SENIOR PLC ANNUAL REPORT & ACCOUNTS 2021

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ADDITIONAL INFORMATION

FINANCIAL HIGHLIGHTS

Revenue
-10%
£658.7m
2020 – £733.6m

Adjusted operating margin[1]
+40 bps
0.9%
2020 – 0.5%

Adjusted loss before tax[2]
£(1.9)m
2020 – £(6.2)m

Profit/(Loss) before tax
£23.7m
2020 – £(191.8)m

Adjusted earnings/(loss) per share[3]
0.17p
2020 – (0.84)p

Basic earnings/(loss) per share
5.82p
2020 – (38.20)p

Return on capital employed[4]
+50 bps
1.0%
2020 – 0.5%

Dividend per share
nil %
nil p
2020 – nil p

Free cash flow[5]
£14.0m
2020 – £46.5m

Net debt[5]
£53m reduction
£153.1m
2020 – £205.9m

NON FINANCIAL HIGHLIGHTS

CDP
(climate disclosure project)
A-
Leadership rating
"Implementing best practices"

Total Carbon Dioxide Emissions
(tonnes CO_2 equivalent emitted)
46,540 tonnes
2020 – 46,747 tonnes
(Scope 1, Scope 2 -market based and Scope 3)

Lost time injury rate
(per 100 employees)
0.32 incidents
2020 – 0.32 incidents

Waste recylced
93%
2020 – 93%

Women in leadership
Board of Directors
50%
2020 – 43%

Executive Committee
38%
2020 – 38%

Engagement survey
(percentage of employees completing the survey)
81%
2020 – 64% (Global Covid employee survey)

Ethics
(percentage of employees who completed Annual Code of Conduct Training)
94%
2020 – 94%

Our purpose is to provide safe and innovative products for demanding thermal management and fluid conveyance applications

Read more about the progress we are making on our purpose on Pages 4, 12, 34, 36 & 38

Read more about our people and culture on Pages 12, 24, 31, 35 & 41

Read more about our investment case Page 32

Read more about our strategic priorities Page 34

Read more about how we are performing in Aerospace Page 56

Read more about how we are performing in Flexonics Page 58

Adjusted operating profit and adjusted loss before tax are stated before £nil amortisation of intangible assets from acquisitions (2020 – £7.7m), £4.4m net restructuring income (2020 – £39.0m net restructuring cost) and £nil goodwill impairment and write-off (2020 – £134.3m). Adjusted loss before tax is stated before income associated with corporate undertakings of £21.2m (2020 – £4.6m cost). Adjusted earnings/loss per share is stated before exceptional non-cash tax credit of £0.6m (2020 – £nil).

EBITDA is defined as adjusted loss before tax, and before interest, depreciation, amortisation, and profit or loss on sale of property, plant and equipment. It also excludes EBITDA from disposed businesses and 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/loss is shown in Note 9.
(2) A reconciliation of adjusted loss before tax to profit/loss before tax is shown in Note 9.
(3) A reconciliation of adjusted earnings/loss per share to basic earnings/loss per share is shown in Note 12.
(4) See page 47 for the derivation of return on capital employed.
(5) See Notes 47 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 2021 was $1.38 (2020 – $1.29). The US Dollar exchange rate applied to the balance sheet at 31 December 2021 was $1.35 (31 December 2020 – $1.37).

Cautionary statement
The Annual Report & Accounts 2021 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.

GROUP AT A GLANCE

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 purpose is to provide safe and innovative products for demanding thermal management and fluid conveyance applications.

The Group aims to create long-term sustainable growth in shareholder value through a culture that empowers operations to work autonomously and collaboratively within an effective control framework.

OUR BUSINESS DIVISIONS

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 56

66%

(2020 – 70[1]%)

Civil Aircraft	37%
Military/defence aerospace	18%
Other aerospace division	11%

(1) This number excludes Senior Aerospace Connecticut

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 58

34%

(2020 – 30[1]%)

Land vehicles	18%
Power and energy	16%

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 36 to 39

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 36 to 39

OUR PEOPLE WORLDWIDE

North America

43%

UK and Europe

34%

Asia

20%

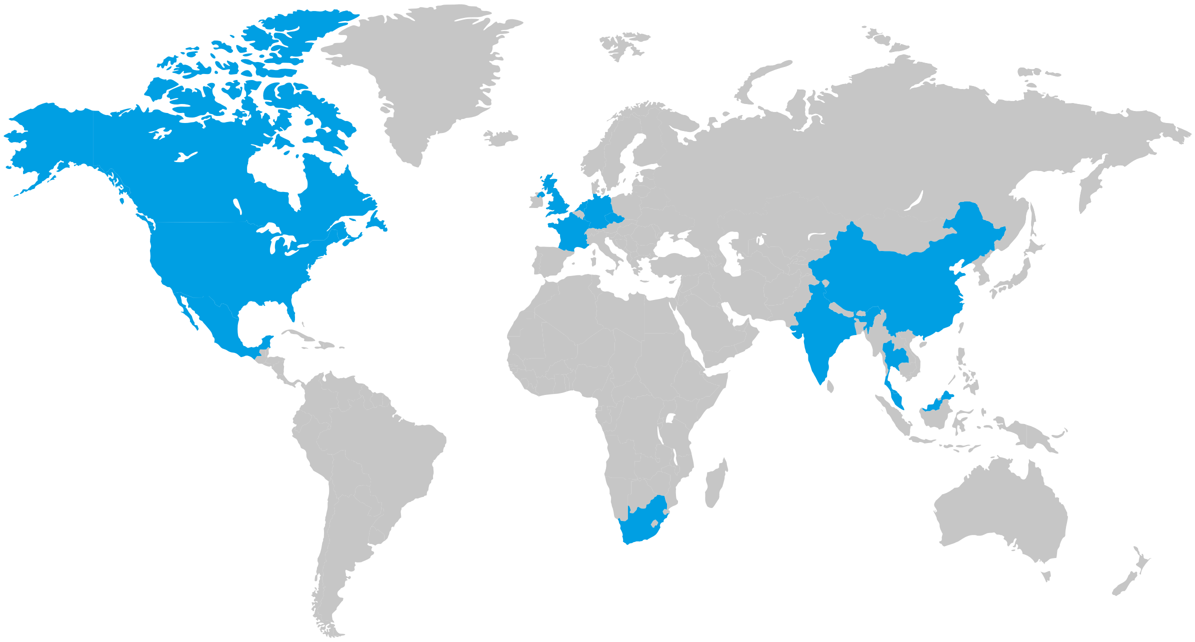
Rest of the world

3%

Read more about our people and culture on page 24

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

David Squires
Group Chief Executive Officer



Worldwide operating businesses

26

Countries

12

CHAIR'S STATEMENT

Resilient in a challenging year

STAKEHOLDER ENGAGEMENTS

The long-term 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 40 to 43 explains more on this

SUSTAINABILITY PROGRAMME

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.

Read more on pages 12 to 29 on the scorecard and progress achieved to date.

2021 has been a challenging year, given the external global environment we have had to address

There are a number of aspects of the year I would like to draw out:

- the performance and behaviours of the team has been exemplary during this unprecedented challenging period. Our people and their personal safety have been paramount in all we do;
- the restructuring, announced in 2019, has been completed and was thoughtful, comprehensive and incisive. No stone was left unturned but we were careful to preserve organisational capability for the recovery to come. We can already see the benefits of the action on the flow through margins of the business as volumes increase;
- we tested our end markets and strategies for the group against reasonable assumptions. We determined that our capabilities, market positions and technology are applicable to the net zero world we are increasingly operating within;
- we held a Capital Markets Day ("CMD") presented by key business and technical leadership from across the Group to showcase our strategies and capabilities. It was rewarding to see the support and engagement from our shareholders at the session;
- our sector-leading sustainability credentials and actions of the Group have always been strong and Executive driven. Progress and drive have been sustained by the Executive throughout this period; and
- how we execute our business and the nature of our business strategies are interlinked and synergistic.

The Board has a very strong understanding of the business model and its intrinsic cash flows.

In the first half of 2021, Senior encountered corporate action in the form of a conditional proposal from LSF XI Investments, LLC, a company advised by Lone Star Global Acquisitions, Ltd. The Board, fully aware of its fiduciary responsibilities, and together with its advisers, assessed the fundamental value of the Company in relation to the proposals. Having carefully considered the offers, the Board unanimously rejected them on the basis they fundamentally undervalued Senior and its future prospects.

The Board was able to make a unanimous decision as we are confident that we have a strategy that will maximise value for shareholders and deliver its target return on capital employed of a minimum of 13.5% (post IFRS 16) over the medium term.

Continued recovery in the Group's end markets, combined with our strong operating leverage and augmented by the benefits from the restructuring programme, are foundations of our confidence about our prospects. Our end markets positions, capabilities, technologies and trusted relationships forged with our customers enable us to help them meet today's challenges and deliver solutions for future low carbon requirements. The balance sheet remains robust and was further strengthened by the divestiture of Senior Aerospace Connecticut. We remain a well-capitalised Group, with intrinsically strong cash flows and businesses that have capacity to benefit from end market recoveries.

The Company's strategy continues to provide a solid foundation to support our future growth aspirations. When looking forward across the portfolio, our businesses manufacture highly engineered products and systems with applications aligned to the low carbon economy. These are pivotal technologies for emissions reduction and environmental efficiency. We have identified significant current and future opportunities for the Group in fluid conveyance, thermal management and structural components. These capabilities continue to be highly relevant as the world transitions towards a low carbon economy. Our products and capabilities are relevant today and for the longer term.

The Board has and will continue to evaluate and review the portfolio within the Group. The Defence document issued on 22 June 2021 continues to best express the Boards position.

Our performance

In 2021, the Board and the Executive team continued to be flexible and adaptive to the dynamics the Company was facing. As in 2020, they illustrated that they could function well during the challenging times of the pandemic.

The decisive actions taken to manage costs has delivered savings of £50m realised in 2021. These actions have meant that we are now an even leaner and more efficient business and we expect to see healthy near-term operating leverage across the Group's operating business as sales recover.

The Group generated a free cash inflow of £14.0m. The Group balance sheet remains robust, with adequate headroom to our committed facilities. We have well-structured financing arrangements in place and supportive lenders, who agreed appropriate covenant relaxations to December 2021, though our strong cash performance in 2021 meant that we did not need to utilise those facilities.

While Group performance in 2021 has improved compared to 2020, it was still impacted by the pandemic, and as such, the Board believes it is not appropriate to pay a final dividend for the year. The Board are optimistic that the recovery currently underway in our core markets will continue and therefore we currently expect to resume dividend payments in 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.

> The long-term success of the Group is enabled by mature and progressive engagement with all of our stakeholders."

Ian King
Chair

There are short- and long-term incentive schemes that ensure the team at all levels of the Group are focused on delivery of the strategy for the benefit of our stakeholders. Short-term incentive schemes deliver the foundation for longer-term recovery. It is fundamentally important, given the decentralised structure of the Group, that we have an integrated and consistent set of targets applying to all members of the schemes. Our incentive targets are stretching, and the longer term targets reflect the Board's view of the medium-term prospects for the Group.

