans	131.5	26.9	23.4	81.2
	131.0	26.4	23.4	81.2

The weighted average interest rates paid were as follows:

	Year ended 2022 %	Year ended 2021 %
Bank loans and overdrafts	3.64	1.51
Other loans	3.07	3.10

Bank loans and overdrafts of £19.1m (2021 – £nil) are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Other borrowings are mainly arranged at fixed interest rates and expose the Group to fair value interest rate risk. No interest rate swaps were taken out in 2021 or 2022.

The Directors estimate the fair value of the Group's borrowings to be as follows:

	Year ended 2022 £m	Year ended 2021 £m
Bank loans and overdrafts	17.9	(0.5)
Other loans	116.3	133.8
	134.2	133.3

The fair value of Other loans has been determined by applying a make-whole calculation using the prevailing treasury bill yields plus the applicable credit spread for the Group (level 2 of the fair value hierarchy as defined in Note 20).

The other principal features of the Group's borrowings are as follows:

Bank overdrafts are repayable on demand. The effective interest rates on bank overdrafts and loans are determined based on SONIA, SOFR and appropriate LIBOR rates plus applicable margins.

The Group's main loans are unsecured guaranteed loan notes in the US private placement market and revolving credit facilities.

- Loan notes of €28m, 2022 £24.8m (2021 – £23.5m) were taken out in January 2017, carry interest at the rate of 1.51% and mature on 1 February 2027.
- Loan notes of \$20m, 2022 £nil (2021 – £14.8m) were taken out in October 2015 and were repaid in October 2022. The loan notes carried interest at the rate of 3.42% per annum.
- Loan notes of \$60m, 2022 £49.6m (2021 – £44.5m) were taken out in October 2015 and are due for repayment in October 2025. The loan notes carry interest at the rate of 3.75% per annum.
- Loan notes of £27m were drawn down in January 2018, carry interest at a rate of 2.35% and are due for repayment in January 2025.
- Loan notes of \$30m, 2022 £24.8m (2021 – £22.2m) were taken out in September 2018, carry interest at the rate of 4.18% and are due for repayment in September 2028.

Transaction costs of £0.4m, directly attributable to the GBP notes (£0.1m), the Euro notes (£0.1m) and the US Dollar notes (£0.2m), have been deducted from their carrying value.

The Group also has two revolving credit facilities.

19. Bank overdrafts and loans continued

A committed multi-currency revolving credit facility in the UK of £115m (2021 – £120m) was amended and extended in November 2022 and matures in November 2026. At 31 December 2022, a loan of \$20m (£16.5m) with reference to USD LIBOR was outstanding under the £115m facility. At 31 December 2021, £nil was drawn under the £120m facility. The refinancing of the Group's main UK revolving credit facility demonstrates the strong ESG commitments made by Senior and its lenders in agreeing appropriate sustainability linked Key Performance Indicators ("KPIs"). The first testing period on these KPIs is not until the year ended 31 December 2023, which could have a small impact on the UK RCF interest margin.

A committed \$50m single bank (£41.3m) loans and letter of credit facility was extended in June 2022 and matures in June 2025. There were \$2.6m (£2.1m) loans with reference to Term SOFR which are drawn under the facility on 31 December 2022 and \$nil (£nil) loans drawn on 31 December 2021 and there were letters of outstanding credit of \$3.1m (£2.6m) (2021 – £1.1m).

As at 31 December 2022, the Group had available £135.1m (2021 – £155.9m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The weighted average maturity of the Group's committed facilities at 31 December is 3.5 years (2021 – 3.0 years).

20. Financial instruments

Capital risk management

The Group manages its capital structure to safeguard its ability to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the balance between debt and equity. In considering the appropriate level of net debt, the Group pays close attention to its level as compared to the cash generation potential of the Group, measured by EBITDA (defined in the Notes to the Financial Headlines). The Group also monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is derived in Note 32c. Lease liabilities are excluded from net debt in calculating the gearing ratio. Total capital is the equity shown in the Consolidated Balance Sheet.

The Group's strategy in respect of gearing is to target a long-term gearing ratio within the range of 30% to 60%. The gearing ratio for the Group at the end of 2022 was 22% (2021 – 19%).

All of the Group's external borrowing facilities at 31 December 2022 have a requirement for the ratio of net debt to EBITDA to be less than 3.0x (US Private Placements) or 3.5x (UK RCF and US RCF). IFRS 16 does not impact the Group's lending covenants as these are currently based on frozen GAAP, hence figures quoted below exclude the impact of IFRS 16 on net debt, interest and EBITDA. As required by the covenant definition, net debt is restated using 12-month average exchange rates (consistent with EBITDA definition).

The Group has two covenants for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x.

At 31 December 2022, the Group's net debt to EBITDA was 1.47x (31 December 2021 – 1.87x) and interest cover was 9.4x (31 December 2021 – 7.3x), both comfortably within the covenants limits.

Financial risk management

The Group's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall treasury risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Group's Treasury Committee on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign exchange risk management

The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on the operations' trading activities in foreign currencies. Where commented on below, the sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and left unchanged throughout the reporting period, with all other variables held constant (such as interest rates). The sensitivity assumptions are based on analysis reviewed by the Group's Treasury Committee.

Translation risk

The Group derived 83% of its revenue from businesses outside the United Kingdom, with 59% relating to operations in North America. Fluctuations in the value of the US Dollar and other currencies in relation to Pound Sterling have had, and may continue to have, a significant impact on the results of the Group's operations when reported in Pound Sterling. The Group decided not to hedge this translation risk. In addition, the majority of assets are denominated in foreign currency, particularly in US Dollars. In order to provide a hedge against volatility in the value of these assets compared to the Group's earnings, and hence provide a natural hedge against the Group's principal lending covenant (the ratio of net debt to EBITDA), the Group aims to borrow in foreign currencies in similar proportions to its generation of foreign currency EBITDA, where practical and economic. A 10% appreciation (or depreciation) of all other currencies against the Pound Sterling would have increased (or decreased) 2022 Group adjusted operating profit by £4.3m (£2.6m of which would have been due to the US Dollar movement) and would have increased (or decreased) equity by £31.1m (£18.9m of which would have been due to the US Dollar movement).

Transaction risk

The Group has a number of transaction-related foreign currency exposures, particularly between the US Dollar and the Pound Sterling, Thai Baht and Malaysian Ringgit. The Group seeks to hedge between 0% to 100% of transaction-related exposures mainly on a rolling 15 to 18-month forward basis, but in some cases for periods of up to 60 months and applies hedge accounting where the forwards can be designated in a qualifying cash flow hedge relationship. Based on the net of the annual sales and purchase-related exposures, all transaction-related foreign currency exposures to Group profit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. Financial instruments continued

after hedging in existence at 31 December 2022 are immaterial. The impact on equity is determined by the unrecognised portion of open forward contracts at the year-end. A 10% appreciation (or depreciation) of the US Dollar against the Pound Sterling, Thai Baht and the Malaysian Ringgit would have decreased (or increased) equity by £5.3m, £2.0m and £1.3m, respectively.

Interest rate risk management

The Group has a policy of maintaining approximately 60% of its borrowing costs at fixed interest rates. The Group generally borrows long-term in fixed rates but at times may borrow at floating rates and swap into fixed depending on credit market conditions. Occasionally a portion of fixed debt interest is swapped into floating rates. The combination of maintaining an acceptable balance of fixed and floating rate debt, and the Group's policy of borrowing in foreign currency in proportion to its generation of foreign currency earnings, provides an effective hedge against the impact of interest rate and foreign currency volatility on total interest costs. As at year end 2022, the percentage of debt at fixed interest was 87% (2021 – 100%), excluding IFRS 16 lease liabilities from debt.

The following sensitivity analysis of the Group's exposure to interest rate risk in 2022 has been retrospectively determined based on the exposure to applicable interest rates on financial assets and liabilities held throughout the financial year, with all other variables held constant (such as foreign exchange rates). The sensitivity assumptions are based on analysis reviewed by the Group's Treasury Committee. If variable interest rates had been 0.5% lower (or higher), the Group's profit before tax would have increased (or decreased) by £0.1m. Any fixed interest debt is held to maturity and not fair value adjusted through the Consolidated Income Statement. An increase (or decrease) of 0.5% in the market interest rate for the fixed rate debt held up to maturity would have decreased (or increased) the fair value of the Group's borrowings by £1.8m. The Group's sensitivity to interest rates has remained broadly consistent with prior period due to the high proportion of fixed debt.

Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. The credit quality of customers is assessed taking into account their financial position, past experience and other factors. Further details on determining the recoverability of trade receivables is provided in Note 18. The Group is guarantor under one lease of a current subsidiary entity in the UK. Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group participates in some non-recourse reverse factoring schemes which are arranged by customers. These are a form of non-recourse factoring that are common practice within the aerospace sector and with large customers in the Flexonics Division. In a reverse factoring scheme, a financial counterparty commits to pay supplier invoices ahead of due date in exchange for a discount interest charge. It is a funding solution initiated by the customer to provide the supplier with an alternative financing arrangement. The Group participates in reverse factoring schemes as a way of reducing credit risk. The trade receivables reverse factored at 31 December 2022 were £24.9m (2021 – £16.8m). The net impact of reverse factoring on 2022 was a cash inflow in working capital of £6.2m (2021 – £0.9m outflow) and the discount interest presented within other finance costs is a charge of £0.6m in 2022 (2021 – £0.2m).

Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and revolving credit facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash flow forecasts are produced monthly, together with appropriate capacity planning and scenario analysis, to ensure that bank covenant and liquidity targets will be met. The Directors also regularly assess the balance of capital and debt funding of the Group, as part of a process to satisfy the Group's long-term strategic funding requirements.

As noted in the Financial Review on pages 78 to 81, the Group is currently in a well-funded position, with significant headroom under its committed borrowing facilities. It is considered unlikely that the Group will face any significant funding issues in the foreseeable future.

20. Financial instruments continued

Categories of financial instruments

	Year ended 2022 £m	Year ended 2021 £m
Carrying value of financial assets:		
Cash and cash equivalents	43.2	51.1
Trade receivables	110.6	85.2
Other receivables	0.2	0.2
Financial assets at amortised cost	154.0	136.5
Foreign exchange contracts – cash flow hedges	2.5	0.7
Foreign exchange contracts – held for trading	0.2	0.1
Total financial assets	156.7	137.3
Carrying value of financial liabilities:		
Bank overdrafts and loans	143.7	131.0
Lease liabilities	78.4	73.2
Trade payables	103.4	68.3
Deferred consideration	23.4	–
Other payables	65.1	54.6
Financial liabilities at amortised cost	414.0	327.1
Contingent Consideration - fair value through profit or loss	28.9	–
Foreign exchange contracts – cash flow hedges	8.5	3.6
Foreign exchange contracts – held for trading	0.1	–
Total financial liabilities	451.5	330.7
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	228.9	152.3
In the second to fifth years inclusive	149.1	118.8
After five years	81.5	108.7
	459.5	379.8
Less: future finance charges	(45.5)	(52.7)
Financial liabilities at amortised cost	414.0	327.1

The contingent consideration which is potentially payable in more than one year but less than five years has a gross value at 31 December 2022 of \$40m (£33.1m) and a discounted value of \$35m (£28.9m). There was no contingent consideration payable as at 31 December 2021.

The carrying amount is a reasonable approximation of fair value for the financial assets and liabilities, excluding leases, noted above except for bank overdrafts and loans, disclosure of which are included within Note 19.

An ageing analysis of trade receivables is disclosed within Note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. Financial instruments continued

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on the operation's trading activities in foreign currencies in accordance with the Group's accounting policy as set out in Note 2. At the Balance Sheet date, total notional amounts and fair values of outstanding forward foreign exchange contracts that the Group have committed are given below:

	Year ended 2022 £m	Year ended 2021 £m
Notional amounts:		
Foreign exchange contracts – cash flow hedges	159.4	128.9
Foreign exchange contracts – held for trading	0.5	4.1
Total	159.9	133.0
Less: amounts maturing within 12 months	(99.4)	(79.1)
Amounts maturing after 12 months	60.5	53.9
Contractual maturity:		
Cash flow hedges balances due within one year:		
Outflow	(101.5)	(76.8)
Inflow	99.9	75.2
Cash flow hedges balances due between one and two years:		
Outflow	(22.9)	(22.4)
Inflow	22.0	22.0
Cash flow hedges balances due between two and five years:		
Outflow	(42.5)	(32.1)
Inflow	38.6	32.1
Held for trading balances due within one year:		
Outflow	(0.5)	(4.0)
Inflow	0.5	4.1
Fair values:		
Foreign exchange contracts – cash flow hedges	(6.0)	(2.9)
Foreign exchange contracts – held for trading	0.1	0.1
Total liability	(5.9)	(2.8)

These fair values are based on market values of equivalent instruments at the Balance Sheet date, comprising £2.7m (2021 – £0.8m) assets included in trade and other receivables and £8.6m (2021 – £3.6m) liabilities included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to £4.9m loss (2021 – £2.6m loss) has been deferred in equity.

Fair values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1–3 based on the degree to which the fair value is observable:

Level 1	those fair values derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	those fair values derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3	those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements. Level 2 fair values are derived from future cash flows, of open forward contracts at 31 December, translated by the difference between contractual rates and observable forward exchange rates.

20. Financial instruments continued

31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Foreign exchange contracts – cash flow hedges	–	2.5	–	2.5
Foreign exchange contracts – held for trading	–	0.2	–	0.2
Total assets	–	2.7	–	2.7
Liabilities				
Contingent Consideration – fair value through profit or loss	–	–	28.9	28.9
Foreign exchange contracts – cash flow hedges	–	8.5	–	8.5
Foreign exchange contracts – held for trading	–	0.1	–	0.1
Total liabilities	–	8.6	28.9	37.5
31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Foreign exchange contracts – cash flow hedges	–	0.7	–	0.7
Foreign exchange contracts – held for trading	–	0.1	–	0.1
Total assets	–	0.8	–	0.8
Liabilities				
Contingent Consideration – fair value through profit or loss	–	–	–	–
Foreign exchange contracts – cash flow hedges	–	3.6	–	3.6
Foreign exchange contracts – held for trading	–	–	–	–
Total liabilities	–	3.6	–	3.6

An amount of £0.8m loss (2021 – £0.1m gain) has been transferred to the Consolidated Income Statement, and is included within operating profit.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above foreign exchange contracts this may arise if the timing of the transaction changes from what was originally estimated.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 60 months. Amounts deferred in equity are recognised in the Consolidated Income Statement in the same period in which the hedged items affect profit or loss, which is generally within 12 months from the Balance Sheet date.

In 2021 and 2022 some cash flow hedging relationships were discontinued because forecast foreign currency transactions were no longer highly probable and no longer expected to occur. Previously accumulated gains or losses on the forward contracts were immediately reclassified to the income statement. These forward contracts, and the forward contracts entered to unwind the position, that remained at 31 December 2021 and 31 December 2022 were presented in the balance sheet as held for trading assets.

The fair value of contingent consideration is based on the expected present value technique, using risk-adjusted discount rate to discount probability weighted cashflows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. Tax balance sheet

Current tax

The current tax receivable of £2.1m (2021 – £2.6m) includes excess tax paid to tax authorities that is expected to be recovered within 12 months by way of offset against future tax liabilities or refund.

The majority of the Group's taxable profits arise in countries, including the US, where the estimated tax liabilities are paid in on-account instalments during the year to which they relate and are largely paid at the Balance Sheet date. The current tax liability of £17.7m (2021 – £14.6m) includes £1.5m (2021 – £1.3m) tax due on profits of the current and prior years as well as £16.2m (2021 – £16.7m) provisions for tax uncertainties that represent amounts expected to be paid but by their nature, there is uncertainty over timing and eventual settlement. Amounts receivable of £2.8m (2021 – £3.4m) that are considered to have a right of offset against provisions for tax uncertainties are also included within the current tax liability.

The Group recognises provisions for tax items which are considered to have a range of possible tax outcomes and separately accounts for interest that may be due thereon. The range of reasonably possible outcomes considered by the Board could increase those tax liabilities by £10.4m (2021 – £8.6m). These uncertainties exist due to a number of factors including differing interpretations of local tax laws and the determination of appropriate arm's length pricing in accordance with OECD transfer pricing principles on internal transactions and financing arrangements. In calculating the carrying amount of provisions, Management estimates the tax which could become payable as a result of differing interpretations and decisions by tax authorities in respect of transactions and events whose treatment for tax purposes is uncertain. In accordance with IFRIC 23, individual provisions are established based on an assessment of whether it is the most likely individual outcome, or the expected outcome on a probability basis that is likely to best reflect the resolution of the uncertainty.

Deferred tax liabilities and assets

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Unrealised FX gains £m	Goodwill and intangible amortisation £m	Retirement benefits £m	R&D tax credits £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2021	(16.7)	(0.7)	(7.5)	(6.4)	6.0	3.4	21.1	(0.8)
(Charge)/credit to Consolidated Income Statement	3.4	0.3	2.0	(2.8)	(0.3)	1.4	(2.5)	1.5
(Charge)/credit to other comprehensive income	(0.1)	0.8	–	(6.4)	–	–	0.1	(5.6)
(Charge)/credit direct to equity	–	–	–	–	–	–	0.1	0.1
Exchange differences	0.2	–	(0.1)	–	0.1	(0.2)	–	–
At 1 January 2022	(13.2)	0.4	(5.6)	(15.6)	5.8	4.6	18.8	(4.8)
(Charge)/credit to Consolidated Income Statement	(2.6)	–	(1.4)	(0.6)	(3.1)	0.3	11.5	4.1
(Charge)/credit to other comprehensive income	–	0.7	–	5.7	–	–	–	6.4
(Charge)/credit direct to equity	–	–	–	–	–	–	–	–
Exchange differences	(1.7)	–	(0.7)	0.3	–	(0.7)	3.3	0.5
Asset/(liability) at 31 December 2022	(17.5)	1.1	(7.7)	(10.2)	2.7	4.2	33.6	6.2

Other temporary differences include assets in the US of £15.6m (2021 – £13.6m) in respect of inventory provisions, accruals and other expenses where tax relief is only available when items are realised or paid as well other timing differences for interest costs of £2.3m (2021 – £nil) and R&D expenditure expected to be deductible in future periods of £4.8m (2021 – £nil). Also included are assets held in respect of IFRS16 of £1.9m (2021 – £1.5m) and share based compensation of £1.9m (2021 – £1.1m).

