

Results for the year ended 31 December 2023

Strong results with adjusted operating profit 61% up on prior year

FINANCIAL HIGHLIGHTS	Year ended 31 December		change	change (constant currency) (4)
	2023	2022		
REVENUE	£963.5m	£848.4m	+14%	+14%
OPERATING PROFIT	£37.9m	£32.5m	+17%	+17%
<i>ADJUSTED FOR:</i>				
AMORTISATION OF INTANGIBLE ASSETS FROM ACQUISITIONS	£2.2m	£0.2m		
NET RESTRUCTURING COST/(INCOME)	£5.6m	£(4.2)m		
SITE RELOCATION COST	£0.1m	£nil		
ADJUSTED OPERATING PROFIT⁽¹⁾	£45.8m	£28.5m	+61%	+61%
ADJUSTED OPERATING MARGIN⁽¹⁾	4.8%	3.4%	+140 bps	+140 bps
PROFIT BEFORE TAX	£22.8m	£22.4m	+2%	+2%
ADJUSTED PROFIT BEFORE TAX⁽¹⁾	£38.3m	£20.1m	+91%	+92%
BASIC EARNINGS PER SHARE	7.52p	4.86p	+55%	
ADJUSTED EARNINGS PER SHARE⁽¹⁾	10.28p	4.36p	+136%	
TOTAL DIVIDEND (PAID AND PROPOSED) PER SHARE	2.30p	1.30p	+77%	
FREE CASH FLOW⁽²⁾	£15.5m	£27.7m	-44%	
NET DEBT EXCLUDING CAPITALISED LEASES⁽²⁾	£132.0m	£100.5m	£32m increase	Net debt / EBITDA⁽⁵⁾ 1.6x
NET DEBT⁽²⁾	£203.8m	£178.9m	£25m increase	
ROCE⁽³⁾	7.1%	4.7%	+240bps	

Highlights

- Strong trading performance across the Group compared to 2022
- Adjusted EPS of 10.28p includes benefit of 2.54p from release of provisions for uncertain tax positions
- Continued ROCE improvement, increasing by 240 bps
- Robust core market demand, with a healthy book-to-bill of 1.14
- Healthy balance sheet with net debt / EBITDA⁽⁵⁾ of 1.6x
- Spencer Aerospace revenues increased by over 50% year-on-year
- The Board anticipates good growth for the Group in 2024 in line with its expectations
- Final dividend of 1.70p, bringing full year dividend to 2.30p, up 77%, reflecting improved performance and future prospects

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

"Senior has delivered a year of strong trading performance and profit growth with significant momentum across our

two divisions.

Our Flexonics Division performed well in 2023 with double-digit margins and strong growth in both land vehicle and power & energy. In 2024 we expect to maintain good performance with land vehicle market demand normalising to more typical levels and continuing robust demand in our downstream oil & gas business.

Momentum is building in our Aerospace Division. We have achieved a diversified position across key civil and defence aircraft platforms and are benefiting from increasing aircraft build rates which we expect will lead to higher sales in 2024 and beyond. Supply chain issues are improving as anticipated and we expect further improvement as 2024 progresses. Beyond this, we can expect Aerospace performance to continue to improve in 2025 as production rates increase, supply chain continues to improve, and additional contractually agreed price rises take effect.

Overall, the Board anticipates good growth for the Group in 2024 in line with its expectations.

Looking further ahead, we remain on track to achieve our stated ROCE target of at least 13.5%. Our strategy and positioning in attractive and structurally resilient core markets, active portfolio management, combined with our sector leading sustainability credentials and highly relevant technical capabilities, provides confidence of continuing performance improvements across our Aerospace and Flexonics Divisions, enhancing value for our stakeholders."

Further information

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Notes

This Release represents the Company's dissemination announcement in accordance with the requirements of Rule 6.3.5 of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. The full Annual Report & Accounts 2023, together with other information on Senior plc, can be found at: www.seniorplc.com

The information contained in this Release is an extract from the Annual Report & Accounts 2023, however, some references to Notes and page numbers have been amended to reflect Notes and page numbers appropriate to this Release.

The Directors' Responsibility Statement has been prepared in connection with the full Financial Statements and Directors' Report as included in the Annual Report & Accounts 2023. Therefore, certain Notes and parts of the Directors' Report reported on are not included within this Release.

- (1) Adjusted operating profit and adjusted profit before tax are stated before £2.2m amortisation of intangible assets from acquisitions (2022 - £0.2m), £5.6m net restructuring costs (2022 - £4.2m net income) and £0.1m site relocation cost (2022 - £nil). Adjusted profit before tax is also stated before costs associated with corporate undertakings of £7.6m (2022 - £1.7m). A reconciliation of adjusted operating profit to operating profit is shown in Note 4. Adjusted earnings per share includes the benefit of a release of £10.5m of provision for uncertain tax positions in the second half of 2023, of which £3.5m relates to interest (see Note 5 for further details). Adjusted operating margin is the ratio of adjusted operating profit to revenue.
- (2) See Note 12b and 12c for derivation of free cash flow and of net debt, respectively.
- (3) Return on capital employed ("ROCE") is derived from annual adjusted operating profit (as defined in Note 4) divided by the average of the capital employed at the start and end of that twelve-month period, capital employed being total equity plus net debt (as derived in Note 12c).
- (4) 2022 results translated using 2023 average exchange rates - constant currency.
- (5) The following measures are used for the purpose of assessing covenant compliance for the Group's borrowing facilities:
 - EBITDA is adjusted profit before tax and before interest, depreciation, amortisation and profit or loss on sale of property, plant and equipment. It also excludes EBITDA from businesses which have been disposed and includes 12 months EBITDA for businesses acquired and it is based on frozen GAAP (pre-IFRS 16). EBITDA for 2023 was £84.1m.
 - Net debt is defined in Note 12c. It is based on frozen GAAP (pre-IFRS 16) and as required by the covenant definition, it is restated using 12-month average exchange rates.
 - Interest is adjusted finance costs and finance income before net finance income of retirement benefits. It also excludes interest from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16).
 - The definition of adjusted items in the Consolidated Income Statement is included in Note 4.

The Group's principal exchange rate for the US Dollar applied in the translation of Income Statement and cash flow items at average 2023 rates was \$1.24 (2022 - \$1.24) and applied in the translation of balance sheet items at 31 December 2023 was \$1.27 (31 December 2022 - \$1.21).

The full Annual Report & Accounts 2023 is now available online at www.seniorplc.com. Printed copies will be distributed on or soon after 15 March 2024.

Webcast

There will be a presentation on Monday 4 March 2024 at 11.00am GMT accessible via a live webcast on Senior's website at www.seniorplc.com/investors. The webcast will be made available on the website for subsequent viewing.

Note to Editors

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

Cautionary Statement

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

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview of 2023 results

Senior made good operational and strategic progress in 2023. Trading performance was strong with revenue growing 14% and adjusted operating profit growing 61% over 2022.

In 2023, Group revenue increased by 14% on a constant currency basis to £963.5m with strong double-digit growth across both divisions. This year-on-year increase reflected the strength in our core markets and our positioning on key growth platforms across both Aerospace and Flexonics. The Group benefited from growth in land vehicle and power & energy markets, the increases in civil aircraft production rates and higher defence spending.

In Flexonics, revenue grew 18% compared to prior year, on a constant currency basis. This performance was driven by strong customer demand and market share gains in land vehicle as well as good momentum in power & energy markets. In Aerospace, revenue increased 11.5% year-on-year on a constant currency basis. The increase reflected ramp up in civil aircraft production rates and growth in the defence market more than offsetting the reduction in sales to semiconductor equipment customers (which is included in "Other Aerospace").

For the third year running, the Group recorded good order intake reflecting the broad, diversified and high-quality nature of our business. The 2023 book-to-bill ratio of 1.14 underpins our confidence in further growth in 2024 and beyond.

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

The Group generated an adjusted operating profit of £45.8m (2022 - £28.5m). Adjusted operating margin increased by 140 basis points, to 4.8% for the year. Price increases secured during the period helped to more than offset the impact of continued inflationary cost increases, including raw materials. The improved profitability also reflected volume related operating leverage, particularly across our Flexonics operating businesses. In Aerospace, trading performance has been in line with expectations whilst absorbing the significant impact of the Thailand supplier fire and other supply chain issues in 2023.

As anticipated, the Aerospace supply chain has started to improve and we expect further progress throughout 2024. The volume of parts shortages and specific supply chain challenges has reduced considerably, however, there are still some challenges on certain material and component categories that are affecting some of our operating businesses in common with the whole industry.

One of the most significant supply chain challenges in 2023 that we have previously highlighted was the fire at one of our key suppliers in Thailand. Our team in Thailand proactively managed the consequences of the fire to help customers, and the supplier in question, to the very best of their ability. Nonetheless the fire had a significant effect on planned growth and performance in our Thailand business and it was to the credit of our other Aerospace businesses that they stepped up to ensure we met our expectations for the Division as a whole. Progress with the factory rebuild at our supplier is continuing apace and should be near completion by the end of Q1 although, as previously advised, it will be well into the second half of 2024 before requalification of their parts from the new factory

will allow return to normal operations. Thereafter we are confident that Thailand will see rapid growth as they have a compelling value proposition that our customers are keen to take advantage of.