Our purpose

Our purpose is to provide safe and innovative products for demanding fluid conveyance and thermal management applications. Our commitment to sustainability is rooted in our core Values: it is highly complementary to, and underpins, our purpose. As an international, high value-added engineering and manufacturing company, the Board recognises the importance of adopting a market-leading 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 is an integral part of our strategy, embedded within the behaviours of our people and the culture of our organisation.

We provide products that operate in hard-to-decarbonise sectors – such as aerospace, transport and power. As an engineering company with a strong heritage in relevant domains created over almost 90 years, innovation is in our DNA. We apply our expertise and technology across many different applications, working in close partnership with our customers, to develop solutions that support both their commercial and sustainability objectives.

It is this relevant engineering expertise that has given us an important role in helping to tackle the climate change and clean air challenge, as the world transitions to a lower carbon economy.

In 2020 we became the first, and remain the only, company in our sector to have its scope 1, 2 and 3 greenhouse emissions reduction targets approved and verified by the Science Based Target Initiative ("SBTi").

Amongst other sustainability successes, in 2021, we maintained our CDP leadership rating of A- for our climate disclosure, which is defined by CDP as "implementing current best practices" and at the same time Senior is described by CDP as "a trailblazer driving the transition towards a sustainable net-zero future".

Our Board

We have a cohesive, diverse and high performing Board. Last year's Board Effectiveness review, given Celia Baxter's and Giles Kerr's tenure, highlighted the need to properly handle transition to maintain the Board's quality and standards. The Board felt, recognising this, we should advance succession planning and make sure there was more than enough time to integrate the new Board. I am delighted to say we are on plan with Mary and Barbara, having joined the Board, and both now embracing their personal integration plans in 2022. Celia and Giles remain fully committed as highly valued members of the Board. We will recognise their contributions at the appropriate time.

The Board has completed a comprehensive Board evaluation during 2021. The main recommendation centred around Board succession, ensuring strategy form part of every Board meeting agenda and that Directors have good access to the Executive teams. Actions are well underway to focus on these areas. To find more detail on these improvements, please refer to page 77 in the Governance section.

The Board and I continue 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. Over the course of the year, in light of the corporate activity, our communication and engagement with shareholders increased. This year we invited all employees to participate in our global employee engagement survey. We had excellent participation and engagement, and feedback was very positive, valuable, and constructive. Celia Baxter, together with our Director of HR, Jane Johnston, participated in employee engagement focused groups with our UK operating businesses. This engagement has given the Board valuable insight and feedback which will help it implement specific continuous improvement plans across the business. Our intention is to run this global survey every 18 months.

The Corporate Governance Report (pages 65 to 108) examines how the Board sets the tone from the top of the organisation. 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. The Group is focused on a set of non-financial metrics which range from diversity, to greenhouse gas emissions, to water consumed and how much waste is recycled in the businesses. The Sustainability Report on pages 12 to 29 looks at how Senior has achieved significant improvement against our non-financial targets in 2021.

Looking forward

Despite the ongoing challenges in 2021 and notwithstanding near-term uncertainties in the global economy, Senior is well placed to benefit from the recovery underway in our end markets. The Group also has multiple opportunities to leverage its capabilities and technology as the world transitions to a low carbon economy

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.

As we enter 2022, we will continue to focus on delivering our strategy. We remain well positioned to deliver improved returns for our shareholders over the medium term.

Thank you all for your support.

Ian King
Chair

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

It is heartening to see recovery underway in our core markets including civil aerospace and we anticipate that continuing in 2022 and beyond."

David Squires
Group Chief Executive Officer

HIGHLIGHTS

Revenue

£658.7m
(2020 – £733.6m)

Adjusted loss before tax

£(1.9)m
(2020 – £(6.2)m)

Adjusted earnings/(loss) per share

0.17p
(2020 – (0.84)p)

Overview of 2021 results

In 2021, Senior maintained a strong focus on operational performance and delivered improved profitability, robust free cash flow generation and further strengthened the balance sheet. This was despite the continued impact of the coronavirus (COVID-19) pandemic on our markets and customers.

With markets starting to recover, we saw order intake increasing with a healthy book to bill ratio of 1.16 for the Group, which underpins our confidence in a return to growth in 2022, 2023 and beyond. We announced notable contract extensions and new contract wins including new orders with Boeing and Honda which help to demonstrate Senior's reputation as a reliable and innovative supplier to our blue-chip customer base: attributes which are highly valued during the uncertain times through which we and our customers have been navigating.

In our Post-close Trading Update on 14 January 2022, we reported that, for the full year, both Group revenue and adjusted loss before tax were in line with management's expectations. Group revenue was 6% lower than the prior year on a constant currency basis, part of which was pre-COVID-19 and included Senior Aerospace Connecticut (which was divested on 22 April 2021) for the full year.

In Aerospace, revenue declined 12% year-on-year on a constant currency basis, reflecting that part of 2020 was pre-COVID and 2020 included a full year contribution from Senior Aerospace Connecticut. Excluding Senior Aerospace Connecticut, revenue for the full year on an organic, constant currency basis declined by 7%. The year-on-year decline reflected the reduction in civil aircraft production rates, partly offset by growth from semi-conductor equipment, defence and space markets.

In Flexonics, revenue grew 10% compared to prior year, on a constant currency basis. The performance in 2021 benefited from the recovery in heavy-duty truck and off-highway and passenger vehicle markets, partially offset by a decline in oil & gas and the closure of the Senior Flexonics business in Malaysia.

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 decisive actions taken by the Group on managing costs in 2021 have delivered significant benefits and improved profitability. This has helped us to generate an adjusted operating profit of £6.1m (2020 – £3.7m), despite the reduction in Group revenue. Savings of £50m were realised in 2021. The Group's adjusted operating margin increased by 40 basis points, to 0.9% for the year.

Adjusted loss before tax reduced to £1.9m (2020 – £6.2m loss). The adjusted tax credit was £2.6m (2020 – £2.7m). Adjusted earnings per share increased to 0.17 pence (2020 – adjusted loss per share of 0.84 pence).

Reported profit before tax was £23.7m (2020 – £191.8m loss). Basic earnings per share was 5.82 pence (2020 – basic loss per share of 38.20 pence).

Maintaining a strong focus on cash generation throughout 2021, the Group delivered free cash flow of £14.0m (2020 – £46.5m). Our diligent management of working capital and capital expenditure have benefited this year's free cash flow and net debt position. Gross investment in capital expenditure was £21.3m (2020 – £26.8m) and the Group incurred £2.6m cash outflows (2020 – £32.3m inflows) from working capital. Reflecting the actions taken, the Group generated net cash flow of £57.7m (2020 – £23.2m) in the year, due to free cash flow of £14.0m (2020 – £46.5m) and £43.7m cash inflows (2020 – £23.3m outflows) primarily related to corporate undertakings and restructuring activity.

(1) Adjusted loss before tax is before amortisation of intangible assets from acquisitions, goodwill impairment and write-off, net restructuring income/costs and corporate undertakings.

The Group's financial position remains resilient, with £208.0m of headroom on our committed borrowing facilities at 31 December 2021. Net debt at the end of December 2021 was £153.1m (including capitalised leases of £73.2m), a reduction of £52.8m from December 2020, after taking into account favourable currency movements of £0.7m and £5.6m increase for lease movements.

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

While Group performance in 2021 has improved compared to 2020, it was still impacted by the pandemic, and as such, the Board believes it is not appropriate to pay a final dividend for the 2021 financial year. We are optimistic that the recovery currently underway in our core markets will continue and therefore, we currently expect to resume dividend payments in 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.

Delivery of Group Strategy

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

- a strategic focus on intellectual property ("IP") rich fluid conveyance and thermal management;
- organically growing our Aerostructures business fully utilising our world class global footprint;
- maintaining strong focus on efficiencies through our Senior Operating System as end markets continue to recover;
- executing on its portfolio optimisation strategy to maximise value creation; and
- driving intrinsic strong cash generation.

Senior has maintained its focus on IP-rich technology and manufacturing, by developing expertise in fluid conveyance and thermal management technology and capabilities. These capabilities are supported by a strong body of design and manufacturing process intellectual property and know-how. Using these technologies and capabilities, Senior is able to develop and supply proprietary products, sub-systems and systems for our customers' demanding applications across a range of diverse and attractive end markets.

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

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

As well as our businesses being actively focused on 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.

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

Our strategy for our Structures businesses as we emerge from the pandemic 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 remain confident that our Aerostructures core market will recover, driving performance improvement and providing the Group with strategic optionality.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

Technology and product design and development

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

Aerospace

- Our traditional fluid conveyance products are entirely compatible with sustainable aviation fuels, the increasing use of which will 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.
- Our world-class capability in thermal management and fluid conveyance provides opportunities to support the development of electric/hybrid air vehicle applications.
- We are leveraging and building upon our long experience of providing hydrogen fluid handling and distribution products for industrial markets to support development of both on-aircraft and off-aircraft hydrogen technologies as this alternative propulsion system evolves.

Land Vehicles

- Our current exhaust gas recirculation and waste heat recovery products continue to support evolving Land Vehicle propulsion systems as they become more efficient and lower their environmental impact.
- We focus on 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 electronics on the growing number of electric/ hybrid vehicles.
- We are supporting the development of commercial vehicle hydrogen fuel cell cooling and conveyance by capitalising on our experience of producing hydrogen fuel cell products in the energy sector.

Power & Energy

- We continue to develop an established wide range of fluid conveyance products, bellows and expansion joints for harsh environments in 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.

Portfolio optimisation

The Group actively reviews its overall portfolio of operating businesses and evaluates them in terms of their strategic fit within the Group. Senior has continued its "Prune to Grow" strategy of portfolio optimisation by divesting, closing, or combining non-core or performance-challenged assets. Most recently in 2021 we:

- successfully raised £49.7m from the strategic divestment of the Senior Aerospace Connecticut helicopter structures business;
- realised value from the sale of the property following the closure of our oil and gas machining Senior Flexonics Malaysia facility, which offset some of the closure costs; and
- completed the transfer of production from the Netherlands to France and closed the Senior Aerospace Bosman facility.

Senior understands 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.

> We continued to make good progress on our sustainability goals, maintaining our sector leading position."
>
> **David Squires**
> Group Chief Executive Officer

Restructuring

The decisive actions the Group took on restructuring and cost management since 2019 have delivered the expected benefits, with savings of £50m realised in 2021. In 2021, net restructuring income of £4.4m was recognised as our operating businesses maximised opportunities to realise income from assets that had no alternative use.

Since its inception in 2019:

- the cumulative cost of the programme has been £46.7m, (£6m lower than initially expected);
- cumulative cash outflow has been £19.0m, (£10m lower than expected); and
- savings delivered of £4m in 2019, £36m in 2020 and £50m in 2021 (a year earlier than initially expected).