The deferred tax liability in respect of Retirement benefits relates primarily to the Senior plc UK defined benefit pension plan £12.9m (2021 – £18.0m), net of deferred tax assets on other schemes.

UK deferred tax assets and liabilities at the Balance Sheet date have been stated at the future rate of UK corporation tax of 25% at which assets are expected to be realised or liabilities settled. This has resulted in an overall increase in the net deferred tax liability at 31 December 2022 of £0.9m with a current year charge of £0.2m in the Income Statement, £1.4m credit through Other Comprehensive Income and a £2.1m charge recognised in the opening balance at 1 January 2022.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances, after offset:

	Year ended 2022 £m	Year ended 2021 £m
Deferred tax assets	10.9	5.7
Deferred tax liabilities	(4.7)	(10.5)
	6.2	(4.8)

21. Tax balance sheet continued

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, including those arising from the reversal of other taxable temporary differences, against which the assets can be utilised.

At the Balance sheet date the Group has recognised deferred tax assets in respect of losses of £4.2m (2021 – £4.6m), including £3.1m (2021 – £3.2m) recognised against deferred tax liabilities and £1.1m (2021 – £1.4m) recognised based on anticipated profits in the Group's five year forecast to 2027 as approved by the Board. Due to uncertainty as to the availability of future profits against which tax losses may be utilised, £24.0m (2021 – £23.6m) of losses have not been recognised. Included in unrecognised tax losses are losses of £12.2m (2021 – £13.8m) that will expire over a period of one to nine years. Other losses may be carried forward indefinitely. Also, at the Balance Sheet date, a deferred tax liability of £0.2m (2021 – £0.2m) has been recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries expected to reverse in the foreseeable future. No temporary difference has been recognised in respect of £35.1m (2021 – £34.5m) of undistributed earnings, which may be subject to a withholding tax, as the Group is in a position to control the timing of the reversal of the temporary differences and it is not probable that such differences will reverse in the foreseeable future.

At the Balance Sheet date, the Group had £5.0m (2021 – £5.0m) of surplus Advanced Corporation Tax ('ACT'), previously written off, for which no deferred tax asset has been recognised as it is unlikely to be recovered in the foreseeable future due to the UK earnings profile. The Group also has £18.0m (2021 – £18.0m) of unused capital losses.

22. Lease liabilities

When measuring lease liabilities, the Group discounts lease payments using incremental borrowing rates, determined on a lease portfolio basis.

	Year ended 2022 £m	Year ended 2021 £m
Undiscounted contractual maturity of lease liabilities:		
Amounts payable:		
On demand or within one year	12.9	10.8
In the second to fifth years inclusive	38.1	35.6
After five years	55.7	60.9
	106.7	107.3
Less: future finance charges	(28.3)	(34.1)
Lease liabilities	78.4	73.2

	Year ended 2022 £m	Year ended 2021 £m
Amounts recognised in the Consolidated Income Statement:		
Interest on lease liabilities	2.5	2.6
Income from sub-leasing right-of-use assets	(0.1)	(0.1)
Expenses relating to short-term leases	0.1	0.1
Expenses relating to low value leases	–	–
	2.5	2.6

	Year ended 2022 £m	Year ended 2021 £m
Amounts recognised in the Consolidated Cash Flow Statement		
Cash outflow for Leases (including interest)	11.6	11.0

23. Trade and other payables

Trade and other payables at 31 December comprise the following:

	Year ended 2022 £m	Year ended 2021 £m
Current liabilities		
Trade payables	103.4	68.3
Social security and PAYE	4.8	5.7
Value added tax	1.6	1.6
Foreign exchange contracts	3.9	3.6
Accrued expenses	77.5	63.8
Total trade and other payables	191.2	143.0

Foreign exchange contracts of £4.7m (2021 – £nil) is included in Others, under Non-current liabilities on the Consolidated Balance Sheet.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The average credit period taken for trade purchases is 63 days (2021 – 56 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Provisions

	Warranty £m	Restructuring £m	Legal claims and contractual matters £m	Total £m
At 1 January 2021	6.6	8.9	10.3	25.8
Additional provision in the year	1.3	2.8	2.1	6.2
Utilisation of provision	(1.0)	(9.8)	(3.2)	(14.0)
Release of unused amounts	(0.1)	(0.3)	(1.3)	(1.7)
Exchange differences	0.1	(0.3)	(0.1)	(0.3)
At 1 January 2022	6.9	1.3	7.8	16.0
Additional provision in the year	3.7	1.2	6.2	11.1
Utilisation of provision	(0.1)	(2.3)	(2.5)	(4.9)
Release of unused amounts	(0.3)	–	(3.3)	(3.6)
Exchange differences	0.6	–	0.4	1.0
At 31 December 2022	10.8	0.2	8.6	19.6
Included in current liabilities	8.1	0.2	8.4	16.7

Warranty

Provisions for warranty costs are based on an assessment of future claims with reference to past experience. £8.1m of costs are expected to settle within the next 12 months.

Restructuring

The Group continued to implement further restructuring in 2022, discussed in further detail in Note 9. The amount recorded is expected to be fully utilised in 2023.

Legal claims and contractual matters

Provisions at 31 December 2022 comprise £8.6m (2021- £7.8m) relating to contractual matters that have arisen in the ordinary course of business, the settlement of which are subject to ongoing discussions. Management exercises judgment to determine the best estimate of the most likely outcome, having considered each provision separately and the possible range of outcomes. Amounts are recorded for known issues based on past experience of similar items and other known factors and circumstances. As with any judgment there is a high degree of inherent uncertainty, particularly with legal proceedings and claims, and the actual amounts of the settlement could differ from the amount provided.

25. Share capital

	Year ended 2022 £m	Year ended 2021 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	41.9	41.9

No shares were issued during 2022 and 2021.

The Company has one class of ordinary shares which carry no right to fixed income.

26. Share premium account

	Year ended 2022 £m	Year ended 2021 £m
Balance at 1 January	14.8	14.8
Movement in year	–	–
Balance at 31 December	14.8	14.8

27. Equity reserve

	Year ended 2022 £m	Year ended 2021 £m
Balance at 1 January	5.8	5.1
Transfer to retained earnings reserve	(3.7)	(2.8)
Movement in year	4.3	3.5
Balance at 31 December	6.4	5.8

The transfer to retained earnings reserve is in respect of equity-settled share-based payments that vested during the year.

The movement in the year of £4.3m (2021 – £3.5m) is in respect of the share-based payment charge for the year.

28. Hedging and translation reserves

	Hedging reserve Year ended 2022 £m	Translation reserve Year ended 2022 £m	Total Year ended 2022 £m	Hedging reserve Year ended 2021 £m	Translation reserve Year ended 2021 £m	Total Year ended 2021 £m
Balance at 1 January	(37.2)	65.8	28.6	(37.2)	75.1	37.9
Exchange differences on translation of overseas operations	–	24.5	24.5	–	(3.8)	(3.8)
Foreign exchange losses/(gains) recycled to the Income Statement on disposal	–	–	–	2.6	(5.5)	(2.9)
Change in fair value of hedging derivatives	(2.3)	–	(2.3)	(3.4)	–	(3.4)
Tax on foreign exchange contracts – cash flow hedges	0.7	–	0.7	0.8	–	0.8
Balance at 31 December	(38.8)	90.3	51.5	(37.2)	65.8	28.6

Hedging Reserve

At 31 December 2022, the hedging reserve comprises net investment hedging losses of £35.2m (2021 – £35.2m), foreign exchange contracts – cash flow hedge losses of £4.9m (2021 – £2.6m) and related tax gains of £1.3m (2021 – £0.6m).

Movement in fair value of foreign exchange contracts – cash flow hedges:

	Derivatives at fair value through Hedging Reserve Year ended 2022 £m	Derivatives at fair value through Income Statement Year ended 2022 £m	Total Year ended 2022 £m	Derivatives at fair value through Hedging Reserve Year ended 2021 £m	Derivatives at fair value through Income Statement Year ended 2021 £m	Total Year ended 2021 £m
Balance at 1 January	(2.6)	(0.2)	(2.8)	0.8	(0.3)	0.5
Fair value movement recognised in Hedging reserve	(4.5)	–	(4.5)	(2.1)	–	(2.1)
Fair value movement recognised in Income Statement	–	1.4	1.4	–	(1.2)	(1.2)
Fair value movement recognised in Hedging reserve and Income Statement	2.2	(2.2)	–	(1.3)	1.3	–
Balance at 31 December	(4.9)	(1.0)	(5.9)	(2.6)	(0.2)	(2.8)

The Group uses foreign currency forward contracts to manage its foreign currency risk associated with its highly probable forecast transactions. These contracts are designated as cash flow hedge relationships. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the hedging reserve. The sum of the fair value of foreign exchange contracts deferred in the hedging reserve and recognised in the Income Statement is presented as foreign exchange contracts – cash flow hedges. See Note 20 for further details.

Costs of Hedging

The group designates the forward component of foreign currency forward contracts as hedging instruments in cash flow hedge relationships.