The Group's adjusted profit before tax increased by 91% in 2023 to £38.3m (2022 - £20.1m). This includes £3.5m benefit (2022 - £nil) from interest unwind following a simplification of our Americas legal entity ownership structure, that will therefore not repeat in 2024 (see Note 5).

The adjusted tax credit for 2023 was £4.2m (2022 - a charge of £2.0m) and includes £7.0m benefit (2022 - £nil) from a release of provision for uncertain tax positions, following the legal entity simplification described above. Adjusted earnings per share increased by 136% to 10.28 pence (2022 - 4.36 pence) and includes benefit of 2.54 pence from the above noted release of interest and tax provisions following the legal entity simplification, that will not repeat in 2024.

Reported operating profit was £37.9m (2022 - £32.5m) and profit before tax was £22.8m (2022 - £22.4m). Basic earnings per share increased to 7.52 pence (2022 - 4.86 pence).

The Group generated free cash inflow of £15.5m (2022 - £27.7m) in 2023; higher year-on-year profits were offset by increased investment in working capital reflecting production growth. Cash outflows from working capital of £27.6m (2022 - £12.1m) reflected higher receivables as a result of revenue growth and planned investment in inventory to enable us to meet the strong increase in demand from our customers, as well as to mitigate ongoing supply chain issues in Aerospace. Gross capital expenditure was £35.9m (2022 - £30.5m) which was 0.9x depreciation (excluding the impact of IFRS 16). Cash interest paid, net of interest received, was £12.9m (2022 - £9.0m) reflecting the effect of higher borrowing costs on variable rate debt.

The Group experienced a net cash outflow of £25.5m (2022 - £2.6m) in 2023, due to free cash inflow of £15.5m (2022 - £27.7m), offset by £25.8m cash outflows related to corporate undertakings; £6.6m dividends paid; £5.6m purchase of shares held by the employee benefit trust; and £3.0m net outflows related to restructuring and the US pension settlement.

The Group's balance sheet remains healthy with a period-end net debt to EBITDA of 1.6x. The headroom on our committed borrowing facilities at 31 December 2023 was £142.4m. Net debt at the end of December 2023 was £203.8m (including capitalised leases of £71.8m), an increase of £24.9m from December 2022, after taking into account favourable currency movements of £8.5m and a £7.9m increase for lease movements.

ROCE increased by 240 basis points to 7.1% (2022 - 4.7%). The continued increase in ROCE reflects the 61% increase in adjusted operating profit in 2023. This improvement keeps the Group on track to deliver our stated ROCE target of at least 13.5%.

The Board has confidence in the Group's performance, financial position and future prospects, and has approved a final dividend of 1.70 pence per share (2022 - 1.00 pence). This will be paid on 31 May 2024 to shareholders on the register at close of business on 3 May 2024. This brings the total dividends, paid and proposed for 2023, to 2.30 pence per share (2022 - 1.30 pence). We will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover.

Market Overview

Our core Flexonics and Aerospace markets were strong during 2023.

Land Vehicle (21% of Group)

Land vehicle markets experienced good momentum in 2023 with strong growth in Europe and India and record heavy-duty truck production in North America.

According to Americas Commercial Transportation ("ACT") research, the North American heavy-duty truck market grew by 8% in 2023 compared to 2022 which was ahead of their earlier expectations. ACT expects this market to decline by 16% in 2024 reflecting a return to more normal levels of production before returning to growth in 2025. As stated by S&P, European truck and bus market production grew by 14% in 2023 and is forecast to decline by 11% in 2024, with growth resuming in 2025. The global commercial vehicle market is expected to grow at low single-digit compound annual growth rate through the cycle.

Passenger vehicle production in 2023 continued to benefit from improving supply chains and pent-up demand.

According to S&P, European passenger vehicle production grew by 12% in 2023 and it is forecast to decline by 3% in 2024. Production of electric vehicles (EVs) grew by 32% during 2023, representing 12% of all new passenger vehicles.

Power & Energy (15% of Group)

In 2023, power & energy markets grew with higher levels of activity in upstream oil & gas continuing and good levels of maintenance and overhaul. In upstream markets oil producers sought to enhance both their existing and future production capabilities. Investment in exploration, appraisal and production was high in multiple geographies.

Global oil-refining capacity grew by an estimated 2% in 2023, according to the International Energy Agency (IEA), with most of this growth in Africa, China, and India. Capacity growth in North America was flat.

Looking ahead demand for oil in 2024 is anticipated by the IEA to increase by 1%, in line with the growth in supply. Refining capacity is anticipated to increase by 1% per annum over the next five years. Wood McKenzie forecast that oil consumption will peak in 2028 as improvements in the efficiency of the global-vehicle fleet and the adoption of EVs lead to lower demand, while renewables and nuclear represent a greater share of energy supply.

Civil Aerospace (42% of Group)

Air-passenger traffic volumes continued to recover strongly during 2023. Revenue Passenger-Kilometres (RPKs) increased by 37% and have now reached 94% of 2019 (pre-pandemic) levels. Domestic passenger traffic surpassed 2019 RPKs during the year, reaching 104% of 2019 levels, while international passenger traffic has reached 89% of pre-pandemic levels. Air traffic will continue to grow driven in particular by demand in Asia-Pacific.

Both single-aisle and wide-body aircraft build rates increased in 2023. Airbus has confirmed that production of the A320-family of aircraft, which represented 10% of Group sales in 2023, are planned to move progressively to 75 per month in 2026. On other important Airbus platforms, production of the A220 remains on track to reach 14 per month in 2026, the A330 rates of 4 per month in 2024 and the A350 a build rate of 10 per month in 2026.

Boeing has confirmed that production of the B737-MAX, which represented 6% of Group sales in 2023, increased from 31 aircraft a month in H1 2023 to 38 aircraft per month by the end of 2023. Rates will not increase beyond this level until approved to do so by the Federal Aviation Administration (FAA). Boeing has previously said that they plan to increase B737 production to 50 per month over the 2025/2026 timeframe.

During the pause in the expansion of B737-MAX production, Boeing has said that they will maintain the current master schedule, which for some suppliers may be above rate 38 per month, to avoid disruptions to the supply chain and support future production increases once authorised by the FAA.

Production of the B787, currently at 5 per month, is planned to move steadily to 10 per month by 2025/2026, while production of the B777X has resumed and the programme's timeline of reaching a build rate of 4 per month by 2025 remains unchanged.

Defence (14% of Group)

Senior's sales to the defence sector are focused primarily on the US-military aircraft market.

The Group is well placed with good content on the F-35 Joint Strike Fighter, mature programmes such as the C 130J and A400M transport aircraft, Eurofighter and the newer T-7A Red Hawk trainer programme.

Lockheed Martin has stated that they expect to produce F-35 at a rate of 156 aircraft per annum over the next five years.

The first T-7A advanced trainer aircraft from the production line was delivered to the US Air Force (USAF) in November 2023 for flight testing. The USAF have awarded Boeing a contract for 351 of the aircraft, with entry into service expected in 2027.

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

Sales from our Aerospace operating businesses into end markets outside of the civil aerospace and defence markets are classified under "Other Aerospace" and include sales into the semiconductor equipment, medical-device and space markets.

Using our world class bellows technology, we manufacture highly engineered proprietary products to provide unique solutions for semiconductor manufacturing equipment and low-earth orbit satellites. Demand in the semiconductor equipment market is anticipated to remain flat during H1 2024 before beginning to recover in the second half.

The low-earth orbit satellite market is expected to grow at a compound annual growth rate of 15% between 2023 and 2030 driven by demand for high-speed and low-cost broadband, growing advancements in satellite network and potential uses for laser-based space optical communications.

Delivery of Group Strategy

Senior has a compelling strategy to maximise value for shareholders. Our Purpose is "we help engineer the transition to a sustainable world for the benefit of all our stakeholders", further explained on pages 4 and 5 of the Annual Report & Accounts 2023.

To achieve our strategy, we will continue to:

- strengthen our strategic focus on IP-rich fluid conveyance and thermal management products;
- maintain a strong focus on lean manufacturing and operational efficiency through our Senior Operating System;
- execute on our portfolio optimisation strategy to maximise value creation;
- maintain our sector leading sustainability performance; and
- drive intrinsic strong cash generation and deliver our stated target of at least 13.5% ROCE.

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

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 emission reductions 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. 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 42 and 47 of the Annual Report & Accounts 2023.

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 as part of our 'one foot in today, one foot in tomorrow' approach. 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, see pages 16 and 37 of the Annual Report & Accounts 2023. This strategy, along with our well-capitalised businesses, provides a solid foundation to support our future growth aspirations.