These decisive actions, taken to insulate the Group through the pandemic in 2020 and 2021 mean that we are now an even leaner and more efficient business.

SUSTAINABILITY

Senior is a values driven organisation: we believe with conviction that how you do business is every bit as important as what you do. We always put safety and ethics first and we strongly encourage and promote diversity and inclusivity across our international operations. For many years, therefore, we have had a strong focus on Environmental, Social and Governance ("ESG"). As sustainability themes and issues become ever more important to our stakeholder groups, our strong track record means that we are well positioned to meet and exceed their ESG expectations.

Our industry leading ESG disclosures and ratings are evidence of Senior's longstanding approach to sustainability.

In 2021, we have again made good progress with our key sustainability metrics and activities:

- Environment
  - In 2020, Senior became the first, and remains the only, company in the Global Aerospace and Defence sector to have its Scope 1, 2 and 3 greenhouse gas emissions targets approved and verified through the Science-Based Targets Initiative ("SBTi") and in 2021, these are now verified "Near Term Net-Zero Targets" in line with the updated classification system.
  - Maintained our CDP leadership rating of A- for our climate disclosure, which is defined by CDP as "implementing current best practices".
  - Achieved the highest CDP leadership rating for the work with our supply chain. Recently, Sonya Bhonsle, Global Head of Value Chains & Regional Director Corporations, CDP stated, "As a Supplier Engagement Leader, Senior plc is a trailblazer driving the transition towards a sustainable net-zero future".
  - Reduced our SBTi Scope 1 and 2 (market based) carbon emissions by 18.9% compared to our 2018 base year.
  - 36% of our electricity was sourced from renewable energy, an increase from 25% in 2020.
  - Recycled 93% of waste produced.
- Social
  - Achieved an 81% response rate on our global employee engagement survey in May 2021. This response rate exceeded the benchmark for manufacturing companies.
  - Reduced the number of lost time injuries from 21 in 2020 to 18 in 2021. We remain on track to meet our 2025 reduction target.
  - The percentage of women on the Board increased to 50% in 2021 from 43% in 2020.
  - Donated £200,000 to UNICEF to support its Covid-19 Vaccines appeal. Our donation was the equivalent of providing vaccinations for every Senior employee and their families.
- Governance
  - Updated the Group's Code of Conduct with a booklet issued to all employees and provided training on it.
  - Information security was a key area of focus to safeguard the Group's assets, particularly as during the pandemic many of the Group's employees worked from home. 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.
  - Training on Anti-Money Laundering and the Corporate Criminal Offence Act was also rolled out to all relevant staff.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

MARKET OVERVIEW

Civil Aerospace (37%[2] of Group)

Production volumes for civil aerospace are expected to be higher in 2022 than 2021, driven by increasing single aisle rates.

Global air traffic recovery in 2021 showed ongoing progress as the COVID-19 vaccine delivery gathered pace and travel restrictions eased globally: in North America, US domestic travel recovered strongly; in the Asia Pacific region we saw the start of the re-opening of international travel in the second half of the year; transatlantic travel opened up in November 2021; and there were signs of corporate travel picking up. With travel restrictions being eased, demand for air travel is increasing, driving the recovery in air traffic and this is expected to improve further through 2022.

The most recent IATA forecast is that world passenger flows will return to 2019 levels by the end of 2023. IATA expects domestic traffic to reach 2019 levels by 2022 and international traffic to return to 2019 levels by 2025. As demand recovers, production of new aircraft will be supported by the replacement cycle driven by the retirement of older, less efficient, aircraft. Beyond this, the drivers supporting air traffic growth over the long term of c. 4% per annum remain in place.

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 expected medium-term market recovery.

Defence (18%[2] of Group)

Defence markets are anticipated to remain stable in 2022.

Senior's sales to the Defence sector are primarily focused on the US defence market, which in fiscal year 2022 is likely to be in the region of $770 billion following the bipartisan US Senate support for the National Defence Authorisation Act (NDAA) in December 2021. Senior is well placed with good content on mature programmes such as the C-130 transport aircraft, the F-35 Joint Strike Fighter as well as new programmes such as the USAF T-7A Red Hawk trainer.

Other Aerospace (11%[2] of Group)

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

The semi-conductor equipment market continued to be strong in 2021, reflecting the increase in global demand for microchips. Robust consumer demand pushed double-digit growth-rates, as a result of pandemic-related consumer and work-from-home trends, and was further strengthened by recovering industrial markets such as automotive. According to the World Semiconductor Trade Statistics ("WSTS"), the global semi-conductor market increased by 26% in 2021 and is forecasted to grow by 9% in 2022.

Land Vehicle (18% of Group)

In Flexonics, Land Vehicle markets are expected to continue to grow in 2022, as supply chain constraints gradually ease through the year.

Americas Commercial Transportation ("ACT") Research reported that North American heavy-duty truck production increased by 23% in 2021. ACT Research is forecasting 2022 production to grow by 13% and envisage that in 2023, production will increase by 21%, supported by the pent-up demand from the 2021/22 period and pre-buy activity ahead the tightening of emission standards. IHS Markit Inc. ("IHS") reported that European truck and bus production grew by 14% in 2021 and is forecasting that it will grow by a further 7% in 2022.

Passenger vehicle production in 2021, especially during the second half of the year, was impacted by semi-conductor shortage. IHS reported that European (including the UK) passenger vehicle production decreased by 6% in 2021 and is forecasted to grow by 20% in 2022.

According to the International Energy Agency ("IEA"), in 2021, electric car sales more than doubled to 6.6 million, representing close to 9% of the global car market and more than tripling their market share over two years. Furthermore, all the net growth in global car sales in 2021 came from electric cars. With the increasing adoption of electrification for both land vehicle and stationary power applications continuing, this market is fast growing and represents a major opportunity for Senior in the medium and long-term, particularly for our proprietary battery cooling technology.

Power & Energy (16% of Group)

Some positive momentum is expected in power & energy markets now that recovery in the upstream oil & gas sector is underway.

Global oil demand is forecast to exceed pre-pandemic levels before the end of 2022 and to further strengthen in 2023, in the absence of any further COVID-related disruption. Industry macro fundamentals, for upstream oil and gas in particular, are looking very favourable due to the combination of projected steady demand recovery, an increasingly tight supply market, and supportive oil prices. Nevertheless, the rise in geopolitical tensions could have a potential impact on the supply side.

Global refining capacity, on the other hand, fell for the first time in 30 years in 2021, as new capacity was outweighed by closures. We anticipate this stabilising in 2022 although dependent on geopolitical and economic conditions.

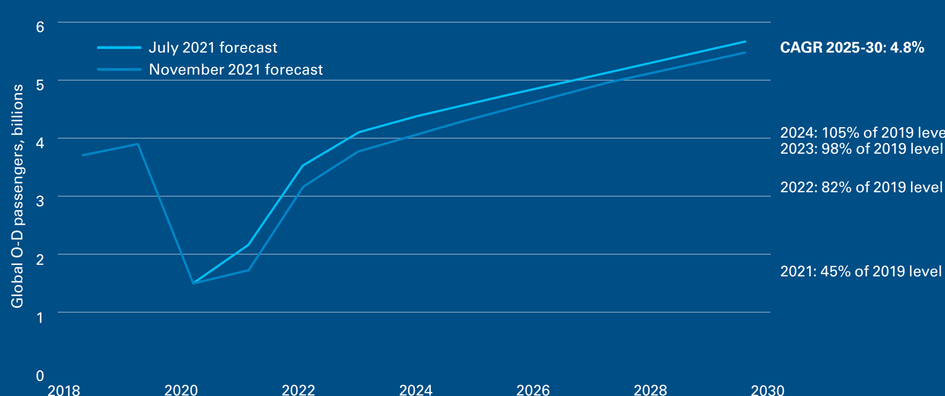
In power generation, the IEA forecasts electricity demand growing by 2.7% a year on average in 2022-2024. It also forecasts an acceleration in the growth of renewable capacity in the next five years, accounting for almost 95% of the increase in global power capacity through 2026.

We are ensuring we are appropriately resourced to take advantage of the market recovery led opportunities.

(2) This number is excluding Senior Aerospace Connecticut.

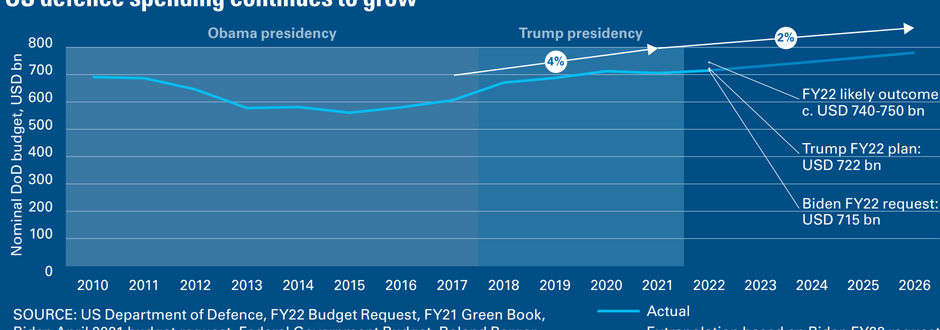
ONGOING MARKET RECOVERY ACROSS THE GROUP WITH STRONG OPERATING LEVERAGE

World passengers flows long run outlook



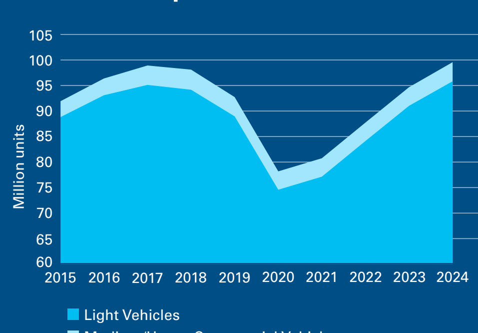
SOURCE: IATA, "Air Passenger Forecasts: Air passenger recovery to begin in earnest in 2022", November 2021 (right).

US defence spending continues to grow



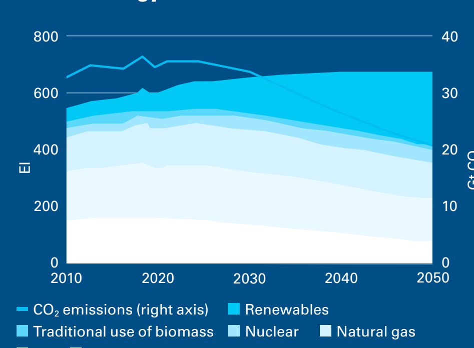
SOURCE: US Department of Defence, FY22 Budget Request, FY21 Green Book, Biden April 2021 budget request, Federal Government Budget, Roland Berger.

World vehicles production forecast



SOURCE: Data sourced from IHS Markit, Feb 2022.

World Energy Demand



SOURCE: IEA, "World Energy Outlook", Oct 2021 – Describes the Announced Pledges Scenario, which assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions and longer term net zero targets, will be met in full and on time.