29. Retained earnings

	Year ended 2022 £m	Year ended 2021 £m
Balance at 1 January	343.2	305.1
Dividends paid	(1.2)	–
Profit for the year	20.2	24.2
Pension actuarial (loss)/gain	(23.1)	19.7
Transfer from equity reserve	3.7	2.8
Transfer from own share reserve	(2.0)	(2.3)
Tax on deductible temporary differences	5.7	(6.3)
Balance at 31 December	346.5	343.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. Own shares

	Year ended 2022 £m	Year ended 2021 £m
Balance at 1 January	(9.2)	(11.5)
Transfer to retained earnings reserve	2.0	2.3
Purchase of new shares	(4.5)	–
Balance at 31 December	(11.7)	(9.2)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 33).

At 31 December 2022, the number of own shares held by the Senior Plc Employee Benefit Trust is 5,716,834 (2021 – 3,463,455).

31. 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.

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)
Other 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.

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 (see Note 14). The

31. Acquisition and disposal activities continued

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 9).

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 company, Senior Aerospace Connecticut, based in the USA. The decision to sell was based on its primary focus on build-to-print parts for the rotary sector, with proceeds from the sale strengthening the Group's balance sheet and providing greater flexibility for the Group to operate within its capital deployment framework. For the 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 had 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.

32. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. 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:

	Notes	Year ended 2022 £m	Year ended 2021 £m
Net cash from operating activities		57.7	27.0
Corporate undertaking costs	9	1.4	4.8
Net Restructuring cash (received)/paid		(2.1)	0.9
US class action lawsuits	24	–	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)
Purchase of intangible assets		(1.8)	(1.1)
Free cash flow		27.7	14.0

C) Analysis of net debt

	Notes	At 1 January 2022 £m	Net Cash flow £m	Non Cash £m	Exchange movement £m	Other Lease Movements £m	At 31 December 2022 £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⁾	22	(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) The change in lease liabilities in the year ended 31 December 2022 includes lease rental payments of £11.6m (£2.5m of these payments relates to lease interest), £5.3m exchange movement and £9.0m other movements, which comprise £4.3m related to lease additions and modifications 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.

	Notes	At 1 January 2021 £m	Net Cash flow £m	Non Cash £m	Exchange movement £m	Other Lease Movements £m	At 31 December 2021 £m
Cash and bank balances		23.6	27.8	–	(0.3)	–	51.1
Overdrafts		(0.4)	0.4	–	–	–	–
Cash and cash equivalents		23.2	28.2	–	(0.3)	–	51.1
Debt due within one year		–	–	(14.5)	(0.3)	–	(14.8)
Debt due after one year		(152.6)	21.1	14.5	0.8	–	(116.2)
Lease liabilities	22	(76.5)	8.4	–	0.5	(5.6)	(73.2)
Liabilities arising from financing activities		(229.1)	29.5	–	1.0	(5.6)	(204.2)
Total		(205.9)	57.7	–	0.7	(5.6)	(153.1)

Other lease movements include lease additions and modifications of £5.6m.

32. Notes to the consolidated cash flow statement continued

	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. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

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)

33. Share-based payments

The Group recognised total expenses of £4.6m (2021 – £3.8m) related to share-based payments, of which £4.3m (2021 – £3.5m) related to equity-settled share-based payments, and £0.3m (2021 – £0.3m) related to social security costs on share-based payments. As at 31 December 2022, the Group had a liability of £0.6m (2021 – £0.3m) arising from share-based payments relating to social security costs.

A) 2014 Long-Term Incentive Plan**Equity-settled Long-Term Incentive Plans**

On 8 March 2022, 4,307,035 shares were awarded under the 2014 Long-Term Incentive Plan. Awards made under this plan have a three-year vesting period, and are subject to the following equally weighted performance conditions: adjusted earnings per share (EPS), total shareholder return (TSR), and for awards granted from 2021, there is also a return on capital employed (ROCE) performance condition. The adjusted EPS and ROCE performance conditions' targets are expressed as absolute numbers for the final financial year of the three-year performance period. The threshold of the TSR performance condition requires the Company's TSR performance to fall within the top half of a comparator group at the end of the three-year performance period. Vesting levels increase with higher performance. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year, excluding for the Executive Directors, with EPS and ROCE conditions is 121.00p, which is the share price at the date of grant. The estimated fair value for the awards granted in the year, excluding for the Executive Directors, with TSR conditions is 81.30p per share reflecting an adjustment of 33% to the fair value of the awards with EPS conditions due to the stringent TSR condition. The respective fair values for awards made to the Executive Directors is 96.80p and 65.00p reflecting the two year retention period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. Share-based payments continued

These fair values were calculated by applying a binomial option pricing model. This model incorporates a technique called “bootstrapping”, which models the impact of the TSR condition. The model inputs at the date of grant were the share price (121.00p for the main award), expected volatility of 59% per annum, and the performance conditions as noted above. Expected volatility was determined by calculating the historical volatility of the Group’s share price over the previous three years.

The following share awards were outstanding as at 31 December 2022 and 2021:

	Year ended 2022 Number of shares	Year ended 2021 Number of shares
Outstanding at 1 January	9,434,241	7,089,567
Granted	4,307,035	4,455,281
Exercised	–	(58,743)
Forfeited	(2,703,064)	(2,051,864)
Outstanding at 31 December	11,038,212	9,434,241

B) Enhanced SMIS Deferred Share Award

On 8 March 2022, 1,333,546 shares were awarded under the Enhanced SMIS Deferred Share Award. Shares earned under this award have a three-year deferral period and would be subject to forfeiture by a “bad leaver” over that deferral period. There are no performance criteria for this award. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year is 121.00p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2022 and 2021:

	Year ended 2022 Number of shares	Year ended 2021 Number of shares
Outstanding at 1 January	2,003,691	1,734,683
Granted	1,353,612	758,551
Exercised	(677,193)	(425,422)
Forfeited	(137,747)	(64,121)
Outstanding at 31 December	2,542,363	2,003,691

C) Savings-Related Share Option Plan

The Company operates a Savings-Related Share Option Plan for eligible employees across the Group. There are no performance criteria for this arrangement and options are issued to all participants in accordance with the HM Revenue & Customs rules for such savings plans. Savings-Related Share Options were last issued on 26 May 2021.

The following options were outstanding as at 31 December 2022 and 2021:

	Year ended 2022		Year ended 2021	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	4,253,504	144.61p	1,944,121	217.67p
Granted	–	–	3,247,159	118.40p
Exercised	(1,905)	118.40p	–	–
Forfeited	(545,138)	148.81p	(676,596)	204.63p
Expired	(749,847)	219.30p	(261,180)	207.20p
Outstanding at 31 December	2,956,614	124.90p	4,253,504	144.61p
Exercisable at 31 December	190,580	219.30p	–	–

1,905 shares were exercised in 2022. No shares were exercised in 2021. The options outstanding at 31 December 2022 had exercise prices of 118.40p and 219.30p per share, and a weighted average remaining contractual life of 1.8 years. The options outstanding at 31 December 2021 had exercise prices of 118.40p and 219.30p per share, and a weighted average remaining contractual life of 2.4 years.

33. Share-based payments continued

D) Restricted Share Awards

On 8 March 2022, 205,000 shares were awarded under this plan. Shares granted under this award have a three-year deferral period and would be subject to forfeiture by a “bad leaver” over that deferral period. There are no performance criteria for this award. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year is 121.00p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2022 and 2021:

	Year ended 2022 Number of shares	Year ended 2021 Number of shares
Outstanding at 1 January	1,930,115	2,208,538
Granted	205,000	110,000
Exercised	(60,000)	(388,423)
Forfeited	(251,165)	–
Outstanding at 31 December	1,823,950	1,930,115

34. Retirement benefit schemes

The Group operates a number of pension plans in the UK, North America and Europe. These include both defined contribution arrangements and defined benefit arrangements. The Senior plc Pension Plan (“the UK Plan”), which is a funded scheme in the UK and closed to future accrual at the end of 6 April 2014, has the largest pension obligation in the Group and Company. This plan provides benefits based on final pensionable emoluments for the employees of the Group and Company. The latest full actuarial valuation was carried out as at 5 April 2022 and, for the purposes of accounting under IAS19, this valuation has been rolled forward to 31 December 2022.

In addition, the Group operates two defined benefit plans in the US, one of which was closed to future accrual from October 2009. The second plan was closed to future participants from September 2013, and the Executive section was also closed to future accruals from December 2013. Separate disclosure is made for the funded UK and US defined benefit arrangements. In both the UK and US, the assets of funded plans are held in separate trustee administered funds managed by independent financial institutions and have pension costs assessed by consulting actuaries using the Projected Unit Method. The Trustees are required to act in the best interests of the plans’ beneficiaries.

The Group also has a small number of unfunded post-retirement plans, including a closed healthcare scheme in the US. Separate disclosure is provided for these arrangements.

Further details on the arrangement of the UK Plan are given below.

The Trustee of the UK Plan is Senior Trustee Limited. The appointment of the Directors to the Board is determined by the Articles of Association of Senior Trustee Limited. There are seven Trustee Directors in total and in accordance with statutory requirements under the Pensions Act 2004, at least one-third of trustees must be a Member Nominated Director. Currently, there are three Member Nominated Directors and four Directors who have been nominated by the Company, of which the Chairman and one other Director are viewed as independent.