Spencer Aerospace

Acquired in November 2022, the integration of Spencer Aerospace is progressing well. Sales grew over 50% versus prior year and order intake underpins further strong growth expected in 2024. In addition, Spencer Aerospace is working collaboratively with our French Aerospace business, Ermeto, which has qualified hydraulic fittings for European Aerospace customers.

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 its 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, overall effectiveness and returns, we actively review our overall portfolio of operating businesses and evaluate them in terms of their strategic fit within the Group in order to maximise Group operating efficiency and optimal value to shareholders.

We continue to explore strategic options for our Aerostructures business which includes the potential divestment of the business.

Sustainability

Our dedication to sustainability is ingrained in our core Values, forming the foundation of our Purpose.

Our Environmental, Social and Governance (ESG) programmes are dynamic and continually advancing. Notably, we have earned a distinguished "A" rating from CDP for our work during 2023 on climate disclosure and action. In addition, we also attained the highest leadership rating for our 2022 Supplier Engagement programme. These achievements underscore our ongoing commitment to sustainability, reflecting our proactive stance in addressing environmental challenges and fostering positive social and governance practices.

In 2023, our ambitious Net Zero science-based emission reduction targets received verification from the Science Based Targets initiative ("SBTi").

Senior's verified SBTi targets, using 2018 as a base year are:

- commitment to reach Net Zero greenhouse gas emissions across the value chain by 2040;
- near-term, commitment to reduce absolute Scope 1 and 2 greenhouse gas emissions 30% by 2025, and that 82% of suppliers by spend covering purchased goods and services and capital goods will have science-based targets by 2025; and
- commitment to reduce absolute Scope 1, 2 and 3 greenhouse gas emissions 90% by 2040.

SBTi's Target Validation Team assessed Senior's Scope 1 and 2 near-term and long-term target ambitions and Scope 3 long-term ambition and has determined that they are in line with the Paris Agreement targets to limit global warming to a 1.5°C trajectory.

In addition, SBTi commended Senior on the ambition of their overall target, which is the highest designation available through the SBTi process.

In 2023, we have again made good progress with our key sustainability metrics and activities:

Environment

- We remain on track to achieve our Scope 1, 2 and 3 Science Based Target initiative ("SBTi") verified Near Term Targets.
- Verification of our long-term Net Zero carbon reduction targets.

- 48% of our electricity was sourced from renewable energy, an increase from 41% in 2022.
- Recycled 95.1% of waste produced, compared to 94.8% in 2022.

Social

- Following our 2022 Global Employee Opinion Survey our operating businesses continue to work on implementing their action plans and communicate progress to employees. We will run the next survey in May 2024.
- Our Lost Time Injury Illness Rate reduced to 0.32 in 2023, an improvement from 0.38 at the end of 2022. Our Total Recordable Injury Illness Rate improved from 0.93 in 2022 to 0.63 in 2023.
- Currently, 57% of the Board Directors are female, including the Chair of the Audit Committee, the Senior Independent Director, who is also Chair of the Remuneration Committee, and the Group Finance Director. The Chair of the Audit Committee is also the non-executive Director with Board responsibility for employee engagement. Two of the Directors (29%) are from ethnic minority backgrounds.

Governance

- The Board approved the Group's Human Rights Policy, demonstrating commitment to do business in a responsible way and respecting the human rights of our workers and everyone we engage with.
- Introduction for 2024 of two new non-financial performance measures (carbon reduction and employee engagement) to the Company's annual bonus targets.

Further information on Senior's sustainability activities can be found on pages 16 to 37 of our Annual Report & Accounts 2023.

Outlook

Overall, the Board anticipates good growth for the Group in 2024 in line with its expectations.

Momentum is building in our Aerospace Division. We have achieved a diversified position across key civil and defence aircraft platforms and are benefiting from increasing aircraft build rates which we expect will lead to higher sales in 2024 and beyond. Supply chain issues are improving as anticipated and we expect further improvement as 2024 progresses. Beyond this, we can expect Aerospace performance to continue to improve in 2025 as production rates increase, supply chain continues to improve, and additional contractually agreed price rises take effect.

Our Flexionics Division performed well in 2023 with double-digit margins and strong growth in both land vehicle and power & energy. In 2024 we expect to maintain good performance with land vehicle market demand normalising to more typical levels and continuing robust demand in our downstream oil & gas business.

Looking further ahead, we remain on track to achieve our stated Group ROCE target of at least 13.5%. Our strategy and positioning in attractive and structurally resilient core markets, active portfolio management, combined with our sector leading sustainability credentials and highly relevant technical capabilities, provides confidence of continuing performance improvements across our Aerospace and Flexionics Divisions, enhancing value for our stakeholders.

DAVID SQUIRES

Group Chief Executive Officer

DIVISIONAL REVIEW

Flexionics Division

The Flexionics Division represents 36% (2022 - 35%) of Group revenue and consists of 12 operations which are located in North America (four), continental Europe (two), the United Kingdom (two), South Africa, India, and China (two including the Group's 49% equity stake in a land vehicle product joint venture). This Divisional review, presented before the share of the joint venture results, is on a constant currency basis, whereby 2022 results have been translated using 2023 average exchange rates and on an adjusted basis to exclude net restructuring costs and site relocation costs. The Division's operating results on a constant currency basis are summarised below:

	2023	2022	(1)	Change
Revenue	£348.0m	£294.9m		+18.0%
Adjusted operating profit	£37.5m	£25.3m		+48.2%
Adjusted operating margin	10.8%	8.6%		+220bps

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

Divisional revenue increased by £53.1m (18.0%) to £348.0m (2022 - £294.9m) and adjusted operating profit increased by £12.2m (48.2%) to £37.5m (2022 - £25.3m). See Note 3 for a reconciliation of adjusted and reported operating profit.

Revenue Reconciliation	£m
2022 revenue	294.9
Land vehicle	27.0

Power & energy

15.2

2023 revenue

348.0

In Flexonics, strong customer demand and market share gains in land vehicle as well as good momentum in power & energy markets increased sales in 2023 by 18.0% compared to the prior year, with double-digit growth in all core markets.

Group sales to land vehicle markets increased by 23.1% driven by increased market and customer demand and market share gains for both commercial and passenger vehicles. Senior's sales to the truck and off-highway market increased by £10.4m (11.4%) in North America and by £12.4m (39.6%) in Europe, whilst also growing in India. Our strong sales in truck markets were aided by production increases on recently won contracts. Group sales to passenger vehicle markets increased by £14.7m (43.1%) in the year, benefiting from the launch and ramp up of new programmes in North America and Europe.

In the Group's power & energy markets good momentum continued as sales increased by £15.2m (11.6%) in the year. Sales to oil & gas customers increased by £13.0m (31.8%), as a result of higher demand mainly from upstream activity as well as growth in downstream maintenance and overhaul activity. Sales to power generation and nuclear markets decreased by £3.2m (7.3%) as growth in nuclear was offset by the non-repeat of prior year catch up maintenance activity in powerplants. Sales to other industrial markets increased by £5.4m reflecting growth in sales to aerospace, medical and steel industry customers.

Adjusted operating profit increased by £12.2m compared to prior year and the divisional adjusted operating margin increased by 220 basis points to 10.8% (2022 - 8.6%). This significant improvement in profitability reflected the volume related operating leverage across our operating business and the benefits from recurring price increases and one-off cost recoveries which offset inflationary cost increases.

After a strong performance in 2023, Senior's overall sales to land vehicle markets in 2024 are expected to reflect the market outlook for more normalised levels of production. In terms of the end markets:

- ACT Research is forecasting a 16% decline in North American heavy-duty truck production in 2024. Following the strength in the market during 2023, demand is anticipated to normalise in 2024 before returning to growth in 2025;
- North American medium-duty truck production is forecast to decline by 11% in 2024 due to the need for high inventory levels to correct, before growing again in 2025;
- S&P forecasts that European truck and bus production will fall by 11% in 2024 due to macro headwinds including inflation and higher financing costs. Subsequently growth will be driven by replacement demand and the need to comply with new environmental regulations. In 2025, growth of 4% is expected by S&P; and
- Light-vehicle production is forecast to fall by 3% in Europe and grow by 3% in India in 2024.

In power & energy markets we anticipate a rebalancing of inventory by our upstream oil & gas customers in 2024, however, activity levels in the more important downstream and nuclear sectors are likely to remain strong. In terms of the end markets:

- activity in upstream oil & gas markets is anticipated to remain positive in 2024 as investment to increase production continues. Global demand for oil is forecast to increase by ~1% in 2024, and grow at this rate each year until 2028, according to the IEA;
- oil refining capacity is forecast to expand by 1% per annum. Growth in Asia will be offset by rationalisation of refining capacity in OECD countries where the peak in demand for oil is anticipated to occur first; and
- global demand for petrochemicals is forecast to increase by ~2% per annum until 2030 according to the IEA. Growth in production capacity will be concentrated in certain markets; India, the Middle East and the US.