Outlook

Overall, we are seeing recovery underway in our core markets, including civil aerospace, and we anticipate that continuing in 2022 and beyond.

While the impact of the pandemic and industry-wide supply chain constraints are still with us, we continue to manage these diligently. The Board anticipates good progress in 2022[(3)], in line with previous expectations, as we continue the multi-year recovery back to pre-COVID levels of performance.

Over the medium-term we remain committed to delivering a strong recovery across our two Divisions, driving the Group ROCE to a minimum of 13.5% in line with our previously stated ambition.

Looking ahead, our differentiated offering in fluid conveyance and thermal management products coupled with our global footprint and positioning in attractive and diverse end markets, gives the Board confidence that Senior is well positioned to build on our strong capabilities and to capture growth opportunities. Our continued investment in low carbon technology and advanced manufacturing combined with our commitment to the highest sustainability standards provide additional foundations for continued success.

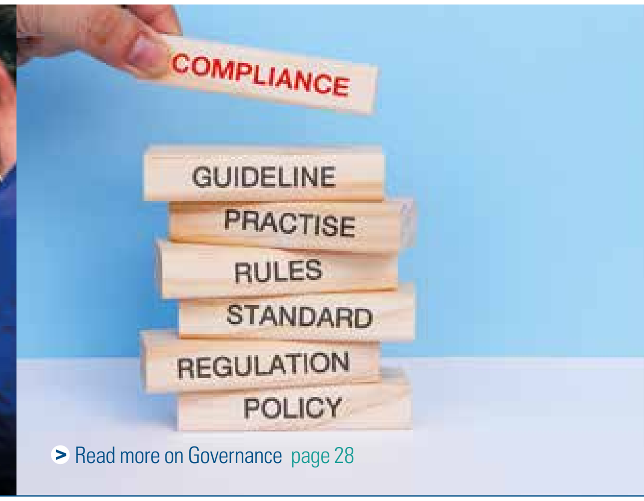
David Squires
Group Chief Executive Officer

(3) Currently assuming exchange rate for the US Dollar to Pound Sterling of $1.34: £1 average for 2022.

SUSTAINABILITY


Read more on Environment page 14


Read more on Social page 24



Read more on Governance page 28

A COMMITMENT to sustainability is rooted in our core Values: it is highly complementary to, and underpins, our purpose. we believe with conviction that how you do business is every bit as important as what you do.

Sustainability is an integral part of our strategy, embedded within the behaviours of our people and the culture of our organisation. We invest in our employees to help them succeed and they are empowered within a well-defined governance framework.

For many years, therefore, we have had a strong focus on Environmental, Social and Governance ("ESG"). As sustainability themes and issues become ever more important to our stakeholder groups, our strong track record means that we are well positioned to meet and exceed their ESG expectations. Our industry leading ESG disclosures and ratings are evidence of Senior's longstanding approach to sustainability.

Our products operate in various hard-to-decarbonise sectors – aerospace, transport and power. As an engineering company with a strong heritage in relevant domains created over almost 90 years, innovation is in our DNA. We apply our expertise and technology across many different applications, working in close partnership with our customers, to develop solutions that support both their commercial and sustainability objectives.

Our engineering expertise has given us an important role in helping to tackle the climate change and clean air challenge, as the world transitions to a lower carbon economy.

Learn more here

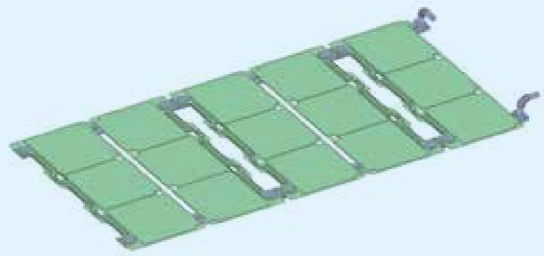
ADVANCED TECHNOLOGY COLLABORATION FORUM

Senior's Advanced Technology Collaboration Forum underpins the identification and delivery of technologies that will support our Customers' and Senior's needs as we adapt our existing capability to deliver sustainable growth as clean energy solutions are increasingly adopted. The purpose of the Forum is to identify investment opportunities in new technologies, and to support the development of our Technology Roadmaps through the delivery of targeted R&D projects aligned to our purpose to provide safe and innovative products for demanding fluid conveyance and thermal management applications. Key themes include:

- Developing products and capabilities for Hydrogen applications in fuel cells, infrastructure (electrolysers), propulsion and land/sea transportation.
- Developing and implementing products and capabilities for electric propulsion applications in land vehicles, Urban Air Mobility ("UAM") and civil aerospace.
- Development of new thermal management product lines for aerospace applications, building on current automotive and off-highway product expertise.
- Expanding the use of Additive Manufacturing as an enabling capability across all product groups.

WE HAVE AN INCLUSIVE CULTURE WITH CONTINUED INVESTMENT IN OUR EMPLOYEES

Attracting, developing and retaining the right people is fundamental to our long-term success. Personal and professional development of people throughout our business is a key part of ensuring we have talented, committed people with the right skills and experience.



Local management is empowered within a well-defined governance framework that emphasises safety, high ethical standards and our Values, to embrace an entrepreneurial spirit and foster an innovative and collaborative approach with all our stakeholders.

DELIVERING SUSTAINABLE SOLUTIONS

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. As the world transitions, Senior is helping its customers to develop efficient and effective products that are more sustainable, with lower environmental impact.

We think ahead, looking at challenges holistically when developing solutions for customers. The best example of this is our work to enable customer technologies on existing internal combustion technologies while simultaneously helping these same customers bring to market efficient and viable electric and hydrogen powertrains. Further to this, the same intellectual property developments from the transportation sector are being applied to stationary and industrial power generation applications which are playing a key part in overall decarbonisation of the economy.

We adopt new, more sustainable production methods and materials wherever possible. For example, embracing Additive Manufacturing allows us to develop complex products quickly, with reduced waste and often at a reduced weight when compared to traditional manufacturing methods. Even when Additive Manufacturing is not suitable, we have a continual focus on improving production efficiency, including reducing waste and the consumption of electricity and water during the manufacturing of the products. With operations in 12 countries, we are also able to be geographically close to major customers which can contribute to minimising the carbon footprint of our products.

BATTERY THERMAL MANAGEMENT

One of the best examples of Senior's contributions to decarbonisation efforts comes from a long-standing partnership with an established industrial engine and power solutions company. Building on a decades long business relationship; Senior designs and manufactures many key emissions system components for their diesel engine product lines in the areas of thermal management and fluid conveyance. Intellectual Property (IP) and experience developed for these product lines have now been directly leveraged to develop and produce new product technologies for a zero emissions future. Most notably, Senior recently began volume production of an advanced battery cooling module for application in fully electric trucks and buses.

2021 Sustainability Progress

Environment

19%

Reduction in Scope 1 (Direct) and Scope 2 (Indirect) emissions from 2018 base year (2020 – 18.6%)

Waste

93%

Recycling Rate (2020 – 3%)

Health and Safety

18

Lost time Injuries (2020 – 21)

Diversity

50%

Percentage of women on Senior plc Board (2020 – 43%)

Engagement Survey

81%

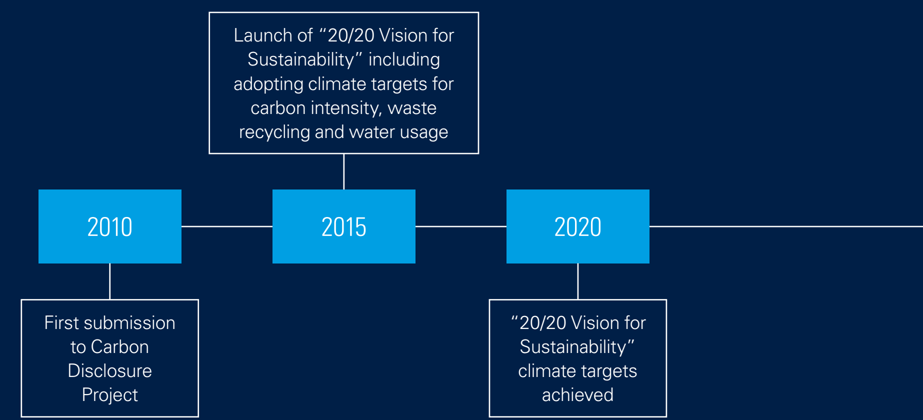
Percentage of employees completing Employee Engagement Survey (2020 – 64% response to global Covid employee survey)

Ethics

94%

Percentage of employees who completed Annual Code of Conduct Training (2020 – 94% of global workforce)

THE ROUTE TO NET-ZERO



ENVIRONMENT

OBJECTIVE NET ZERO:

Senior is committed to achieving Net Zero by 2050

CDP – Carbon Disclosure Project

Senior maintained a "Leadership" rating of A- in 2021 from the globally recognised CDP: the only UK company in our sector to achieve a leadership rating. The high-ranking score is a testament to the importance we place on the environment and communities in which we operate and is a result of the continuing dedication of our teams across our businesses to reducing our environmental impact.

Senior plc received A-, which is in the Leadership band and is defined as "implementing current best practices". This is higher than the European regional average of C, and higher than the Powered machinery sector average of C.

CDP Climate Disclosure Score

A-

LEADERSHIP RATING

Science Based Targets

In 2020, we were successful in having our carbon emission reduction targets verified by the Science Based Target Initiative ("SBTi"). The SBTi is a partnership between CDP, the United Nations Global Compact ("UNGC"), World Resources Institute ("WRI") and the Worldwide Fund for Nature ("WWF"). The SBTi call to action is one of the We Mean Business Coalition commitments.

In October 2021, the SBTi released guidance on a science-based approach to Net Zero emissions. A company reaches SBTi Net Zero when it reduces emissions in line with keeping global temperature increase to 1.5°C.

Senior remains the only company in the global Aerospace & Defence sector to have its emissions reduction targets independently verified and approved by the SBTi. The targets covering GHG emissions from Senior's operations are consistent with reductions required to limiting climate warming to 1.5°C. The Paris Agreement's long-term temperature goal is to keep the increase in global average temperature to well below 2°C. In the SBTi's target assessment report, Senior's Scope 1 and 2 targets were considered ambitious, as they track to a 1.5°C global temperature increase. SBTi have approved the following targets:

- **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.**

Next Steps in our climate Journey

In 2022 we plan to extend our reach, adding to our Near-Term Science Based Targets by formulating Long-Term Science Based Targets, the initial focus will be our Scope 1 and 2 emissions, Scope 3 will follow.

Progress towards our certified Science Based Targets

Scope 1 and 2

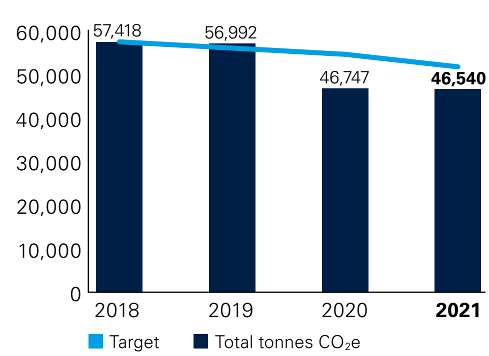
We continue to monitor our Scope 1 and 2 emissions. All of our business operations have programmes to increase energy efficiency, typical projects include more efficient air compressor systems, energy efficient boilers and LED lighting.