The UK Plan exposes the Company to a number of risks. In particular:

- Uncertainty in benefit payments – the value of the obligations will ultimately depend on the amount of benefits paid out. This in turn will depend on factors such as the level of inflation and how long individuals live.
- Volatility in asset values – the value of the assets held to meet future benefit payments is volatile, for example due to changes in stock markets and interest rates.
- Uncertainty in cash funding – movements in the value of the UK Plan’s obligations or assets may result in the Company being required to provide higher levels of cash funding.

The investment strategy for the UK Plan is decided by the Trustee in consultation with Senior plc. The primary investment objective is for the Plan to be able to meet benefit payments as they fall due. The UK Plan’s average duration is around 12 years and benefits are expected to be paid for the next 60 years. These cash flow payments are expected to reach a peak around 2031, and gradually decline thereafter as the membership matures. In setting this strategy, the Trustee considers a wide range of asset classes, the risk and rewards of a number of possible asset allocation options, the sustainability of each asset class within each strategy, and the need for appropriate diversification between different asset classes. The Trustee’s current investment strategy is to invest 100% in lower risk assets, consisting of corporate bonds, liability driven investments (‘LDI’), gilts and cash. The LDI allocation helps to mitigate investment risk for the UK Plan by minimising the fluctuations in the UK Plan’s funding levels arising from changes in the value of the liabilities. This is achieved through hedging movements in the funding liabilities caused by changes in interest rates and inflation expectations. The Trustee continues to review its investment strategy and adjust it in response to changes in the Plan’s funding position and/or market conditions.

The UK Plan was in a surplus position of £24.5m as at 5 April 2022 when measured on the Trustee’s funding basis and is in a surplus position of £51.8m as at 31 December 2022 (2021 – £72.2m surplus) when measured on an IAS 19 basis. The difference between the triennial funding and annual IAS 19 valuation relates to the assumptions used. For example, the funding discount rate is based on the UK Plan’s stated investment strategy, as opposed to the yields available on corporate bonds for the IAS 19 discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. Retirement benefit schemes continued

The IAS 19 surplus position on the UK Plan is recognised as an asset in the Consolidated and Company Balance Sheet, with no requirement to recognise an additional liability on the UK Plan, on the grounds that the Company has an unconditional right to a refund, assuming the gradual settlement of Plan liabilities over time until all members have left. In considering this, the Company has taken into account that the Trustees do not have unilateral powers to wind up the Plan or modify benefits.

Cash contributions to the UK Plan are set by agreement between the Company and the Trustee of the UK Plan. These are set in accordance with legislation and take account of the intention to further reduce the risk associated with the UK Plan's investment strategy, as set out above. The contributions were last reviewed as at 5 April 2022 and were based on a forecast surplus at that time, as part of the 2022 triennial funding valuation. The Company agreed with the Trustee of the UK Plan to make scheduled contributions in respect of administrative expenses and PPF levies from 5 April 2022 until 30 June 2022, with no further contributions after this date. The estimated contributions expected to be paid during 2023 in the US funded plans is £2.3m.

The Group is ultimately responsible for making up any shortfall in the UK Plan over a period agreed with the Trustees. To the extent that actual experience is different from that assumed, the funding position will be better or worse than anticipated. As such, the contributions required by the Group could vary in the future.

a) Defined contribution schemes

The Group has a number of different defined contribution and government-sponsored arrangements in place in the countries in which it operates. None of these are individually material to the Group and the aggregate cost of such schemes for the period was £8.9m (2021 – £8.6m).

b) Defined benefit schemes

The amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its defined benefit plans is set out below.

	31 December 2022				31 December 2021			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Present value of defined benefit obligations	(198.4)	(49.4)	(5.4)	(253.2)	(294.9)	(56.2)	(5.7)	(356.8)
Fair value of plan assets	250.2	42.7	–	292.9	367.1	50.9	–	418.0
Plan surplus/(deficit) per Consolidated Balance Sheet	51.8	(6.7)	(5.4)	39.7	72.2	(5.3)	(5.7)	61.2

c) Movements in the present value of defined benefit obligations were as follows:

	31 December 2022				31 December 2021			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
At 1 January	294.9	56.2	5.7	356.8	317.7	58.8	6.2	382.7
Current service cost	–	0.5	0.3	0.8	–	0.4	0.3	0.7
Past service cost	–	–	–	–	–	–	–	–
Interest cost	5.5	1.7	–	7.2	3.8	1.5	–	5.3
Experience on benefit obligations	0.8	1.2	–	2.0	2.5	–	–	2.5
Actuarial (gains)/losses – financial	(89.6)	(12.1)	(0.5)	(102.2)	(15.8)	(1.8)	–	(17.6)
Actuarial (gains)/losses – demographic	(1.4)	–	–	(1.4)	(0.3)	0.2	–	(0.1)
Benefits paid	(11.8)	(4.3)	(0.4)	(16.5)	(13.0)	(3.7)	(0.4)	(17.1)
Disposal activities	–	–	–	–	–	–	–	–
Exchange differences	–	6.2	0.3	6.5	–	0.8	(0.4)	0.4
At 31 December	198.4	49.4	5.4	253.2	294.9	56.2	5.7	356.8

34. Retirement benefit schemes continued**d) Movements in the fair value of plan assets were as follows:**

	31 December 2022				31 December 2021			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
At 1 January	367.1	50.9	–	418.0	364.2	54.1	–	418.3
Interest on plan assets	6.9	1.5	–	8.4	4.4	1.3	–	5.7
Actual return on plan assets less interest	(113.4)	(11.3)	–	(124.7)	6.1	(1.6)	–	4.5
Contributions from employer	2.1	0.4	–	2.5	6.0	–	–	6.0
Benefits paid	(11.8)	(4.3)	–	(16.1)	(13.0)	(3.7)	–	(16.7)
Running costs	(0.7)	–	–	(0.7)	(0.6)	–	–	(0.6)
Exchange differences	–	5.5	–	5.5	–	0.8	–	0.8
At 31 December	250.2	42.7	–	292.9	367.1	50.9	–	418.0

e) Amounts recognised in the Consolidated Income Statement in respect of these defined benefit schemes are as follows:

	31 December 2022				31 December 2021			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Current service cost included within operating profit	–	0.5	0.3	0.8	–	0.4	0.3	0.7
Running costs	0.7	–	–	0.7	0.6	–	–	0.6
Past service cost	–	–	–	–	–	–	–	–
Charge included within operating profit	0.7	0.5	0.3	1.5	0.6	0.4	0.3	1.3
Included within finance income	(1.4)	0.2	–	(1.2)	(0.6)	0.2	–	(0.4)
Amount recognised in the Income Statement	(0.7)	0.7	0.3	0.3	–	0.6	0.3	0.9

f) Amounts recognised in other comprehensive income are as follows:

	31 December 2022				31 December 2021			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Net actuarial (losses)/gain in the year due to:								
– Change in financial assumptions	89.6	12.1	0.5	102.2	15.8	1.8	–	17.6
– Change in demographic assumptions	1.4	–	–	1.4	0.3	(0.2)	–	0.1
– Experience adjustments on benefit obligations	(0.8)	(1.2)	–	(2.0)	(2.5)	–	–	(2.5)
Actual return on plan assets less interest on benefit obligations	(113.4)	(11.3)	–	(124.7)	6.1	(1.6)	–	4.5
(Losses)/gains recognised in other comprehensive income	(23.2)	(0.4)	0.5	(23.1)	19.7	–	–	19.7

Actuarial losses of £23.1m (2021 – gains of £19.7m) have been recognised in the Statement of Comprehensive Income. The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income as at 31 December 2022 is £46.1m (2021 – £23.0m).

g) Assets and assumptions in funded plans

	UK plans funded		US plans funded	
	2022 £m	2021 £m	2022 £m	2021 £m
Fair value of plan assets				
Equities	–	28.6	–	–
Bonds	102.4	126.6	42.7	50.9
Gilts	139.3	157.9	–	–
Diversified growth fund	–	37.7	–	–
Cash and other assets	8.5	16.3	–	–
Total	250.2	367.1	42.7	50.9
Actual return on plan assets	(106.5)	10.5	(9.8)	(0.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. Retirement benefit schemes continued

The UK Plan's assets are invested in pooled funds, which are invested exclusively within instruments with quoted market prices in an active market, with the exception of the Plan's holdings in insurance annuity policies, valued at £4.0m (2021 – £4.7m). The value of the invested assets has been measured at bid value and the value of the scheme benefits covered by the insurance annuity policies has been set equal to the value of the corresponding obligations.

The Plan's corporate bond allocation is split between an actively managed mandate and a "buy and maintain" mandate, which seeks to hold a high quality portfolio while minimising portfolio turnover. Both mandates are predominantly invested in investment grade UK corporate bonds and are exposed to a fairly typical range of UK businesses. The majority of the Plan's gilts are passively invested in a range of UK fixed-interest and index-linked government bonds, with the remainder actively invested in a range of swap instruments linked to movements in government bond prices. The risks associated with the Plan's bond and gilt investments are largely offset by corresponding risks present within the pricing of the Plan's benefit obligations.

The UK Plan does not invest directly in property occupied by the Company or in financial securities issued by the Company.