We will monitor end market conditions carefully across the various regions in which we operate and seek to maximise growth opportunities.

Aerospace Division

The Aerospace Division represents 64% (2022 - 65%) of Group revenue and consists of 14 operations. These are located in North America (six), the United Kingdom (four), France (two), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby 2022 results have been translated using 2023 average exchange rates and on an adjusted basis to exclude amortisation of intangible assets from acquisitions and net restructuring costs/income. The Division's operating results on a constant currency basis are summarised below:

	2023	2022	(1)	Change
Revenue	£616.5m	£553.0m		+11.5%
Adjusted operating profit	£27.0m	£20.3m		+33.0%
Adjusted operating margin	4.4%	3.7%		+70bps

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

Divisional revenue increased by £63.5m (11.5%) to £616.5m (2022 - £553.0m) whilst adjusted operating profit increased by £6.7m (33.0%) to £27.0m (2022 - £20.3m). See Note 3 for a reconciliation of adjusted and reported operating profit.

Revenue Reconciliation	£m
2022 revenue	553.0
Civil aerospace	72.0
Defence	10.4
Other adjacent markets	(18.9)
2023 revenue	616.5

Revenue in the Aerospace Division increased by 11.5% year-on-year on a constant currency basis. The year-on-year increase reflected the ramp up in civil aircraft production rates and growth in the defence market. As anticipated, sales to semiconductor equipment customers (which are included in our "Other Aerospace" (adjacent markets) segment within Aerospace Division) reduced due to lower cyclical market demand.

The civil aerospace sector had the strongest growth during the year with Senior's sales increasing by 21.3%. Aircraft production rates were higher in 2023 compared to 2022, with key platforms, both single aisle and widebody aircraft, contributing to the growth. 22% of civil aerospace sales were from widebody aircraft in 2023, with the other 78% of sales being from single aisle, regional and business jets.

Total revenue from the defence sector increased by £10.4m (8.5%) primarily from the increased demand for legacy platforms and higher aftermarket.

Revenue in our Aerospace Division derived from adjacent markets such as space, power & energy, medical and semiconductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products, decreased by £18.9m (20.5%). This is primarily as a result of the decrease in demand from the semiconductor equipment market.

During the period, adjusted operating profit increased by 33.0% to £27.0m (2022 - £20.3m) and the adjusted operating margin increased by 70 basis points to 4.4% (2022 - 3.7%). Price increases secured during the period more than offset the impact of continued inflationary cost increases, including raw materials. As expected, inefficiencies largely caused by certain supply chain challenges are temporarily dampening volume related drop through benefits. Overall trading performance has been in line with expectations whilst absorbing the significant impact of the Thailand supplier fire and other supply chain issues in 2023.

As anticipated, the Aerospace supply chain has started to improve and we expect further progress throughout 2024. The volume of parts shortages and specific supply chain challenges has reduced considerably, however, there are still some issues with certain material and component categories that are affecting some of our operating businesses in common with the whole industry.

One of the most significant supply chain challenges in 2023 that we have previously highlighted was the fire at one of our key suppliers in Thailand. Our team in Thailand proactively managed the consequences of the fire to help customers, and the supplier in question, to the very best of their ability. Nonetheless the fire had a significant effect on planned growth and performance in our Thailand business and it was to the credit of our other Aerospace businesses that they stepped up to ensure we met our expectations for the Division as a whole. Progress with the factory rebuild at our supplier is continuing apace and should be near completion by the end of Q1 although, as previously advised, it will be well into the second half of 2024 before requalification of their parts from the new factory will allow return to normal operations. Thereafter we are confident that Thailand will see rapid growth as they have a compelling value proposition that our customers are keen to take advantage of.

Momentum is building in our Aerospace Division. We have achieved a diversified position across key civil and defence aircraft platforms and are benefiting from increasing aircraft build rates which we expect will lead to higher sales in 2024 and beyond. Supply chain issues are improving as anticipated and we expect further improvement as 2024 progresses. Beyond this, we can expect Aerospace performance to continue to improve in 2025 as production rates increase, supply chain continues to improve, and additional contractually agreed price rises take effect.

Both Airbus and Boeing are planning increases in build rates in 2024 and beyond. In terms of end markets:

- demand for large commercial aircraft continued to recover strongly with order levels for single-aisle aircraft reaching a new peak in 2023. Airbus received 1,675 net orders for A320 family aircraft during the year. They confirmed at their FY2023 results that the A320 Family programme continues to progress to a build rate of 75 in 2026 as they attempt to meet this strong demand;
- Boeing achieved strong growth in its single-aisle order book, which increased by 883 in 2023. Whilst Boeing is having to limit the production of its B737-MAX model to 38 per month, it has asked suppliers to maintain production of parts at previously agreed levels. Any further increase in production needs approval from the FAA. Boeing had previously stated that, following achieving a production rate of 38 aircraft per month, it was aiming to increase production of B737-MAX aircraft to 50 per month by the 2025/2026 timeframe;
- the recovery in the long-haul air-passenger market continued during 2023. International passenger traffic is now at 89% of 2019 levels according to IATA. Orders for wide-body aircraft rose significantly as airlines responded to this recovery by seeking to grow and modernise their fleets. Both Airbus and Boeing are

aiming to meet this demand by raising production rates of wide-body aircraft;

- Airbus has confirmed production rates of its A330 wide-body aircraft at four per month and is targeting an increase in the production rate of A350 aircraft from nine per month currently to 10 per month in 2026; and
- Boeing, meanwhile, have announced the resumption of production of the B777X, with a goal of producing 4 per month in 2025/2026, and an increase in the production of the B787 from 5 per month currently, to 10 per month in 2025/2026.

In the defence market, Senior has a presence on multiple military aircraft programmes including the F-35, C-130J and A400M. Lockheed Martin has confirmed that they anticipate production of 156 F-35 aircraft per annum for the foreseeable future. Senior is also well positioned on the T-7A fighter-jet training aircraft with Low-Rate Initial Production due to begin in 2024.

In other adjacent markets, demand in the semiconductor equipment market is anticipated to remain flat during H1 2024 before beginning to recover in the second half. In the longer term the proliferation of low earth orbit satellites and semiconductor markets provides growth opportunities.

OTHER FINANCIAL INFORMATION

Group revenue

Group revenue was £963.5m (2022 - £848.4m). Excluding the adverse exchange rate impact of £1.3m, Group revenue increased by £116.4m (13.7%), with growth across both Aerospace and Flexionics year-on-year.

Operating profit

Adjusted operating profit increased by £17.3m (60.7%) to £45.8m (2022 - £28.5m). Excluding the adverse exchange rate impact of £0.1m, adjusted operating profit increased by £17.4m (61.3%) on a constant currency basis. After accounting for £2.2m amortisation of intangible assets from acquisitions (2022 - £0.2m), £5.6m net restructuring cost (2022 - £4.2m net income) and £0.1m site relocation costs (2022 - £nil), reported operating profit was £37.9m (2022 - £32.5m).

The Group's adjusted operating margin increased by 140 basis points, to 4.8% for the full year. This improved profitability principally reflected volume related operating leverage across our businesses, whilst absorbing the impact of disruption caused by supply chain issues. Inflationary pressures were successfully more than offset by increasing prices and surcharges.

Finance costs and income

Finance costs, net of finance income and before interest unwind of deferred and contingent consideration decreased to £7.5m (2022 - £8.4m) and comprise IFRS 16 interest charge on lease liabilities of £2.9m (2022 - £2.5m), net finance income on retirement benefits of £2.1m (2022 - £1.2m), net interest charge of £10.2m (2022 - £7.1m) and interest unwind on uncertain tax positions of £3.5m (2022 - £nil), which will not repeat in 2024 and is described further below in the tax section. The £3.1m increase in net interest charge was mainly driven by higher underlying interest rates on variable rate debt and higher levels of indebtedness in 2023 versus the prior year.

Gross finance costs, including interest unwind of deferred and contingent consideration were £20.5m (2022 - £10.6m) and finance income was £10.1m (2022 - £1.9m), which includes the benefit of interest unwind on uncertain tax positions of £3.5m (2022 - £nil).

Tax credit / charge

The adjusted tax rate for the year was 11.0% credit (2022 - 10.0% charge), being a tax credit of £4.2m (2022 - £2.0m charge) on adjusted profit before tax of £38.3m (2022 - £20.1m). The adjusted tax rate benefitted from a release of £7.0m of provision for uncertain tax positions in the second half of 2023 as described below. The adjusted tax rate also benefitted from enhanced R&D deductions in the US, the UK Super-deduction for capital expenditure and the geographical mix of taxable profits.

Towards the end of 2023, the Group implemented a series of steps to simplify the legal ownership of its Americas legal entity holding structure. As part of the exercise, provisions held for estimated uncertain tax positions around the historical establishment of the Americas legal structure were reassessed. As a result, in accordance with IAS 12 and IFRIC 23 (Uncertainty over Income Tax Treatments), provisions for the uncertain tax positions of £7.0m and associated interest of £3.5m have been released to the consolidated income statement during the year.