In addition, we are actively pursuing the purchase of low carbon electricity to reduce our Scope 2 (market based) carbon emissions:

- in 2021, 36% of our electricity was sourced from renewable energy, an increase from 25% in 2020.

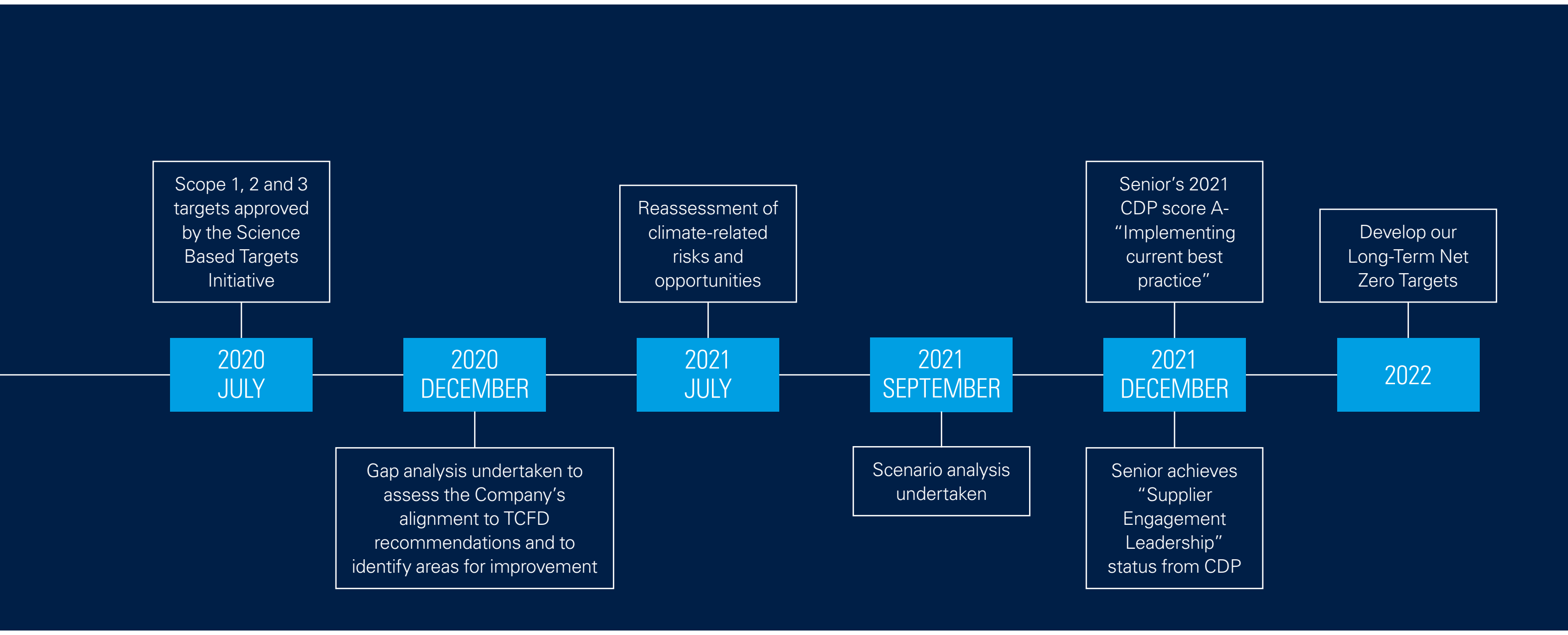
We are on track to meet our SBTi Scope 1 and 2 (market based) 2025 target with a 19% reduction against our 2018 base year.

Scope 1 & 2 (Market Based) Emissions



Carbon emissions (measured as Tonnes of CO_2e)

	Scope 1	Scope 2 (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



Scope 3
To make truly meaningful reductions in harm to the environment, businesses must cascade action down the entire supply chain.

In 2021, we commenced our work to achieve our Scope 3 supplier engagement Science Based Target.

We calculated that around 340 suppliers account for 80% of our global spend.

This year we contacted all of these 340 suppliers to inform them of our Science Based Targets and the approach we intend to take to gather information from them.

In order to facilitate the data capture and to ensure we were following best practice we engaged CDP, joining their Supplier Programme. CDP have a designated portal and we notified suppliers asking them to provide data into this portal.

For many of our suppliers, Senior was the first customer to ask for detailed carbon emissions data. This meant that we had to provide assistance and expertise to help these suppliers.

Of the 340 suppliers, 94 completed a detailed submission through this portal, helping us to understand and assess how they were progressing.

We believe this first year has been a successful start to our programme and we continue to develop our approach.

Supplier engagement

CDP have recognised our efforts in 2021 by awarding us Supplier Engagement Leader status based on our Supplier Engagement Rating ("SER")

The companies with the best SER are celebrated as Supplier Engagement Leaders, which this year is comprised of the top 8% of companies who disclosed to the full climate questionnaire. These companies are then included on CDP's Supplier Engagement Leader board, see: https://bit.ly/SupplierEngagement2021.

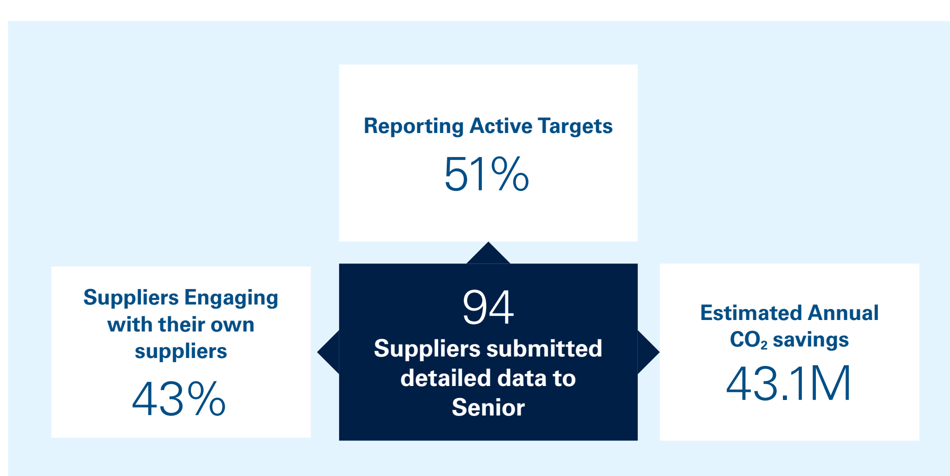
In 2021, 94 of our key suppliers provided information, 51% reported having active carbon reduction targets with 43% reporting that they engage with their own supply chain with respect to carbon emissions.

Output from the CDP Supplier Portal estimates that the targets set by our supply chain will give an estimated saving of 43.1 million tonnes of carbon per year.

Next steps
In 2022, we intend to increase participation from our suppliers: to do this we will provide more assistance and guidance principally through virtual supplier group meetings.

Looking forward to 2023 we will extend participation further by working more closely with smaller suppliers to ensure that we are on target to achieve the cascade of carbon reduction into our supply chain in line with our target to cover 80% of supplier spend by 2025.

Task Force on Climate Related Financial Disclosures ("TCFD")
In addition to our operational climate disclosures Senior is active in the requirements to disclose in relation to the TCFD. The following section covers our progress and disclosure for TCFD.



ENVIRONMENT CONTINUED

Waste

Our objective
Our Objective; 95% Recycling Rate by 2025

To reduce the overall quantity of waste generated and improve the proportion of materials reused and recycled.

Progress in 2021

In 2021, Senior were successful in recycling
93%
of waste produced.

In 2021, 74% of our businesses achieved a recycling rate of
90%
or higher.

50% of our operating businesses are at
100%
recycling rate.

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

Water Consumption

Our objective
To limit the environmental impact of our production processes through the efficient use of water.

We monitor water usage by business on a monthly basis. Our businesses conserve water by using efficient production methods and by using water harvesting processes in areas of water scarcity.

Progress in 2021

Water Usage in 2021
256 megalitres

Reduction in usage of
86 megalitres
compared to 2019 – the last full year before COVID-19 related impact to operations

Certification

Our objective
All Senior businesses are accredited to ISO 14001

Senior 2025 Sustainability Targets

		Metrics	Target Year 2025
Scope 1 and 2 Carbon Emissions	**Direct GHG emissions** **Indirect GHG emissions** (Combustion of fuel and operation of facilities)	Tonnes CO_2e	▼ 30% From 2018 base year
Scope 3	Indirect GHG emissions	Supplier engagement	80% of suppliers by spend will have climate science based targets
Waste recycling	Reduce the overall quality of waste generated and improve the proportion of materials reused and recycled	% of waste recycled	> 95%
Health and Safety	Reduced Lost Time Injuries	Lost Time Injury Rate	<0.3 Lost Time Injuries and Illness cases per 100 employees p.a.

Carbon emissions

Our objective

To reduce Scope 1 and Scope 2 emissions by 30% by 2025. Key to this is the purchase of 100% renewable electricity contracts.

Progress in 2021

Total gross Scope 1 and 2 (market based) emissions of

46,540 tCO^2e

in 2021

Scope 1 and 2 (market based) emissions reduced by

207 tCO^2e

in 2021

Scope 1 and 2 (market based) emissions reduced by

19%

against our 2018 base year

Carbon emmissions

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

	1st Jan 2021 to 31st Dec 2021			1st Jan 2020 to 31st Dec 2020		
	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	**1,244**	**7,201**	**8,445**	1,267	7,464	8,731
Scope 2: (location based) Electricty, heat and steam purchased for own use	**2,203**	**36,040**	**38,243**	2,595	36,683	39,278
Scope 2: (market based) Electricty	**875**	**37,220**	**38,095**	1,800	36,216	38,016
Total gross Scope 1 and 2 (location based) emissions / tCO2e	**3,447**	**43,241**	**46,688**	3,862	44,147	48,009
Energy consumed in MWh to calculate above emissions	**17,171**	**126,996**	**144,167**	17,279	129,273	146,552
Scope 3: Business travel, waste, water	**53**	**1,118**	**1,171**	73	907	980
Total Gross emissions / tCO2e (Scope 2 location based).	**3,500**	**44,359**	**47,859**	3,935	45,054	48,989
Intensity measure / tonnes CO2 emitted per £m of revenue	**34**	**80**	**73**	37	72	67
Water usage (in megalitres)	**37**	**219**	**256**	**27**	**214**	**241**
Percentage of waste recycled or recovered	**100%**	**89%**	**93%**	**96%**	**90%**	**93%**

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

Energy Efficiency Actions

In the reporting year, Senior plc has implemented energy efficiency projects across the global operating businesses. In total, Senior's improvements have the potential to reduce GHG emissions by 1,200 tonnes of CO_2e.