	UK plans funded		US plans funded	
	2022	2021	2022	2021
Major assumptions (per annum %)				
Inflation	3.40%	3.50%	N/A	N/A
Increase in salaries	N/A	N/A	N/A	N/A
Increase in pensions	3.20%	3.30%	0.00%	0.00%
Increase in deferred pensions	3.40%	3.50%	0.00%	0.00%
Rate used to discount plan liabilities	4.80%	1.90%	4.78%	2.76%
Life expectancy of a male aged 65 at the year-end	20.6	20.8	19.7	19.6
Life expectancy of a male aged 65, 20 years after the year-end	22.0	22.2	21.2	21.2

Benefits under the US funded plans are not linked to inflation.

The UK Plan retirement benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The assumption for estimating future Retail Prices Index (RPI) inflation is based on the difference in yields on fixed-interest and index-linked gilts. Demographic assumptions are set broadly in line with the most recent actuarial valuation of the UK plan. The mortality assumption is 95% of the standard mortality tables with an allowance for future improvements in line with the CMI 2021 enhanced projections, with a long-term annual rate of improvement of 1.25% for males and for females, with no weighting on 2020 mortality data and a 10% weighting on 2021 mortality data to make an allowance for the impact of Covid-19.

For the UK Plan, the estimated impact on the plan surplus at 31 December 2022 for changes in assumptions is as follows:

	Increase/ (decrease) in plan surplus £m
0.5% decrease in the discount rate	(11.7)
One-year increase in life expectancy	(7.7)
0.5% increase in inflation	(7.2)

These sensitivities have been calculated to show the movement in the surplus, including allowance for an increase to the value of insured annuity assets, but assuming no other changes in assets as at 31 December 2022. This is unlikely in practice – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Plan.

h) Other post-retirement liabilities

This balance comprises an unfunded German pension plan of £2.7m (2021 – £3.3m), unfunded closed pension and post-retirement healthcare plans in the US of £0.3m (2021 – £0.3m), a provision for post-retirement payments in France of £1.5m (2021 – £1.4m) and £0.9m for post-retirement payments in Thailand (2021 – £0.7m).

The closed pension and post-retirement healthcare plans in the US have been valued on a Projected Unit Method using a discount rate of 4.8% (2021 – 2.8%). No participants were eligible for medical benefits under the healthcare plan in 2022. The German plan has been subject to formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 3.5%, salary growth nil% and pension increase 2.2% (2021 – 1.1%, nil% and 1.8%). In France, the provision arises from a legal obligation to make payments to retirees in the first two years post-retirement. Hence, it is not subject to discounting to the same extent as the other longer-term post-retirement liabilities. The Thailand plan has been subject to a formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 2.8%, inflation rate 2.8% and salary growth 6.0% (2021 – 2.8%, 2.8% and 6.0%).

35. 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 24). 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.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	Year ended 2022 £m	Year ended 2021 £m
Non-current assets			
Investment in subsidiaries	38	259.9	259.9
Property, plant and equipment	39	1.1	1.3
Other intangible assets	37	0.1	0.1
Other receivables	40	3.3	25.7
Retirement benefits	49	51.8	72.2
Total non-current assets		316.2	359.2
Current assets			
Other receivables	40	121.1	65.4
Cash and bank balances	46	1.6	4.7
Total current assets		122.7	70.1
Total assets		438.9	429.3
Current liabilities			
Trade and other payables	42	61.8	70.1
Lease liabilities	47	0.2	–
Bank overdrafts and loans	41	–	14.8
Total current liabilities		62.0	84.9
Non-current liabilities			
Bank and other loans	41	116.4	94.1
Lease liabilities	47	0.9	1.2
Deferred tax liabilities	48	8.8	14.2
Total non-current liabilities		126.1	109.5
Total liabilities		188.1	194.4
Net assets		250.8	234.9
Equity			
Issued share capital	43	41.9	41.9
Share premium account		14.8	14.8
Equity reserve		6.4	5.8
Retained earnings	44	199.4	181.6
Own shares	45	(11.7)	(9.2)
Total equity		250.8	234.9

The Profit for the Company for the year ended 31 December 2022 was £34.8m (2021 – £31.9m).

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 24 February 2023. They were signed on its behalf by:

David Squires
Director

Bindi Foyle
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

All equity is attributable to equity holders of the Company						
Notes	Issued share capital £m	Share premium account £m	Equity reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Balance at 1 January 2021	41.9	14.8	5.1	135.8	(11.5)	186.1
Profit for the year 2021	–	–	–	31.9	–	31.9
Actuarial gains on defined benefit pension schemes	–	–	–	19.7	–	19.7
Tax relating to components of other comprehensive income	–	–	–	(6.4)	–	(6.4)
Total comprehensive income for the period	–	–	–	45.2	–	45.2
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	45	–	–	(2.3)	2.3	–
Transfer to retained earnings	44	–	(2.8)	2.8	–	–
Dividends paid	11	–	–	–	–	–
Balance at 31 December 2021	41.9	14.8	5.8	181.6	(9.2)	234.9
Profit for the year 2022	–	–	–	34.8	–	34.8
Actuarial losses on defined benefit pension schemes	–	–	–	(23.2)	–	(23.2)
Tax relating to components of other comprehensive income	–	–	–	5.7	–	5.7
Total comprehensive income for the period	–	–	–	17.3	–	17.3
Share-based payment charge	–	–	4.3	–	–	4.3
Purchase of shares held by employee benefit trust	45	–	–	–	(4.5)	(4.5)
Use of shares held by employee benefit trust	45	–	–	(2.0)	2.0	–
Transfer to retained earnings	44	–	(3.7)	3.7	–	–
Dividends paid	11	–	–	(1.2)	–	(1.2)
Balance at 31 December 2022	41.9	14.8	6.4	199.4	(11.7)	250.8

NOTES TO THE COMPANY FINANCIAL STATEMENTS

36. Accounting policies

Basis of accounting (company only)

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has taken advantage of the FRS 101 disclosure exemptions for share-based payments, financial instruments, fair value measurements, capital management, presentation of a cash flow statement and disclosure of related party transactions.

The Financial Statements have been prepared on the historical cost basis. They have also been prepared on the going concern basis, as set out in the basis of preparation, Note 2 to the Consolidated Financial Statements. The principal accounting policies adopted are the same as those set out in Note 2 to the Consolidated Financial Statements, except in respect of investments in subsidiaries, which are stated at cost less, where appropriate, provisions for impairment. The carrying values of investments in subsidiaries are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

The Company is incorporated in England and Wales under the Companies Act.

37. Other intangible assets

	Year ended 2022 Computer software £m	Year ended 2021 Computer software £m
Cost		
At 1 January	1.0	1.0
Additions	–	–
Disposal	(0.2)	–
At 31 December	0.8	1.0
Amortisation		
At 1 January	0.9	0.9
Charge for the year	–	–
Disposals	(0.2)	–
At 31 December	0.7	0.9
Carrying amount at 31 December	0.1	0.1

38. Investments in subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given on pages 194 to 195.

	Year ended 2022 £m	Year ended 2021 £m
At 1 January and 31 December	259.9	259.9

39. Property, plant and equipment

	Year ended 2022 Plant and equipment £m	Year ended 2021 Plant and equipment £m
Cost		
At 1 January	2.4	2.4
Additions	0.1	–
Disposals	(0.2)	–
At 31 December	2.3	2.4
Accumulated depreciation		
At 1 January	1.1	0.9
Charge for the year	0.3	0.2
Eliminated on Disposals	(0.2)	–
At 31 December	1.2	1.1
Carrying amount at 31 December	1.1	1.3

The carrying amount includes £1.0m of right-of-use assets (2021 – £1.1m)

40. Other receivables

Other receivables comprise the following:

	Year ended 2022 £m	Year ended 2021 £m
Other receivables: amounts due more than one year		
Due from subsidiaries	3.3	25.7
	3.3	25.7
Other receivables: amounts due within one year		
Value added tax	0.3	0.2
Prepayments and accrued income	1.1	1.0
Due from subsidiaries	119.7	64.2
	121.1	65.4
Total other receivables	124.4	91.1

The Directors consider that the carrying amount of debtors approximates to their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above. The Company does not hold any collateral as security.

The carrying amounts due from subsidiaries approximates to their fair value. There are no past due receivable balances and expected credit losses are immaterial (2021 – immaterial).

As at 31 December 2022, other receivables due in more than one year consist of £3.3m (2021 – £2.2m) due in accordance with the vesting periods of share-based payments and £nil (2021 – £23.5m) of loans to subsidiaries at market rates of interest.

NOTES TO THE COMPANY

FINANCIAL STATEMENTS CONTINUED

41. Bank overdrafts and loans

	Year ended 2022 £m	Year ended 2021 £m
Bank overdrafts	–	–
Bank loans	15.3	(0.5)
Other loans	101.1	109.4
Total	116.4	108.9
The borrowings are repayable as follows:		
On demand or within one year	–	14.8
In the second year	–	–
In the third to fifth years inclusive	116.4	70.7
After five years	–	23.4
	116.4	108.9
Less: amount due for settlement within 12 months (shown under current liabilities)	–	(14.8)
Amount due for settlement after 12 months	116.4	94.1

At 31 December 2022, bank loans are £16.5m and there are £1.2m of capitalised revolving credit facility transaction costs. At 31 December 2021, bank loans were undrawn, and there were £0.5m of capitalised revolving credit facility transaction costs.