The reported tax rate was 36.4% credit, being a tax credit of £8.3m on reported profit before tax of £22.8m. This included £7.0m credit related to the release of provision for uncertain tax positions as described above and £4.1m net tax credit against items excluded from adjusted profit before tax, of which £0.6m credit related to amortisation of intangible assets from acquisitions, £1.5m credit related to net restructuring costs, £0.1m credit related to site relocation costs and £1.9m credit related to corporate undertakings in the year. The 2022 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.

Cash tax paid was £5.6m (2022 - £3.5m) and is stated net of refunds received of £2.8m (2022 - £1.1m) of tax paid in prior periods, arising from the offset of tax losses against taxable profits of prior periods.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, decreased to 413.3 million (2022 - 415.3 million). The decrease arose principally due to the purchase of shares held by the employee benefit trust partly offset by shares released from the trust to satisfy the vesting of certain share-based payments during 2023. The adjusted earnings per share was 10.28 pence (2022 - 4.36 pence), which includes benefit of 2.54 pence from the release of the provision for uncertain tax positions as described above, that will not repeat in 2024. Basic earnings per share was 7.52 pence (2022 - 4.86 pence). See Note 7 for details of the basis of these calculations.

Return on capital employed ("ROCE")

ROCE, a key performance indicator for the Group as defined above, increased by 240 basis points to 7.1% (2022 - 4.7%). The increase in ROCE was mainly a result of the significant increase in adjusted operating profit compared to prior year.

Cash flow

The Group generated free cash flow of £15.5m in 2023 (2022 - £27.7m) as set out in the table below.

	2023 £m	2022 £m
Operating profit	37.9	32.5
Amortisation of intangible assets from acquisitions	2.2	0.2
Net restructuring cost/(income)	5.6	(4.2)
Site relocation costs	0.1	-
Adjusted operating profit	45.8	28.5
Depreciation (including amortisation of software)	49.5	49.6
Working capital and provisions movement, net of restructuring items	(27.6)	(12.1)
Pension contributions	(1.4)	(2.9)
Pension service and running costs	1.3	1.5
Other items ⁽¹⁾	1.6	5.6
Interest paid, net	(12.9)	(9.0)
Income tax paid, net	(5.6)	(3.5)
Capital expenditure	(35.9)	(30.5)
Sale of property, plant and equipment	0.7	0.5
Free cash flow	15.5	27.7
Corporate undertakings	(25.8)	(26.7)
Net restructuring (cash paid)/proceeds	(2.1)	2.1
US pension settlement	(0.9)	-
Dividends paid	(6.6)	(1.2)
Purchase of shares held by employee benefit trust	(5.6)	(4.5)
Net cash flow	(25.5)	(2.6)
Effect of foreign exchange rate changes	8.5	(14.2)
IFRS 16 non-cash additions and modifications including acquisition	(7.9)	(9.0)
Change in net debt	(24.9)	(25.8)
Opening net debt	(178.9)	(153.1)
Closing net debt	(203.8)	(178.9)

(1) Other items comprises £4.1m share-based payment charges (2022 - £4.3m), £(1.0m) profit on share of joint venture (2022 - £(0.4m)), £(1.3m) working capital and provision currency movements (2022 - £1.8m) and £(0.2m) profit on sale of fixed assets (2022 - £(0.1m)).

Capital expenditure

Gross capital expenditure of £35.9m (2022 - £30.5m) was 0.9 times depreciation excluding the impact of IFRS 16 (2022 - 0.8 times). The disposal of property, plant and equipment raised £0.7m (2022 - £0.5m). 2024 capital investment is expected to be slightly above depreciation (excluding the impact of IFRS 16). We are prioritising new investment on growth projects where contracts have been secured, important replacement equipment for current production and sustainability related items.

Working capital

Working capital increased by £29.6m in 2023 to £160.9m as at 31 December 2023 (31 December 2022 - £131.3m), of which £6.6m decrease related to foreign currency movements. The underlying increase reflects increased trading in the period. Receivables were higher as a result of revenue growth and inventory was higher with planned investment to enable us to meet the strong increase in demand from our customers, as well as to mitigate ongoing supply chain issues in Aerospace. In 2023, working capital increased as a percentage of sales by 120 basis points to 16.7% (2022 - 15.5%). We are likely to see an increase in working capital over the coming year to support the growth anticipated in Aerospace. Our medium term target remains for working capital as a percentage of sales to reduce towards the 15% level.

Retirement benefit schemes

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan ("the UK Plan") decreased by £3.3m to £48.5m (31 December 2022 - £51.8m) due to £5.0m net actuarial losses and £0.8m running costs partly offset by £2.5m net interest income. Retirement benefit deficits in respect of the US and other territories decreased by £4.1m to £8.0m (31 December 2022 - £12.1m). During 2023, one of the US defined benefit plans was settled following a combination of lump sum payments and annuity purchase. A net expense of £nil and cash outflow of £0.9m was recorded in 2023 in relation to this settlement.

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). 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 2024 in the US funded plans is £0.9m (£0.9m was paid in 2023, excluding the contribution related to the US pension settlement).

Net debt

Net debt which includes IFRS 16 lease liabilities increased by £24.9m to £203.8m at 31 December 2023 (31 December 2022 - £178.9m). As noted in the cash flow above, the Group generated net cash outflow of £25.5m (as defined in Note 12c), after £8.5m favourable foreign currency movements and £7.9m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £71.8m (31 December 2022 - £78.4m) increased by £31.5m to £132.0m at 31 December 2023 (31 December 2022 - £100.5m), due to free cash inflow of £15.5m and £4.2m favourable foreign currency movements being more than offset by £25.8m cash outflow in respect of corporate undertakings, £10.2m capital repayment of leases and £15.2m net cash outflows for dividends, purchase of shares, restructuring and US pension settlement.

Funding and Liquidity

As at 31 December 2023, the Group's gross borrowings excluding leases and transaction costs directly attributable to borrowings were £181.0m (31 December 2022 - £145.3m), with 61% of the Group's gross borrowings denominated in US Dollars (31 December 2022 - 64%). Cash and bank balances were £47.6m (31 December 2022 - £43.2m).

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	1.8	-
In the second year	78.1	111.5
In years three to five	101.1	162.9
After five years	-	-
	181.0	274.4

(2) Gross borrowings include other loans and committed facilities, but exclude leases of £71.8m and transaction costs directly attributable to borrowings of £(1.4)m

At the year-end, the Group had committed facilities of £274.4m comprising private placement debt of £122.2m and revolving credit facilities of £152.2m. The Group is in a strong funding position, with headroom at 31 December 2023 of £142.4m in cash and undrawn facilities.

During the second half of 2023, the Group extended the maturity of the sustainability linked UK revolving credit facility to November 2027 with a continued commitment of £115m. New private placement loan notes of \$50m (£39.4m) were issued and drawn down in February 2024. These notes carry an interest rate of 6.26% and are due for repayment in February 2030.

The weighted average maturity of the Group's committed facilities at 31 December 2023 was 2.9 years. The current weighted average maturity of the Group's facilities, updated for the February 2024 loan notes of \$50m, is 3.2 years.

The Group has £1.8m (2022 - £0.5m) 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) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 31 December 2023, the Group's net debt to EBITDA was 1.6x and interest cover was 12.6x, both comfortably within covenant limits.

Going concern and viability

In accordance with provisions 30 and 31 of the 2018 UK Corporate Governance Code, the Directors have concluded that there is a reasonable expectation as to the Group's longer-term viability and have continued to adopt the going concern basis in preparing the Financial Statements. The full viability statement can be found on page 78 of the Annual Report & Accounts 2023.

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

In forming their conclusion, the Board has undertaken a rigorous assessment of the financial forecasts, key uncertainties, sensitivities, and has reviewed a severe but plausible downside scenario, which reflects the probability weighted and cumulative estimated effects of the Group's principal risks and uncertainties as disclosed on pages 62 to 69 of the Annual Report & Accounts 2023.

Risks and uncertainties

The principal risks and uncertainties faced by the Group are set out in detail on pages 62 to 69 of the Annual Report & Accounts 2023.

Responsibility statement of the Directors in respect of the Annual Report & Accounts 2023

We confirm that to the best of our knowledge:

- the Financial Statements, as included in the Annual Report & Accounts 2023, 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.

position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

2. the Strategic Report, set out in the Annual Report & Accounts 2023, 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.