These environmental improvements include the completion of a 5 kW solar panel installation in Asia. Other improvements include the upgrading of Liquified Petroleum Gas ("LPG") powered fork lift trucks to electric. Heating, Ventilation and Air Conditioning ("HVAC") improvements continue to be completed in several businesses reducing emissions by switching to favourable refrigerants lower in Global Warming Equivalent Values (emission factors). Senior's operating businesses continue to install electric vehicle charging points for employees and visitors, encouraging the use of 'zero emission' transportation.

Senior has set out its year 2025 plan to reduce scope 1 and 2 emissions by 30%. Key to this is the purchase of 100% renewable electricity contracts. Three of Senior's UK operating businesses have now contracted into the supply of 100% renewable electricity supply, avoiding over 1,000 Tonnes of GHG emissions annually. French and German operating businesses are also supplied with 100% renewable energy. Other Senior operating businesses continue to make progress to achieving renewable energy contracts and three more operating businesses are confirmed to move to renewable energy contracts in 2022.

Methodology

The Group's approach to calculating and reporting our GHG emissions follows the Defra Guidance 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 2021).
2. US EPA (eGRID) Emission factors for greenhouse gas inventories for US electricity generation.
3. IEA (International Energy Agency) Emission factors year 2021 version.

2021's reporting has incorporated Scope 2 greenhouse gas emissions (associated with electricity consumption) calculated using both the Location and Market-based methods.

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

The Scope 1 and 2 emissions are independently verified in accordance with the International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' (ISAE 3410).

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

The Financial Stability Board ("FSB") created the TCFD – a framework to help companies disclose climate-related risks and opportunities. We have made disclosures consistent with the TCFD framework which recommends 11 disclosure topics across four pillars – governance, strategy, risk management and metrics and targets.(1)

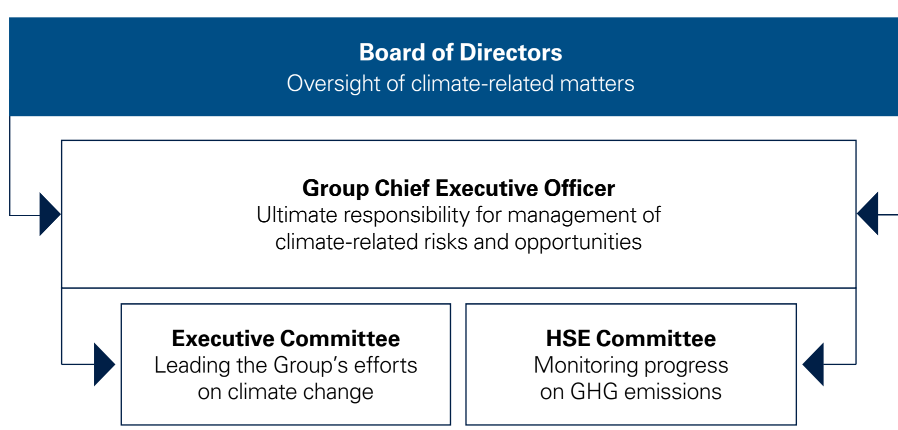
GOVERNANCE

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. Throughout the year, the Board was regularly informed about climate-related issues affecting the Group, as described below:

- the Group Chief Executive Officer provided updates on the Group's progress against Scope 1 and 2 emission targets, work carried out to support Scope 3 targets, waste recycling and water use, as well as the effect of climate change on the Group's operating businesses. The Group Chief Executive Officer 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 2021 and provided an in-depth review on the progress in engaging with suppliers in respect of the Group's Scope 3 targets. In addition, the Board received regular progress updates on the implementation of TCFD recommendations, including Scenario Analysis.
- The Group Company Secretary ensured that the Board was kept informed of the regulatory developments around climate change, providing various resources designed to enhance climate change competencies of the Board directors.
- The Group Director of Risk and Compliance presents the Group's principal risks, including climate change, to the Board on a biannual basis. In July 2021, the Group re-assessed its climate-related risks and opportunities, and the results of this assessment were reported to the Executive Committee and the Board.
- The Group divisional CEOs and the Group's Director of Business Development & Strategy attended the Board Strategy meeting, highlighting the latest developments in low carbon technologies and the opportunities these presented for Group.

Senior's climate-related governance framework



(1) In October 2021, the TCFD released additional guidance implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (2021 TCFD Annex), which supersedes the 2017 Annex of the same name (2017 TCFD Annex). In line with the current UK Listing Rules requirements, our TCFD-aligned disclosures take into account the implementation recommendations in the 2017 TCFD Annex. In addition, we have considered the 2021 TCFD Annex and applied it where possible.

Assessing and managing climate-related risks and opportunities

Management is responsible for assessing and managing climate-related risks and opportunities.

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.

Focus areas for 2022 "Governance"

- Continue strengthening Senior's governance framework for the Board's oversight of climate-related matters by including "Climate Change" as a separate regular agenda item in Board meetings.
- Enhance monitoring of the Group's progress towards Scope 1 and Scope 2 targets through carbon emissions tracking dashboard.
- Continue raising awareness of climate-related matters across the Group with particular focus on operating businesses and net zero transition plans.

BOARD TECHNOLOGY PRESENTATIONS

In September 2021, a presentation was made to the Board, highlighting:

- the impact of technological changes, particularly low carbon technologies, on Senior's market segments;
- initiatives by Senior's customers demonstrating environmental awareness;
- technological developments in Aerospace and Senior's engagement in various projects aimed at reducing emissions and improving operational efficiency;
- decarbonisation opportunities for the Flexonics Division, especially in relation to Electric Vehicle ("EV") adoption for passenger cars and commercial vehicles; and
- hydrogen infrastructure opportunities.

Senior will maintain regular technology discussions at the Board level in 2022, including those presenting climate-related opportunities and mitigating climate-related risks for the Group. Along with improving awareness and expertise of technology issues at the Board level, such discussions place the Directors in a stronger position when incorporating technology into strategic planning and other major decisions such as acquisitions, disposals and major investments.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") CONTINUED

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	2021 – 2024
M Medium term	2024 – 2026
L Long term	2026 – 2041

Climate change has been reported as one of the Group's principal risks since 2019. In 2021, we held an internal workshop to evaluate climate-related risks and opportunities at a higher level of detail. We have used comprehensive data sources for this review, such as climate change-specific publications; relevant sector literature outlining the potential impacts of climate change, including publications from peers, investors, regulators and market stakeholders; guidance from the TCFD on potential risks and opportunities for businesses; CDP risk and opportunity disclosures from engineering sector companies.

The table below highlights the Group's opportunities and material risks before mitigation activities.

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	
		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	
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	Customer demand and price down pressure
		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).	L	Strategy and portfolio management Financing & liquidity
	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 in to 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	Corporate governance breach
	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	Strategy and portfolio management
		Stigmatisation of sector Activism and protest 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 is to provide safe and innovative products for demanding thermal management and fluid conveyance applications. As our customers move to a lower carbon environment, we help to develop products that are more sustainable, with lower environmental impact.

Read more on pages 12, 13, 36 and 38

Operations and supply chain

We are making progress against Science Based Targets set in 2020, as described on pages 14 to 17. In addition, a number of energy efficiency projects implemented in 2021, and described on page 17, further improve climate resilience of our operations by reducing their reliance on fossil fuels.

We acknowledge that physical risks (such as extreme weather events) and shifts in markets and technologies have the potential to affect our operations and supply chain. Each site within the Group has a scenario-based Business Continuity Plan which is tested on an annual basis.

In 2021, we worked with around 340 suppliers through Carbon Disclosure Project, asking them to align with Senior's environmental goals and set emissions reduction targets by 2025.

Read more on page 15

Investment in research and development

Senior's Advanced Technology Collaboration Forum identifies investment opportunities in new technologies and supports with delivery of targeted R&D projects that are aligned to the Company's purpose.

Read more on page 12

Access to capital

In 2021, the Board agreed that a sustainability finance framework would be developed for Senior plc with the aim of working with the Group's lenders to support ESG linked debt when refinancing committed facilities.

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

We shall continue to develop our approach in assessing the financial impact of climate change. Actual and potential financial impacts on revenues, expenditures, assets and liabilities, and capital and financing will be considered as part of the Group's strategic and financial planning processes.

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

In 2021, we carried out scenario analysis to understand the potential impact of climate change on the Group's operations. We have 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 2ºC 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.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") CONTINUED

SCENARIO 1 (<2ºC) EARLY POLICY ACTION – SMOOTH TRANSITION

- 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 1.8ºC by 2050 compared to pre-industrial levels;
- Limited physical risks.

Potential impact
Policy changes start to accelerate, and consumer and investor preferences evolve rapidly to facilitate decarbonisation.

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.

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.

Opportunities
The ability to maximise returns on new investments in the long term, once transition has occurred and markets have stabilised.

SCENARIO 2 (<2ºC) LATE POLICY ACTION – DISRUPTIVE TRANSITION

- 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 1.8ºC by 2050 compared to pre-industrial levels;
- Limited physical risks.

Potential impact
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.

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.

Opportunities
Early investment can set the Group up to be ready for the swift changes to the disrupted economy after 2030.

Opportunities may materialise over the long term, due to the late policy action and the abrupt transition to low carbon economy.

SCENARIO 3 (>3ºC) NO POLICY ACTION – BUSINESS AS USUAL

- Governments fail to introduce further policies to address climate change beyond those already implemented;
- Increase in global temperatures reach 3.3ºC by 2050 compared to pre-industrial levels;
- High physical risks.

Potential impact
Absence of transition policies result in a growing concentration of greenhouse gas emissions in the atmosphere.

Increased exposure to heatwaves, tropical cyclones, droughts may increasingly provide challenge for some of Senior's sites and supply chain.

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.

Opportunities
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.

Resilience statement

The output of forward-looking scenario analysis allowed us to better understand how climate-related risks and opportunities could impact our businesses. The assessment indicated that transitional risks could have a more significant impact in scenarios 1 and 2, whereas the impact of physical risks could be higher in scenario 3. We recognise that scenario analysis will be developed over time, and we will continue to integrate the findings of more detailed climate-based scenario analysis into Senior's risk management framework to ensure that mitigation measures are in place for any residual risks that could impact business resilience to climate change.

Senior's commitment to the ambitious Science Based targets for 1.5ºC future and Business Ambition for 1.5ºC Campaign demonstrates that we are aligning our strategy with transition to a global net-zero economy. By taking action to reduce the greenhouse gas emissions within our businesses and supply chain, we improve the efficiency of our assets, encourage carbon-free technologies across the Group and our supply chain, therefore, reducing environmental impact.

We are committed to working closely with all our stakeholders in taking action to combat climate change. We believe that the Group's differentiators, such as its global footprint, focus on innovation, strong relationships with customers and suppliers make it resilient in transitioning to a low carbon economy.