Analysis of borrowings by currency

	Pound Sterling £m	Euros £m	US Dollars £m	Total £m
31 December 2022				
Bank overdrafts	–	–	–	–
Bank loans	(1.2)	–	16.5	15.3
Other loans	26.9	24.7	49.5	101.1
	25.7	24.7	66.0	116.4
31 December 2021				
Bank overdrafts	–	–	–	–
Bank loans	(0.5)	–	–	(0.5)
Other loans	26.9	23.4	59.1	109.4
	26.4	23.4	59.1	108.9

The weighted average interest rates paid were as follows:

	Year ended 2022 %	Year ended 2021 %
Bank loans and overdrafts	3.93	1.26
Other loans	2.83	2.88

Bank loans of £16.5m (2021 – £nil) are arranged at floating rates, thus exposing the Company to cash flow interest rate risk. Other borrowings are mainly arranged at fixed interest rates and expose the Company to fair value interest rate risk. No interest rate swaps were taken out in 2021 or 2022. Transaction costs of £1.2m (2021- £0.5m) have been deducted from the bank loans carrying value. Transaction costs of £0.3m (2021- £0.4m), directly attributable to the GBP notes (£0.1m), the Euro notes (£0.1m) and the US Dollar notes (£0.1m) have been deducted from the carrying value of Other loans.

The Directors estimate the fair value of the Company's borrowings to be as follows:

	Year ended 2022 £m	Year ended 2021 £m
Bank loans and overdrafts	15.3	(0.5)
Other loans	93.4	110.4
	108.7	109.9

42. Trade and other payables

Trade and other payables comprise the following:

	Year ended 2022 £m	Year ended 2021 £m
Trade and other payables: amounts falling due within one year		
Trade payables	1.6	0.9
Social security and PAYE	0.2	0.2
Other payables and accruals	7.1	6.8
Due to subsidiaries	52.9	62.2
Total trade and other payables	61.8	70.1

The Directors consider that the carrying amount of trade payables approximates to their fair value.

43. Issued share capital

	Year ended 2022 £m	Year ended 2021 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	41.9	41.9

No shares were issued during 2021 and 2022.

The Company has one class of ordinary shares, which carry no right to fixed income.

44. Retained earnings

	Year ended 2022 £m	Year ended 2021 £m
Balance at 1 January	181.6	135.8
Dividends paid	(1.2)	–
Profit for the year	34.8	31.9
Pension actuarial (loss)/gain	(23.2)	19.7
Transfer from equity reserve	3.7	2.8
Transfer from own share reserve	(2.0)	(2.3)
Tax on deductible temporary differences	5.7	(6.3)
Balance at 31 December	199.4	181.6

£7.5m (2021 – £7.5m) of the Company's retained earnings are considered undistributable.

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income, including the Income Statement and related Notes.

45. Own shares

	Year ended 2022 £m	Year ended 2021 £m
Balance at 1 January	(9.2)	(11.5)
Transfer to retained earnings	2.0	2.3
Purchase of new shares	(4.5)	–
Balance at 31 December	(11.7)	(9.2)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 33).

The nominal value of each share is £0.1 (2021 – £0.1). The total number of treasury shares at 31 December 2022 is 5,716,834 (2021 – 3,463,455).

NOTES TO THE COMPANY

FINANCIAL STATEMENTS CONTINUED

46. Cash and bank balances

	Year ended 2022 £m	Year ended 2021 £m
Cash and cash equivalents comprise:		
Cash	1.6	4.7

Cash and bank balances held by the Company (which are presented as a single class of assets on the face of the Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The Directors consider that the carrying amount of cash and cash equivalents approximate to their face value.

47. Lease liabilities

When measuring lease liabilities, the Company discounts lease payments using incremental borrowing rates, determined on a lease portfolio basis.

	Year ended 2022 £m	Year ended 2021 £m
Undiscounted contractual maturity of lease liabilities:		
Amounts payable:		
On demand or within one year	0.2	0.2
In the second to fifth years inclusive	0.9	0.9
After five years	–	0.2
	1.1	1.3
Less: future finance charges	–	(0.1)
Lease liabilities	1.1	1.2

In 2022, the Company recognised income of £0.1m (2021 – £0.1m) in the Company Income Statement from sub-leasing right-of-use assets and had lease cash outflow of £0.2m (2021 – £0.2m).

As at the date of approving the accounts, the Company has guaranteed £0.4m (2021 – £0.5m) of annual lease commitments of a current subsidiary entity.

48. Tax balance sheet

Current tax

The current tax receivable is £nil (2021 – £nil).

Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Retirement benefits £m	Share based payments £m	Tax Losses £m	Total £m
At 1 January 2021	(0.2)	8.7	(0.1)	(1.5)	6.9
Charge to income	(0.1)	2.9	(0.2)	(1.6)	1.0
Charge to equity	–	6.4	(0.1)	–	6.3
Credit to other comprehensive income	–	–	–	–	–
At 1 January 2022	(0.3)	18.0	(0.4)	(3.1)	14.2
Charge to income	–	0.7	(0.4)	–	0.3
Charge to equity	–	(5.7)	–	–	(5.7)
Credit to other comprehensive income	–	–	–	–	–
As at 31 December 2022	(0.3)	13.0	(0.8)	(3.1)	8.8

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances, after offset:

	Year ended 2022 £m	Year ended 2021 £m
Deferred tax liabilities	8.8	14.2

At the Balance Sheet date, the Company has unused capital losses of £15.6m (2021 – £15.6m) available for offset against future capital gains. No deferred tax asset has been recognised as no such capital gains are anticipated to arise in the foreseeable future.

49. Retirement benefit scheme

The Company's defined benefit scheme is shown in Note 34 in the "UK plans funded" column.

50. Related party transactions

The remuneration of the Directors and Senior Managers, who are the key management personnel of the Group, is set out in the Remuneration Report on pages 108 to 128. In 2022, the Company recognised share-based payment expense of £1.1m (2021 – £0.7m) in relation to the executive Directors.

The Group has related party relationships with a number of pension schemes. Transactions between the Group and these pension schemes are disclosed in Note 34.

51. Share-based payments

The Company has a number of share-based payment arrangements that existed during 2022, the details of which can be found in Note 33.

For the savings-related share option plan, 1,905 shares were exercised in 2022 and no shares were exercised in 2021. The options outstanding at 31 December 2022 had exercise prices of 118.40p per share, and a weighted average remaining contractual life of 2.0 years. The options outstanding at 31 December 2021 had exercise prices of 118.40p and 219.30p per share, and a weighted average remaining contractual life of 2.1 years.

Share-based payment costs relating to subsidiaries are recharged from the Company.

FIVE-YEAR SUMMARY

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Group income statement					
Revenue					
Continuing operations	848.4	658.7	733.6	1,110.70	1,082.10
Adjusted operating profit					
Continuing operations	28.5	6.1	3.7	89.4	91.6
Amortisation of intangible assets from acquisitions	(0.2)	–	(7.7)	(13.1)	(15.4)
Goodwill impairment and write-off	–	–	(134.3)	–	–
Net restructuring income/(cost)	4.2	4.4	(39.0)	(12.1)	–
US class action lawsuits	–	–	–	(2.6)	(3.9)
Operating profit/(loss)	32.5	10.5	(177.3)	61.6	72.3
Investment income/finance costs, net (excluding lease liabilities)	(7.4)	(5.8)	(7.8)	(8.1)	(8.8)
Interest on lease liabilities	(2.5)	(2.6)	(3.0)	(3.5)	–
Net finance income of retirement benefits	1.2	0.4	0.9	0.7	0.2
Corporate undertakings	(1.4)	21.2	(4.6)	(22.0)	–
Profit/(loss) before tax	22.4	23.7	(191.8)	28.7	63.7
Tax	(2.2)	0.5	33.3	0.5	(7.8)
Profit/(loss) for the year	20.2	24.2	(158.5)	29.2	55.9
Depreciation and amortisation of intangibles excluding right-of-use assets	39.5	38.3	51.4	57.5	56.9
Depreciation on right-of-use assets	10.3	9.5	10.2	10.2	–
Gross capital expenditure	30.5	21.3	26.8	64.8	56.3
Basic earnings/(loss) per share	4.86p	5.82p	(38.20)p	7.04p	12.81p
Diluted earnings/(loss) per share	4.73p	5.73p	(38.20)p	7.01p	12.63p
Adjusted earnings/(loss) per share	4.36p	0.17p	(0.84)p	16.17p	16.08p
Dividends in respect of years – per share	1.30p	0.0p	0.0p	2.28p	7.42p
– value	5.3	–	–	9.5	30.9
Group Balance Sheet					
Non-current assets excluding right-of-use assets	539.8	463.5	482.7	651.4	662.0
Right-of-use assets IFRS 16	70.8	67.4	72.5	82.3	–
Non-current assets	610.6	530.9	555.2	733.7	662.0
Net current assets	104.1	110.3	89.2	102.5	131.0
Non-current liabilities	(265.3)	(216.1)	(251.1)	(276.6)	(221.2)
Net assets	449.4	425.1	393.3	559.6	571.8
Net debt pre IFRS 16	(100.5)	(79.9)	(129.4)	(145.9)	(153.0)
Lease liabilities IFRS16	(78.4)	(73.2)	(76.5)	(83.7)	–
Net debt	(178.9)	(153.1)	(205.9)	(229.6)	(153.0)
Group cash flow					
Net cash from operating activities	57.7	27.0	48.9	115.9	100.7
Corporate undertaking costs	1.4	4.8	4.6	3.4	–
Net Restructuring cash (received)/paid	(2.1)	0.9	15.2	2.9	–
US class action lawsuits	–	2.3	3.9	–	–
Interest received	0.7	0.1	0.2	0.2	0.4
Proceeds from disposal of property, plant and equipment	0.5	0.2	0.5	0.7	0.5
Purchase of property, plant and equipment – cash	(28.7)	(20.2)	(25.2)	(63.0)	(54.6)
Purchase of intangible assets	(1.8)	(1.1)	(1.6)	(1.8)	(1.7)
Free cash flow	27.7	14.0	46.5	58.3	45.3
Dividends paid	(1.2)	–	–	(31.2)	(29.6)
Acquisition costs/Disposal proceeds	(25.3)	51.7	0.4	2.9	–
Corporate undertaking costs	(1.4)	(4.8)	(4.6)	(3.4)	–
Net Restructuring cash received/(paid)	2.1	(0.9)	(15.2)	(2.9)	–
US class action lawsuits	–	(2.3)	(3.9)	–	–
Loan to joint venture	–	–	–	–	0.5
Purchase of shares held by employee benefit trust	(4.5)	–	–	(6.3)	(7.2)
Increase/(decrease) in loans	0.4	(21.1)	(7.2)	(3.2)	(2.4)
Decrease in lease liabilities	(9.1)	(8.4)	(7.9)	(7.8)	(0.3)
(Decrease)/increase in cash and cash equivalents	(11.3)	28.2	8.1	6.4	6.3