By Order of the Board

David Squires
Group Chief Executive Officer

Bindi Foyle
Group Finance Director

1 March 2024

1 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

	Notes	Year ended 2023	Year ended 2022
		£m	£m
Revenue	3	<u>963.5</u>	<u>848.4</u>
Trading profit		<u>36.9</u>	<u>32.1</u>
Share of joint venture profit	9	<u>1.0</u>	<u>0.4</u>
Operating profit (1)	3	<u>37.9</u>	<u>32.5</u>
Finance income		<u>10.1</u>	<u>1.9</u>
Finance costs		<u>(20.5)</u>	<u>(10.6)</u>
Corporate undertakings	4	<u>(4.7)</u>	<u>(1.4)</u>
Profit before tax (2)		<u>22.8</u>	<u>22.4</u>
Tax credit/(charge)	5	<u>8.3</u>	<u>(2.2)</u>
Profit for the period		<u>31.1</u>	<u>20.2</u>
Attributable to:			
Equity holders of the parent		<u>31.1</u>	<u>20.2</u>
Earnings per share			
Basic (3)	7	<u>7.52p</u>	<u>4.86p</u>
Diluted (4)	7	<u>7.32p</u>	<u>4.73p</u>
(1) Adjusted operating profit	4	45.8	28.5
(2) Adjusted profit/(loss) before tax	4	38.3	20.1
(3) Adjusted earnings per share	7	10.28p	4.36p
(4) Adjusted and diluted earnings per share	7	10.00p	4.24p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Year ended 2023	Year ended 2022
	£m	£m
Profit for the period	<u>31.1</u>	<u>20.2</u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on foreign exchange contracts - cash flow hedges during the period	2.7	(4.5)
Reclassification adjustments for losses included in profit	0.0	2.2

RECLASSIFICATION ADJUSTMENTS FOR LOSSES INCLUDED IN PROFIT	0.9	2.2
Gains/(losses) on foreign exchange contracts - cash flow hedges	3.6	(2.3)
Exchange differences on translation of overseas operations	(16.9)	24.5
Tax relating to items that may be reclassified	(0.9)	0.7
	(14.2)	22.9
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on defined benefit pension schemes	(2.6)	(23.1)
Tax relating to items that will not be reclassified	0.6	5.7
	(2.0)	(17.4)
Other comprehensive income for the period, net of tax	(16.2)	5.5
Total comprehensive income for the period	14.9	25.7
Attributable to:		
Equity holders of the parent	14.9	25.7

Consolidated Balance Sheet

As at 31 December 2023

	Notes	Year ended 2023	Year ended 2022
Non-current assets		£m	£m
Goodwill	8	193.3	199.7
Other intangible assets		33.1	36.2
Investment in joint venture	9	5.1	4.4
Property, plant and equipment	10	284.7	307.2
Deferred tax assets		20.7	10.9
Retirement benefits	13	48.5	51.8
Trade and other receivables		0.8	0.4
Total non-current assets		586.2	610.6
Current assets			
Inventories		207.5	194.3
Current tax receivables		2.3	2.1
Trade and other receivables		141.7	126.7
Cash and bank balances	12c)	47.6	43.2
Total current assets		399.1	366.3
Total assets		985.3	976.9
Current liabilities			
Trade and other payables		188.4	191.2
Current tax liabilities		10.0	17.7
Lease liabilities		12.4	12.7
Bank overdrafts and loans	12c)	1.8	0.5
Provisions		10.5	16.7
Contingent/deferred consideration		10.5	23.4
Total current liabilities		233.6	262.2
Non-current liabilities			
Bank and other loans	12c)	177.8	143.2
Retirement benefits	13	8.0	12.1
Deferred tax liabilities		7.0	4.7
Lease liabilities		59.4	65.7
Provisions		15.0	2.9
Contingent consideration		18.5	28.9
Others		8.9	7.8
Total non-current liabilities		294.6	265.3
Total liabilities		528.2	527.5
Net assets		457.1	449.4
Equity			
Issued share capital	11	41.9	41.9
Share premium account		14.8	14.8
Equity reserve		7.9	6.4
Hedging and translation reserve		37.3	51.5
Retained earnings		368.0	346.5
Own shares		(12.8)	(11.7)
Equity attributable to equity holders of the parent		457.1	449.4

Total equity	457.1	449.4
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Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

All equity is attributable to equity holders of the parent

	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging reserve £m	Trans- lation reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Balance at 1 January 2022	41.9	14.8	5.8	(37.2)	65.8	343.2	(9.2)	425.1
Profit for the year 2022	-	-	-	-	-	20.2	-	20.2
Losses on foreign exchange contracts - cash flow hedges	-	-	-	(2.3)	-	-	-	(2.3)
Exchange differences on translation of overseas operations	-	-	-	-	24.5	-	-	24.5
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	(23.1)	-	(23.1)
Tax relating to components of other comprehensive income	-	-	-	0.7	-	5.7	-	6.4
Total comprehensive income/(expense) for the period	-	-	-	(1.6)	24.5	2.8	-	25.7
Share-based payment charge	-	-	4.3	-	-	-	-	4.3
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	(4.5)	(4.5)
Use of shares held by employee benefit trust	-	-	-	-	-	(2.0)	2.0	-
Transfer to retained earnings	-	-	(3.7)	-	-	3.7	-	-
Dividends paid	-	-	-	-	-	(1.2)	-	(1.2)
Balance at 31 December 2022	41.9	14.8	6.4	(38.8)	90.3	346.5	(11.7)	449.4
Profit for the year 2023	-	-	-	-	-	31.1	-	31.1
Gains on foreign exchange contracts - cash flow hedges	-	-	-	3.6	-	-	-	3.6
Exchange differences on translation of overseas operations	-	-	-	-	(16.9)	-	-	(16.9)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(2.6)	-	(2.6)
Tax relating to components of other comprehensive income	-	-	-	(0.9)	-	0.6	-	(0.3)
Total comprehensive income/(expense) for the period	-	-	-	2.7	(16.9)	29.1	-	14.9
Share-based payment charge	-	-	4.1	-	-	-	-	4.1
Tax relating to share-based payments	-	-	-	-	-	0.9	-	0.9
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	(5.6)	(5.6)
Use of shares held by employee benefit trust	-	-	-	-	-	(4.5)	4.5	-
Transfer to retained earnings	-	-	(2.6)	-	-	2.6	-	-
Dividends paid	-	-	-	-	-	(6.6)	-	(6.6)
Balance at 31 December 2023	41.9	14.8	7.9	(36.1)	73.4	368.0	(12.8)	457.1

Consolidated Cash Flow Statement

For the year ended 31 December 2023

	Notes	Year ended 2023 £m	Year ended 2022 £m
Net cash from operating activities	12a)	41.4	57.7
Investing activities			
Interest received		4.3	0.7
Proceeds on disposal of property, plant and equipment		0.7	0.5
Purchases of property, plant and equipment		(33.7)	(28.7)
Purchases of intangible assets		(2.2)	(1.8)
Acquisition of Spencer	14	(23.9)	(25.3)
Net cash used in investing activities		(54.8)	(54.6)
Financing activities			

Dividends paid		(6.6)	(1.2)
New loans		136.2	90.8
Repayment of borrowings		(96.2)	(90.4)
Purchase of shares held by employee benefit trust		(5.6)	(4.5)
Repayment of lease liabilities		(10.2)	(9.1)
Net cash generated/(used) in financing activities		<u>17.6</u>	<u>(14.4)</u>
Net increase/(decrease) in cash and cash equivalents		4.2	(11.3)
Cash and cash equivalents at beginning of period		42.7	51.1
Effect of foreign exchange rate changes		(1.1)	2.9
Cash and cash equivalents at end of period	12c)	<u>45.8</u>	<u>42.7</u>

Notes to the above Financial Statements

For the year ended 31 December 2023

1. General information

These results for the year ended 31 December 2023 are an excerpt from the Annual Report & Accounts 2023 and do not constitute the Group's statutory accounts for 2023 or 2022. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 will be delivered following the Company's Annual General Meeting. The Auditor has reported on both those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

2. Significant accounting policies

Whilst the financial information included in this Annual Results Release has been prepared in accordance with UK-adopted international accounting standards, this announcement does not itself contain sufficient information to comply with UK-adopted international accounting standards. Full Financial Statements that comply with UK-adopted international accounting standards are included in the Annual Report & Accounts 2023 which is available online at www.seniorplc.com. Printed copies will be distributed on or soon after 15 March 2024.

At the date of authorisation of the Group's Financial Statements, there are no relevant and material new standards, amendments to standards or interpretations which are effective for the year ended 31 December 2023.