Focus areas for 2022 "Strategy"

- Conduct further scenario analysis to understand the potential impact of climate change at a regional/operational site level.
- Embed the findings of the scenario analysis into Senior's strategic decision-making and risk management processes; continue testing the resilience of strategy under different scenarios.

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 49. 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, as 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.

Three stages to identify significant climate-related risks and opportunities – methodology overview

Identification – comprehensive list of climate-related risks and opportunities relevant to Senior developed using following data sources:

- climate change specific publications and data;
- CDP disclosures from peers;
- relevant sector literature; and
- guidance from TCFD for Senior's sector.

Significance assessment – material risks and opportunities were identified by assessing and scoring the following factors:

- likelihood;
- magnitude of impact;
- velocity of impact, if previously identified as a principal risk by Senior; and
- strategic importance to the business.

Selection – a final list of material risks and opportunities is selected for further climate scenario analysis. Risk assessed is inherent, without consideration for existing controls.

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 risk owners and time horizons for completion of the mitigating action plan. 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 an annual review by the Executive Committee and the Board. Climate change has been reported as one of the Group's principal risks since 2019.

2021 assessment

During 2021, we re-assessed the climate-related risks to understand which risks are likely to be material across Senior's entire value chain, giving consideration to our operations, suppliers, customers, as well as regulatory and stakeholder expectations. The assessment resulted in the development of a broad array of response actions to support the Group's climate-related initiatives.

Focus areas for 2022 "Risk Management"

- Due to the evolving nature of climate-related impacts, we aim to conduct the risks assessment process on a biannual basis to track changes in materiality.
- Continue refining materiality process and review emerging trends. Integrate this process into Senior's annual risk management framework.

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

Read more on page 16

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

Read more on page 17

Focus areas for 2022 "Metrics and Targets"

- Consider appropriate metrics and targets relevant to the Company's sustainability strategy.
- Continue integrating the metrics into business reporting processes.
- Develop the Company's Net Zero Transition Plan.

SOCIAL

Equality, diversity and inclusion

Our Core Values underpin our culture.

Senior promotes a culture and working environment in which everyone can make the best use of their skills, free from discrimination or harassment. The value of "Respect and Trust" defines how we treat people, and our commitment to be open and straightforward with colleagues, customers, suppliers and other stakeholders. 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.

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.

The Group's Equality, Diversity and Inclusion policy is contained within the Code of Conduct. We expect people to treat everyone they meet in the course of business with respect and dignity and in support of this, during the year, all employees undertook Preventing Harassment and Promoting Respect training as part of our annual, mandatory Code of Conduct training. Employees are required to comply with the Code of Conduct. 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 and business leaders continue to focus on providing a diverse and inclusive workplace. Gender diversity remains a key area for further improvement in our operating business general management population. We are continuing our global participation in Mission Gender Equity Mentoring (previously the 30% Club cross company mentoring scheme). The programme supports and encourages the development of talented women. The employee Engagement Survey also provided us with the opportunity to understand engagement by gender. Participation in the survey was higher for women than men, good levels of participation being a measure of positive engagement. In addition, it was notable that women scored higher than men on their overall engagement score, 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 2021 by gender.

	Male	Female
All employees	79%	21%
Operational senior management	82%	18%
Executive Committee	62%	38%
Board	50%	50%

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.

Employee engagement

As the impact of the COVID-19 pandemic continued through 2021, we maintained our focus on new ways of working, ensuring effective communication and employee engagement, while remaining COVID-19 secure and creating a safe and stable environment for employees.

Building on the success of the global COVID-19 employee survey in 2020, we launched our first global employee engagement survey in May 2021. The survey was split into three main sections, Engagement, Values, and Health and Wellbeing, and was delivered electronically, to all employees in multiple languages. The response rate of 81% exceeded our expectations and the benchmark for manufacturing companies, with a significant number of employees completing the survey who do not have ready access to company emails. The 81% response rate itself is a positive indicator of engagement and our employees desire to provide feedback.

SENIOR EMPLOYEE ENGAGEMENT SURVEY RESULTS

Participation
81%

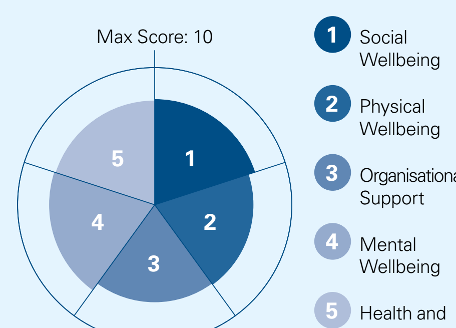
Health and wellbeing score (of a max of 10)
7.6

Engagement score (of a max of 10)
7.1

Comments
32,507

Values

Health and Wellbeing




Overall, the feedback was positive, with a score of 7.4 for the question "Overall, how satisfied are you working at Senior?". Other highlights included Management Support, Peer Relationships, Goal Setting and Meaningful Work. As expected, there are areas for improvement. Across all of Senior, the key themes for us to work on are enhancing how the operating businesses communicate their business strategy and mission, so that people feel more inspired by what we do and the value of their contribution. Reward was also an area for improvement, both in terms of how individuals are rewarded but also the process for determining pay.

Feedback and high-level action plans have been shared with the Board and, in particular, Celia Baxter, the non-executive Director for employee engagement, who has spent time reviewing and analysing the feedback including engagement scores and the verbatim comments.

Celia Baxter and Jane Johnston, Group HR Director have resumed their programme of face-to-face Focus groups and visited four UK businesses, holding 15 sessions in the autumn of 2021. The sessions were interactive with a cross section of employees, including employee representatives, and provided an opportunity to engage directly, asking and responding to questions. As well as holding the focus groups, the site visits included factory tours and meeting the leadership teams.

Our operations have remained vigilant in communicating with their teams, in particular focusing on different ways of engaging with some employees working from home, and leaders not being able to hold regular all hands meetings due to Covid safe working protocols. The methods for maintaining interaction and providing information to employees onsite and remote workers included, video messages, utilising TV message-boards, increasing newsletter frequency and using mobile technology. Leaders ensured they were visible in their businesses. In addition, we have been encouraging employees and their families to be vaccinated and have continued our support for employees throughout the COVID-19 pandemic.

Health and Safety

The health, safety and wellbeing of our employees is 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 of our business.

No work-related employee or contractor fatalities occurred in the Senior Group in 2021, no major injuries (serious / life changing) injuries to employees or contractors working on behalf of Senior.

In 2021, the Senior Group had a reduction in the number of lost time injuries to 18 from 21 in 2020.

Senior has a Group-wide safety management programme with all businesses complying to the Group standard and all subject to an annual audit. Seven of our business operations have already transitioned from OHSAS 18001 to ISO 45001.

In 2020, we set a Target to reduce our Lost Time Injury Rate to 0.3 by 2025, we remain on track to achieve this target.

Lost Time Injury Illness Rate ("LTIIR") is 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.

The LTIIR for 2021 was 0.32, a similar result to 2020 despite fewer injuries. This is a result of the calculation being based on a reduced headcount compared to 2020.

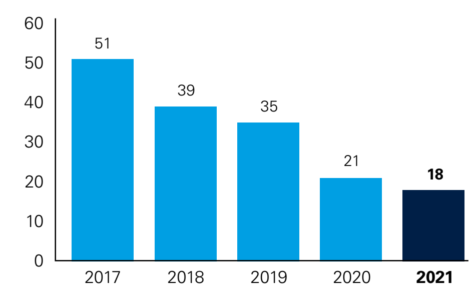
In terms of Total Recordable Injuries, we have seen an increase in the calculated rate. As activity levels increased during 2021, we have experienced an increase in minor injuries; in addition, as with LTIIR calculation, the figure has been impacted by our reduced headcount.

GOLDEN RULES TRAINING

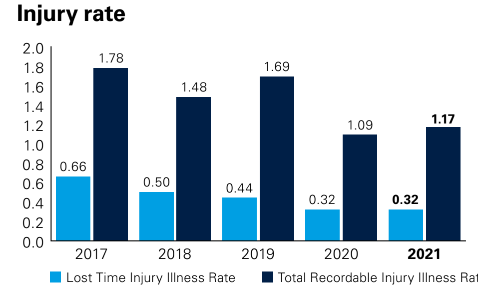
In 2021 we initiated a major safety programme around the "Senior Golden Rules". The 10 Senior Golden Rules for Safety cover key health and safety activities around the major risks we face in the business. These include lock-out / tag-out, working from height and similar high-risk activities.

A team of health and safety professionals from our global businesses collaborated to take our existing Golden Rules programme and significantly update and refresh the content, producing training materials in all applicable languages. A key component is to align the Senior Essential Behaviours with our Golden Rules. The roll-out of this programme is scheduled for completion in 2022.

Number of lost time injuries



Injury rate



I am delighted to have been able to visit some of our sites and meet with employees to hear their feedback and learn more about the culture across our businesses."

Celia Baxter
Chair of the Remuneration Committee and designated NED for workforce engagement

SOCIAL CONTINUED

Communities

Across the world and in all parts of the Group, Senior's businesses undertake a range of charitable activities to support the communities in which they operate. Our colleagues contribute their time, money and effort in areas including educational mentoring, encouraging the take up of Science, Technology, Engineering and Mathematics ("STEM") subjects in schools, helping support local sports teams and partnerships with local charities.

As an advanced technology business, our staff are highly trained leaders in their field. Their knowledge and mentorship can therefore be immensely valuable, and as a 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. At Senior Flexonics Pathway, our engineers volunteer across Texas schools and support competitions to train young people and help them start their journey into the world of engineering. Qualified welders at Flexonics Pathway volunteer at the Texas High School Welding Series competitions, sharing their knowledge and helping to judge weld tests. Flexonics Pathway also held a welding certification event at their facility, which saw 60 young people receive coaching and the opportunity to try their hand at welding.

Elsewhere, in the UK Senior Flexonics Crumlin has embedded itself in its local community through shirt sponsorship for the Whitehead RFC Under-9 rugby team, a youth team based in Bassaleg, South Wales. Crumlin's contribution has ensured that the team has a kit in which they can play in with pride, with a squad of 20 young rugby players benefitting from the business' support.

At Senior India, meanwhile, the local team partnered with the charity Anadi Seva Prakalp, an organisation focused on improving the quality of life for deprived senior citizens. With Senior India's help, Anadi Seva Prakalp constructed a dining hall and kitchen at their hospice near New Delhi, supporting the charity's core mission and the 37 senior citizens living at the premises.

People and Culture

Our Values set out the principles and standards of behaviour that drive our culture. As evidenced by the feedback we received from the Engagement Survey, the area we scored highest in was Safety. 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 COVID-19 pandemic, supporting employees through this difficult time.