ADDITIONAL INFORMATION

IN THIS SECTION

- 194 Group Undertakings
- 196 Additional Shareholder Information
- 197 Officers and Advisers



GROUP UNDERTAKINGS

Operating Companies	Business Units	Locations		Country of Incorporation
Senior UK Limited	Senior Aerospace Bird Bellows	Congleton	England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
	Senior Aerospace BWT	Macclesfield		
	Senior Flexonics Crumlin	Crumlin		
	Senior Aerospace Weston	Colne		
	Senior Aerospace Thermal Engineering	Royston		
Lymington Precision Engineers Co. Limited	Senior Flexonics Lymington	Lymington	England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Flexonics Czech s.r.o.	Senior Flexonics Czech	Olomouc, Czech Republic	Czech Republic	Olomouc, Průmyslová 733/9, postcode 779 00, Czech Republic
Senior Aerospace Ermeto SAS	Senior Aerospace Ermeto	Blois, France	France	Z.A Euro Val de Loire, 8 rue du Clos Thomas, 41330 Fosse, France
Senior Calorstat SAS	Senior Aerospace Calorstat	Dourdan, France	France	11 Rue des Soufflets, 91410, Dourdan, France
Senior Flexonics GmbH	Senior Flexonics Kassel	Kassel, Germany	Germany	Frankfurter Strasse 199, 34121 Kassel, Germany
Senior India Private Limited	Senior Flexonics New Delhi	New Delhi, India	India	4th, Floor, Rectangle No.1, Commercial Complex D-4, Saket-New Delhi-110017, India
Senior Operations (Canada) Limited	Senior Flexonics Canada	Brampton, Ontario	Canada	134 Nelson Street West, Brampton, Ontario, L6X 1C9, Canada
Senior Flexonics SA (Pty) Limited	Senior Flexonics Cape Town	Cape Town, South Africa	South Africa	11 Thor Circle, Viking Place, Thornton, Cape Town, 7460, South Africa
Senior Operations LLC	Senior Aerospace AMT	Arlington, Washington	USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
	Senior Aerospace Jet Products	San Diego, California		
	Senior Aerospace Ketema	El Cajon, California		
	Senior Aerospace Metal Bellows	Sharon, Massachusetts		
	Senior Aerospace Damar	Monroe, Washington		
	Senior Aerospace SSP	Burbank, California		
	Senior Flexonics Bartlett	Bartlett, Illinois		
	Senior Flexonics GA	Franklin, Wisconsin		
	Senior Flexonics Pathway	New Braunfels, Texas & Lewiston, Maine		
	Senior Aerospace Spencer	Valencia, California		
Steico Industries, Inc.	Senior Aerospace Steico Industries	Oceanside, California	USA	818 West Seventh St., Ste. 930, Los Angeles, CA 90017, USA
Senior Aerospace (Thailand) Limited	Senior Aerospace Thailand	Chonburi, Thailand	Thailand	789/115-116 Moo1, Pinthong Industrial Estate, Sainhongkor-Lamchabang Road, Tambol Nhonkham, Amphur Sriracha, Chon Buri Province 20230, Thailand
Upeca Aerotech Sdn Bhd	Senior Aerospace Upeca	Selangor, Malaysia	Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia
Upeca Flowtech Sdn Bhd	Senior Flexonics Upeca	Selangor, Malaysia	Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia
Upeca Engineering (Tianjin) Co Ltd	Senior Flexonics Upeca (China)	Tianjin, China	China	No. 12 QuanHe Road, Wu Qing Development Area, Tianjin 301700, PR China

Operating Companies	Business Units	Locations	Country of Incorporation
Atlas Composites Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Flexonics Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Lymington Precision Engineering (LPE) Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Aerospace Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Americas One Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Americas Two Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Automotive Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Engineering Investments Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Finance Four Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Finance Seven Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Finance Six Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Five Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Flexonics Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Trustee Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior France SAS		France	11 Rue des Soufflets, 91410, Dourdan, France
Senior Investments (Deutschland) GmbH		Germany	Frankfurter Strasse 199, 34121 Kassel, Germany
Upeca Technologies Sdn Bhd		Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia
Senior Aerospace Bosman B.V.		Netherlands	Bergen 6, 2993 LR Barendrecht, Netherlands
Senior Investments GmbH		Switzerland	Fronwagplatz 10, CH-8200, Schaffhausen, Switzerland
Senior IP GmbH		Switzerland	Fronwagplatz 10, CH-8200, Schaffhausen, Switzerland
Flexonics, Inc.		USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Senior Holdings LLC		USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Senior US Holdings Inc		USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA

Senior Aerospace and Flexonics Business Units in Mexico are operated by a third party under contract manufacturing agreements.

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China.

All Group undertakings are wholly and directly owned by subsidiary undertakings of Senior plc, and in every case the principal country of operation is the country of incorporation.

Senior Aerospace Bosman ceased trading in 2021, and Senior Flexonics Upeca, Malaysia ceased manufacturing in 2021.

ADDITIONAL SHAREHOLDER INFORMATION

Analysis of shareholders at 31 December 2022

	Shareholders Number	Shareholders %	Issued Shares Millions	Issued Shares %
By category				
Corporate bodies	402	19.51	411.05	98.00
Other shareholders	1,659	80.49	8.37	2.00
	2,061	100.00	419.42	100.00
By range of holdings				
1 – 24,999	1,758	85.30	6.15	1.46
25,000 – 49,999	71	3.45	2.48	0.59
50,000 – 249,999	106	5.14	12.23	2.92
250,000 – 499,999	34	1.65	12.61	3.01
500,000 – 999,999	34	1.65	23.93	5.71
1,000,000 – and over	58	2.81	362.02	86.31
Operating (loss)/profit	2,061	100.00	419.42	100.00

The number of shares in issue at 31 December 2022 was 419,418,082.

Share Registrars

All shareholder records are maintained by Equiniti and all correspondence should be addressed to the Registrar, Senior plc at the Equiniti address shown on the inside back cover, quoting the reference number starting with 0228 detailed on your dividend vouchers. The registrar should be notified regarding changes to name or address, loss of share certificate, or request for, or change to, a dividend mandate.

Equiniti provides a range of shareholder information on-line. Shareholders can check their holdings, update details and obtain practical help on transferring shares at: www.shareview.co.uk.

Instead of payment by post to your registered address, dividends can be paid through the BACS system direct into a UK bank or building society account, with the dividend voucher still sent to your registered address. If you wish to use this facility and have not previously applied, then please apply direct to Equiniti and request a dividend mandate form. Shareholders who are currently receiving duplicate sets of Company mailings, as a result of any inconsistency in name or address details, should write direct to Equiniti so holdings can be combined, if appropriate.

CREST Proxy Voting

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 21 April 2023 and any adjournment(s) thereof by using the procedures described in the CREST manual. Further details relating to voting via CREST may be found on the 2023 AGM Notice of Meeting and Form of Proxy.

OFFICERS AND ADVISERS

Secretary and registered office

Secretary and registered office
Andrew Bodenham
Senior plc
59/61 High Street, Rickmansworth, Hertfordshire WD3 1RH
Registered in England and Wales No. 00282772

Registrars

Equiniti Ltd
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Auditor

KPMG LLP
15 Canada Square, London E14 5GL

Sharegift

If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations. The ShareGift Transfer Form may be obtained from Equiniti, the Company's Registrars, at www.shareview.co.uk. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information about ShareGift may be obtained on 020 7930 3737 or from www.ShareGift.org.

Solicitors

Slaughter and May
One Bunhill Row, London EC1Y 8YY

Bankers

HSBC UK Bank plc
71 Queen Victoria Street, London EC4V 4AY

KBC Bank NV, London Branch
111 Old Broad Street, London EC2N 1BR

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50 Stratton Street, London W1J 8LL

Financial Public Relations

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The Adelphi
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London WC2N 6HT

Corporate Brokers

Jefferies International Limited
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