3. Segment information

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

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

	Eliminations / central costs				Eliminations / central costs			
	Aerospace	Flexonics	Year ended 2023	Year ended 2023	Aerospace	Flexonics	Year ended 2022	Year ended 2022
	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	615.7	347.8	-	963.5	553.0	295.4	-	848.4
Inter-segment revenue	0.8	0.2	(1.0)	-	0.6	0.2	(0.8)	-
Total revenue	616.5	348.0	(1.0)	963.5	553.6	295.6	(0.8)	848.4
Adjusted trading profit	27.0	37.5	(19.7)	44.8	20.3	25.4	(17.6)	28.1
Share of joint venture profit	-	1.0	-	1.0	-	0.4	-	0.4
Adjusted operating profit (Note 4)	27.0	38.5	(19.7)	45.8	20.3	25.8	(17.6)	28.5

Amortisation of intangible assets from acquisitions	(2.2)	-	-	(2.2)	(0.2)	-	-	(0.2)
Net restructuring (cost)/income (Note 4)	(3.6)	(2.0)	-	(5.6)	4.2	-	-	4.2
Site relocation costs	-	(0.1)	-	(0.1)	-	-	-	-
Operating profit	21.2	36.4	(19.7)	37.9	24.3	25.8	(17.6)	32.5
Finance income			10.1					1.9
Finance costs			(20.5)					(10.6)
Corporate undertakings			(4.7)					(1.4)
Profit before tax			22.8					22.4
Tax credit/(charge) (Note 5)			8.3					(2.2)
Profit after tax			31.1					20.2

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

Segment information for assets and liabilities is presented below:

Assets	Year ended 2023 £m	Year ended 2022 £m
Aerospace	646.5	647.8
Flexonics	215.4	217.3
Segment assets for reportable segments	861.9	865.1
Unallocated		
Central	4.0	3.6
Cash	47.6	43.2
Deferred and current tax	23.0	13.0
Retirement benefits	48.5	51.8
Others	0.3	0.2
Total assets per Consolidated Balance Sheet	985.3	976.9
Liabilities	Year ended 2023 £m	Year ended 2022 £m
Aerospace	183.1	189.5
Flexonics	79.9	79.7
Segment liabilities for reportable segments	263.0	269.2
Unallocated		
Central	22.2	19.2
Loans and Overdrafts	179.6	143.7
Deferred and current tax	17.0	22.4
Retirement benefits	8.0	12.1
Deferred/contingent consideration	29.0	52.3
Others	9.4	8.6
Total liabilities per Consolidated Balance Sheet	528.2	527.5

Total revenue is disaggregated by market sectors as follows:

	Year ended 2023 £m	Year ended 2022 £m
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Civil Aerospace	410.5	339.4
Defence	132.6	122.1
Other	73.4	92.1
Aerospace	616.5	553.6
Land Vehicle	201.7	164.1
Power & Energy	146.3	131.5
Flexonics	348.0	295.6
Eliminations	(1.0)	(0.8)
Total revenue	963.5	848.4

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

4. Adjusted operating profit and adjusted profit before tax

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, net restructuring cost/income, site relocation costs, and costs associated with corporate undertakings. The Board has a policy, which has been clarified in 2023, to separately disclose items it considers are outside the normal course of management oversight and control on a day-to-day basis and are not reflective of in-year trading performance. Indicative criteria such as period to which the item relates and external driven factors that are outside of the control of the Group in combination with the magnitude and consistency of application are also considered.

The amortisation charge relates to the acquisition of Spencer Aerospace. It is charged on a straight-line basis and reflects a non-cash item for the reported year. The Group implemented a restructuring programme in 2019, which continued into 2022 in response to the impact of the COVID-19 pandemic on some of the Group's end markets. In 2023, some residual restructuring activity took place in response to further specific end market conditions. Site relocation costs relate to transfer of business activities into new or existing cost competitive facilities to support the Group's strategic initiatives. Corporate undertakings relate to business acquisition and disposal activities. In the prior year, the aerospace manufacturing grant within net restructuring income, represents incentives specific to only part of the Group for a limited time period. None of these charges are reflective of in year performance. Therefore, they are excluded by the Board and Executive Committee when measuring the operating performance of the businesses.

	Year ended 2023 £m	Year ended 2022 £m
Operating profit	37.9	32.5
Amortisation of intangible assets from acquisitions	2.2	0.2
Net restructuring cost/(income)	5.6	(4.2)
Site relocation costs	0.1	-
Adjusted operating profit	45.8	28.5
Profit before tax	22.8	22.4
Adjustments to profit before tax as above	7.9	(4.0)
Corporate undertakings	4.7	1.4
Corporate undertakings - Interest	2.9	0.3
Total Corporate undertakings	7.6	1.7
Adjusted profit before tax	38.3	20.1

Net restructuring cost/income

In 2020 the Group had focused on taking actions to conserve cash to manage through the pandemic, including curtailing capital expenditure, tightly managing working capital and implementing further cost cutting actions. In 2023, some residual restructuring activity took place in response to further specific end market conditions affecting some of the businesses. 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.

The restructuring resulted in net cost of £5.6m (2022 - net income £4.2m; of which £4.0m related to an aerospace manufacturing grant). Of this, £2.4m related to consultancy and other costs (2022 - £1.2m net charge). For certain specific programmes, and in conjunction with the continued focus on restructuring, management also identified further inventory impairment of £2.0m where customer demand decreased (2022 - £2.7m reversal reflected separate and specific demand increase), and impairment provisions on property, plant and equipment of £1.2m (2022 - £1.3m) to cover the risk where there are no alternative uses.

Net cash outflow related to restructuring activities was £2.1m (2022 - £2.1m net cash inflow). At 31 December 2023, a restructuring provision of £0.5m (31 December 2022 - £0.2m) was recognised and is expected to be utilised in 2024.

Site relocation costs

In 2023, £0.1m of site relocation costs have been incurred related to the initial costs of transferring our Senior Flexonics Crumlin business to a nearby high-tech facility in Wales to better showcase its design, development, test and qualification capabilities in support of the Group's strategic initiatives.

Corporate undertakings

Costs associated with corporate undertakings were £7.6m (2022 - £1.7m), of which £1.5m acquisition costs (2022 - £1.2m) and £2.9m interest unwind of deferred and contingent consideration (2022 - £0.3m) relate to the acquisition of Spencer Aerospace in November 2022 and £3.2m costs are associated with potential disposal and other corporate activities (2022 - £0.2m). See Note 14 for further details on the financial impact of the acquisition in 2023.

5. Tax charge

	Year ended 2023 £m	Year ended 2022 £m
Current tax:		
Current year	10.7	8.2
Adjustments in respect of prior periods- Americas uncertain tax positions	(7.0)	-
Adjustments in respect of prior periods- other	(4.3)	(1.9)
	<hr/>	<hr/>
	(0.6)	6.3
Deferred tax:		
Current year	(5.8)	(3.5)
Adjustments in respect of prior periods	(1.9)	(0.6)
	<hr/>	<hr/>
	(7.7)	(4.1)
Total tax (credit)/charge	<hr/>	<hr/>
	(8.3)	2.2

The adjusted tax rate for the year was 11.0% credit (2022 - 10.0% charge), being a tax credit of £4.2m (2022 - £2.0m charge) on adjusted profit before tax of £38.3m (2022 - £20.1m profit). The adjusted tax rate benefitted from a release of £7.0m of provision for uncertain tax positions in the second half of 2023 as described below. The adjusted tax rate also benefitted from enhanced R&D deductions in the US, the UK Super-deduction for capital expenditure and the geographical mix of taxable profits.

On 27th November 2023, the Group implemented a series of steps to simplify the legal ownership of its Americas legal entity holding structure. As part of the exercise, provisions held for estimated uncertain tax positions around the historical establishment of the Americas legal structure were reassessed. As a result, in accordance with IAS 12 and IFRIC 23 (Uncertainty over Income Tax Treatments), provisions for the uncertain tax positions of £7.0m and associated interest of £3.5m have been released to the consolidated income statement during the year.

The reported tax rate was 36.4% credit, being a tax credit of £8.3m on reported profit before tax of £22.8m. This included £4.1m net tax credit on items excluded from adjusted profit before tax. The 2022 reported tax rate was 9.8% charge, being a tax charge of £2.2m on reported profit before tax of £22.4m.

Cash tax paid was £5.6m (2022 - £3.5m) and is stated net of refunds received of £2.8m (2022 - £1.1m) of tax paid in prior periods, arising from the offset of tax losses against taxable profits of prior periods.

6. Dividends

	Year ended 2023 £m	Year ended 2022 £m
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Amounts recognised as distributions to equity holders in the period:

Final dividend for the year ended 31 December 2022 of 1.00p per share

(2021 - £nil)	4.1	-
Interim dividend for the year ended 31 December 2023 of 0.60p per share (2022 - 0.30p)	2.5	1.2
	6.6	1.2
Proposed final dividend for the year ended 31 December 2023 of 1.70p per share (2022 - 1.00p)	7.0	4.1

7. Earnings per share

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

Number of shares	Year ended 2023 million	Year ended 2022 million		
Weighted average number of ordinary shares for the purposes of basic earnings per share	413.3	415.3		
Effect of dilutive potential ordinary shares:				
Share options	11.7	11.6		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	425.0	426.9		
	<u>425.0</u>	<u>426.9</u>		
	Year ended 2023	Year ended 2022		
Earnings and earnings per share	Earnings £m	EPS pence	Earnings £m	EPS pence
Profit for the period	31.1	7.52	20.2	4.86
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £0.6m (2022 - £nil)	1.6	0.39	0.2	0.05
Net restructuring cost/(income) net of tax of £1.5m (2022 - £0.7m)	4.1	0.99	(3.5)	(0.84)
Site relocation costs net of tax of £0.1m (2022 - £nil)	-	-	-	-
Corporate undertakings net of tax of £1.9m (2022 - £0.5m)	5.7	1.38	1.2	0.29
Adjusted earnings after tax	42.5	10.28	18.1	4.36
Earnings per share				
- basic		7.52p		4.86p
- diluted		7.32p		4.73p
- adjusted		10.28p		4.36p
- adjusted and diluted		10.00p		4.24p

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

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

The Board has a policy, which has been clarified in 2023, to separately disclose items it considers are outside the normal course of management oversight and control on a day-to-day basis and are not reflective of in-year trading performance. Indicative criteria such as period to which the item relates and external driven factors that are outside of the control of the Group in combination with the magnitude and consistency of application are also considered. See Note 4 for further details.

8. Goodwill

Goodwill decreased by £6.4m during the year to £193.3m (2022 - £199.7m) due to net foreign exchange differences.

9. Investment in joint venture

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China which was set up in 2012. The Group's investment of £5.1m represents the Group's share of the joint venture's net assets as at 31 December 2023 (2022 - £4.4m).

10. Property, plant and equipment

During the period, the Group spent £33.7m (2022 - £28.7m) on the acquisition of property, plant and equipment. The Group also spent £1.2m (2022 - £0.5m) on capitalised software.

Group also disposed of property, plant and equipment with a carrying value of £0.5m (2022 - £0.4m) for proceeds of £0.7m (2022 - £0.5m). At 31 December 2023, right-of-use assets were £64.4m (2022 - £70.8m).

11. Share capital

Share capital as at 31 December 2023 amounted to £41.9m. No shares were issued during 2022 and 2023.

12. Notes to the Consolidated Cash Flow statement

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

	Year ended 2023 £m	Year ended 2022 £m
Operating profit	37.9	32.5
Adjustments for:		
Depreciation of property, plant and equipment	48.0	48.1
Amortisation of intangible assets	3.7	1.7
Profit on sale of fixed assets	(0.2)	(0.1)
Share-based payment charges	4.1	4.3
Pension contributions	(1.4)	(2.9)
Pension service and running costs	1.3	1.5
Corporate undertaking costs	(1.9)	(1.4)
Share of joint venture	(1.0)	(0.4)
Increase in inventories	(21.7)	(34.2)
Increase in receivables	(20.4)	(18.8)
Increase in payables and provisions	16.8	37.5
Restructuring impairment of property, plant and equipment and software	1.2	1.3
US pension settlement	(0.9)	-
Working capital and provisions currency movements	(1.3)	1.8
Cash generated by operations	64.2	70.9
Income taxes paid	(5.6)	(3.5)
Interest paid	(17.2)	(9.7)
Net cash from operating activities	<u>41.4</u>	<u>57.7</u>

b) Free cash flow

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

	Year ended 2023 £m	Year ended 2022 £m
Net cash from operating activities	41.4	57.7
Corporate undertaking costs	1.9	1.4
Net restructuring cash paid/(received)	2.1	(2.1)
Site relocation costs	0.1	-
US pension settlement cash paid	0.9	-
Interest received	4.3	0.7
Proceeds on disposal of property, plant and equipment	0.7	0.5
Purchases of property, plant and equipment	(33.7)	(28.7)
Purchases of intangible assets	(2.2)	(1.8)
Free cash flow	<u>15.5</u>	<u>27.7</u>

c) Analysis of net debt

	At 1 January 2023	Net cashflow	Exchange movement	Other movements ⁽¹⁾	At 31 December 2023
	£m	£m	£m	£m	£m
Cash and bank balances	43.2	5.5	(1.1)	-	47.6

Overdrafts	(0.5)	(1.3)	-	-	(1.8)
Cash and cash equivalents	42.7	4.2	(1.1)	-	45.8
Debt due within one year	-	-	-	-	-
Debt due after one year	(143.2)	(39.9)	5.3	-	(177.8)
Lease Liabilities ⁽¹⁾	(78.4)	10.2	4.3	(7.9)	(71.8)
Liabilities arising from financing activities	(221.6)	(29.7)	9.6	(7.9)	(249.6)
Total	(178.9)	(25.5)	8.5	(7.9)	(203.8)

(1) The change in lease liabilities in the year ended 31 December 2023 includes lease rental payments of £13.1m (£2.9m of these payments relates to lease interest), £4.3m exchange movement and £7.9m other movements which are related to lease additions and modifications.

	Year ended 2023 £m	Year ended 2022 £m
Cash and cash equivalents comprise:		
Cash and bank balances	47.6	43.2
Overdrafts	(1.8)	(0.5)
Total	<u>45.8</u>	<u>42.7</u>

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.

d) Analysis of working capital and provisions

Working capital comprises the following:

	Year ended 2023 £m	Year ended 2022 £m
Inventories		
Trade and other receivables	141.7	126.7
Trade and other payables	(188.4)	(191.2)
Working capital, including derivatives	<u>160.8</u>	<u>129.8</u>
Items excluded:		
Foreign exchange contracts	0.1	1.5
Total	<u>160.9</u>	<u>131.3</u>

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

	Year ended 2023 £m	Year ended 2022 £m
Increase in inventories		
Increase in receivables	(21.7)	(34.2)
Increase in payables and provisions	(20.4)	(18.8)
Working capital and provisions movement, excluding currency effects	16.8	37.5
Total	<u>(25.3)</u>	<u>(15.5)</u>
Items excluded:		
(Increase)/decrease in restructuring related inventory impairment	(2.0)	2.7
(Increase)/decrease in net restructuring provision and other receivables	(0.3)	0.7
Total	<u>(27.6)</u>	<u>(12.1)</u>

13. Retirement benefit schemes

At 31 December 2023, aggregate retirement benefit liabilities of £8.0m (2022 - £12.1m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £2.8m (2022 - £6.7m) and other unfunded schemes, with a deficit of £5.2m (2022 - £5.4m). The retirement benefit surplus of £48.5m (2022 - £51.8m) comprises the Group's UK defined benefit pension funded scheme.

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

14. Acquisition and Disposal activities

Acquisition of Spencer Aerospace Manufacturing, LLC.

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

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 (£24.2m) was paid in November 2023. Additionally, there is contingent consideration of \$40m (£29.0m) 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 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 after market customers around the world to exploit opportunities for Spencer Aerospace.

In 2023, £1.5m costs (2022 - £1.2m) were incurred related to the acquisition. The movement of deferred and contingent consideration payable and working capital receivable since acquisition date is shown below:

	Year ended 2023 £m	Year ended 2022 £m
Balance at 1 January	52.0	-
Consideration payable on acquisition	-	76.9
Cash paid net of working capital received/paid	(23.9)	(25.3)
Interest unwind charged to the Income Statement	2.9	0.3
Effects of movements in exchange rates	(2.0)	0.1
Balance at 31 December	<u>29.0</u>	<u>52.0</u>
Amounts falling due within one year	10.5	23.4
Amounts falling due after one year	<u>18.5</u>	<u>28.9</u>
Deferred and contingent consideration at 31 December	29.0	52.3
Working capital receivable at 31 December	-	(0.3)

Also in 2023, £3.2m costs associated with potential disposal and other corporate activities were incurred (2022 - £0.2m).

15. Provisions

Provisions include warranty costs of £17.9m (2022 - £10.8m), restructuring of £0.5m (2022 - £0.2m), and other provisions including contractual matters, claims and legal costs that arise in the ordinary course of business of £7.1m (2022 - £8.6m). The warranty costs include a provision of £11.0m related to one specific disputed commercial matter. In 2022, this provision was £8.6m, of which £4.8m was recorded in Legal claims and contractual matters and subsequently reclassified to warranty in 2023 following a review of the overall nature of the matter. The range of reasonably possible outcomes considered by the Board is £5.4m, which reflects a reasonably possible increase or decrease of £2.7m. No further details on the matter are disclosed to avoid prejudicing the contractual position.

16. Contingent liabilities

The Group is subject to various claims which arise from time to time in the course of its business including, for example, in relation to commercial matters, product quality or liability, and tax audits. Where the Board has assessed there to be a more likely than not outflow of economic benefits, provision has been made for the best estimate as at 31 December 2023 (see Note 15). For all other matters, the Board has concluded that it is not more likely than not that there will be an economic outflow of benefits. While the outcome of some of these matters cannot be predicted with any certainty, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.

17. Related party transactions

Barbara Jeremiah, Senior Independent non-executive Director and Chair of the Remuneration Committee, was

appointed a non-executive director of Johnson Matthey Plc with effect from 1 July 2023. Johnson Matthey Plc, a related party of the Group, has been renting excess car parking space from one of the Group's operating businesses on a rolling monthly basis. The lease contract was in place prior to the acquisition of Thermal Engineering in 2013 by the Group. In 2023, £0.06m car park rental was received (2022: £0.06m). There are no outstanding amounts at 31 December 2023 (31 December 2022: £nil).

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

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