In our autonomous and collaborative business model, our operational business leaders are empowered and accountable, setting the tone for their operations. Our model has enabled leaders to react to the ever-changing environment we found ourselves in throughout 2021, taking measures to keep people safe, maintain business continuity and to plan for future recovery. Despite the challenges in 2021, many of our businesses have continued to support our employees, their families and local communities, for example, with charity events, fund raising and by facilitating COVID-19 vaccinations with onsite sessions and transportation to vaccination centres.

learn
LEARNING & DEVELOPMENT

Across Senior, we have continued to provide opportunities for learning and development, meeting both skills and technical training across the Group. Our now well-established eLearning platform, Learn has enabled us to offer a wide range of training to meet business needs, for example Operational Excellence, Management and Leadership skills, Health and Wellbeing and Project Management. Learn is also used to deliver compliance training and, despite the challenges posed by COVID-19 pandemic, we have continued to deliver compliance training for example our Code of Conduct, a programme of Cyber Security courses and Anti Money Laundering training. 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. The feedback from the Engagement Survey and focus groups confirms that peer relationships are positive and that colleagues can count on each other for support. This feedback highlights our open and honest culture of respect and trust, and how much people value teamwork.

We have continued to embed "Perform", our Performance and Development system. Perform 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. In addition, we continue to undertake a robust succession planning review annually. The Executive Committee scrutinises the talent pipeline, identifying successors or interim cover for key roles across the Group and ensuring appropriate development plans are in place to enable individuals to fulfil their potential. In 2021, we have seen the positive outcome of this process with three senior roles, including the Director of Business Development and Strategy, being filled by talented internal candidates that were identified on the succession plans. 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.

The feedback from our survey tells us that employees believe that people are treated fairly and that we do not tolerate misconduct. When individuals have concerns, our culture is to encourage open and honest feedback on matters being raised with their local management. On the rare occasion when things cannot be resolved locally, we have our third-party whistle-blowing service called Ethics Point which along with our Code of Conduct, was relaunched in 2021. All concerns raised are investigated and learning points are actioned by local leadership teams as appropriate.

During the year, we have seen an increase in recruitment activity as business conditions improve. In order to meet this and future demand we are focussing on building strong relationships with local technical colleges, universities and education establishments, partnering with recruitment firms, extending our use of job boards and other approaches to advertising and attracting applicants. In the US, Recruit, our online recruitment system, has placed us in a much better position to attract talent by enhancing the candidate experience, including the ability to use mobile devices to apply. In 2022, we are planning a further roll out of Recruit.

Image: Wamala

UNICEF

Senior is committed to supporting the fight against the COVID-19 pandemic. Several of our businesses have directly supported vaccine rollout programmes in their local communities and Senior plc has also donated £200,000 to UNICEF in 2021 to support its COVID-19 Vaccines appeal. Our donation will help UNICEF to achieve its overall ambition to vaccinate 70% of every country in the world by the end of 2022. Our donation was the equivalent of providing vaccinations for every Senior employee and their families.

COVAX is the only truly global solution to the pandemic because it is the only effort to ensure that people in all corners of the world will get access to COVID-19 vaccines, regardless of their wealth. As a global business and employer, Senior recognises that this global action is of paramount importance which is why we were delighted to hear that as of February 2022, the COVAX Facility had delivered a staggering 1.1 billion doses of vaccine to 144 countries around the world.

UNICEF's role in the fight against COVID-19 goes further than just delivering vaccines. As well as helping UNICEF deliver vaccines, our donation is also supporting the training of health workers to safely carry out vaccination campaigns, as well as providing access to oxygen and other essential interventions to help treat those suffering from the disease. UNICEF is also delivering millions of items of personal protective equipment to keep frontline health workers safe whilst tackling rumours and misinformation to boost vaccine confidence. We are pleased to have had the opportunity to help UNICEF in its support of the vital global COVAX programme to deliver vaccines to some of the most remote parts of the world, save lives and protect entire communities.

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 incidents is maintained by the Group Company Secretary and the Board receives regular updates.

The Group recognises that the use of third-party intermediaries can increase potential bribery and corruption risks within the markets in which we operate. All external sales agents working on behalf of Senior across the world are required to operate in compliance with the Code of Conduct. The Code requires a pre-appointment due diligence and risk assessment to be undertaken, prior to engaging or re-appointing any sales agent and requires them to be issued with the Code, ensuring that they understand, acknowledge and accept its requirements.

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. In 2021, 94% of total employees completed the training. 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 Head of Risk & Compliance are discussed by the Audit Committee.

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 Gifts and Hospitality Policy.

Third party anti-corruption due diligence

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, to 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. The Code also contains certain additional obligations which only apply to PDMRs.

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.

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 too high. A more detailed fraud risk assessment is also performed.

2021 update

In 2021, Information Security training was delivered to all employees. Training on Money Laundering and the Corporate Criminal Offence Act was rolled out to Finance staff and those with external-facing roles.

Our plans for 2022

Additional short refresher training courses on appropriate topics will continue to be rolled out during 2022.

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 hot line, 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.

Board

Board gender diversity

The Board is supportive of the aim to increase its diversity. Following Barbara Jeremiah's appointment, five of the nine Directors are female (55%).

Board succession & Board effectiveness

Please see the Nominations Committee Report on pages 76 and 77 in the Annual Report & Accounts 2021 for details of the Board's succession planning and the annual review of Board effectiveness.

Independence of Directors

Five of the Board members out of a total of eight at the 2021 year-end were independent, these were Celia Baxter, Susan Brennan, Giles Kerr, Rajiv Sharma and Mary Waldner. In January 2022, Barbara Jeremiah was appointed to the Board and is now the Company's sixth independent Director.

Shareholder Democracy

Restriction on Voting Rights

The Company has only one class of shares with 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 AGM are stated in the Notes to the 2022 AGM Notice of Meeting, which can be found on the Company's website.

Facilitation of shareholder participation

At the 2022 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 2022 AGM Notice of Meeting.

Internal Audit

The Internal Audit Manager reports to the Head of Risk & Compliance. In 2021, the Internal Audit Manager undertook nine Information Security audits, 10 Risk-based audits and one Thematic audit. Because of the COVID-19 pandemic, only one of these audits was able to be carried out on a physical site visit, the remainder were all undertaken remotely.

Risk process

Please see the Risks and Uncertainties section of the Annual Report & Accounts 2021 on pages 48 to 55.

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 2021, information security was a key area of focus to safeguard the Group's assets during the pandemic, which forced many of the Group's employees 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.

Targets and Objectives

The Group has a three-year rolling Information Security plan, which documents its mission to improve security maturity and reduce business risk across the Group. As capabilities are introduced, metrics are developed and routinely reported (including to the Executive team) which measure effectiveness and provide a feedback loop to the ongoing plan.

Physical and Technical Safeguards

The three-year plan builds on existing physical and technical safeguards already in place, introducing a series of minimum Security Standards and baselines applicable across the Group; for example, the introduction of a Security Operations Centre providing standardised, monitoring capability for any indicators of compromise for the Senior Group.

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 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 17 of the Annual Report & Accounts 2021.

Product Safety Governance

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 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 Our Technology Themes on page 36
- Read more about Our Technology & Product Development on page 38
- Read more about Stakeholder Engagement on page 40

Learn more here

OUR BUSINESS MODEL

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

OUR PURPOSE

To provide safe and innovative products for demanding thermal management and fluid conveyance applications

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 servicing blue-chip customers.

Read more about Aerospace on page 56

Read more about Flexonics on page 58

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

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 24

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

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.

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.

HOW WE DO IT

Our strategic priorities

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.

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

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.

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.

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.

Read more about our strategic priorities on pages 34 and 35

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 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 opennes 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

INVESTMENT CASE: POSITIONED FOR GROWTH

Senior's clear and focused strategy continues to maximise value for all its stakeholders. With a strong focus on operational performance and growth in our end markets, Senior is confident of delivering its target return on capital employed of a minimum of 13.5% (post IFRS 16) over the medium term

OUR PURPOSE

To provide safe and innovative products for demanding thermal management and fluid conveyance applications.

AEROSPACE

FLEXONICS

Read more about on pages 56 to 59

CLEAR STRATEGY TO MAXIMISE SHAREHOLDER VALUE

A DIFFERENTIATED BUSINESS MODEL

STRATEGIC PRIORITIES

TRUSTED AND COLLABORATIVE HIGH VALUE ADDED ENGINEERING AND MANUFACTURING COMPANY

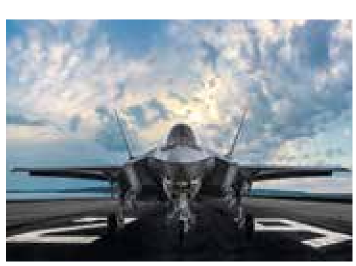
DELIVERING MINIMUM 13.5% ROCE (RETURN ON CAPITAL EMPLOYED) OVER THE MEDIUM TERM

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 cleanest technology is ideal for Senior's product and technology portfolio

Read more about on page 10



Defence

Defence remains a priority for the US. Senior has key positions on major funded programmes

Read more about on page 10

Land Vehicle

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

Read more about on page 10

Power & Energy

Market leader of complex fluid systems and products

Read more about on page 10

> Senior is well positioned to build on our strong capabilities and to capture growth opportunities."

David Squires
Group Chief Executive Officer

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
- Robust balance sheet
- Technology, product and process innovation supporting transition to clean energy
- Considered and effective capital deployment
- Global footprint

Read more about on page 30

ESG 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 A on supplier engagement
- Continuously improving Lost Time Injury Illness Rate; a reduction of 69% from 2015
- Early adopters of Hampton Alexander and Parker (2023) Reviews on gender and ethnic diversity targets

Read more about on pages 12 to 29

STRATEGIC PRIORITIES

The following six strategic priorities are key elements of our business model, which drive the creation of stakeholder value. Our progress since they were established is noted below and they continue to receive specific attention and focus.

1.

ENHANCE SENIOR'S AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL

Senior's business model is one of empowering and holding accountable our businesses, operating within a clearly defined control framework to develop and deliver business plans in line with overall Group strategy. Increasing collaboration amongst businesses in the Group is a priority to ensure economies of scale are realised whilst maintaining the autonomous business structure. Business leaders throughout Senior are actively embracing collaboration activities with priorities set at Group level in consultation with the businesses.

What we did in 2021:

- Implemented engagement guidelines to help optimise the transfer of work to cost competitive locations and to facilitate higher level solutions to meet customer needs;

Our plans for 2022

- Enhance effectiveness of Group-wide Procurement, Technology and IT Councils.
- Refocus our Advanced Technology Collaboration Forum to align our technology investment with our strategic purpose, focusing on research and development that support growth in low carbon technologies.

Governance

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

2.

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 innovation;
- Geographical expansion;
- Seeking out and exploiting adjacent opportunities organically and through acquisition.

What we did in 2021:

- Diversified into product manufacture for satellite structures applications;
- Qualifyied a sophisticated bleed air system for an upcoming flight test programme using our advanced Additive Manufacturing ("AM") capability;
- Development of high flow hydrogen gas compressors for clean energy applications and battery and electric propulsion liquid coolant volume compensators in the Urban Air Mobility ("UAM") market sector.
- Completed qualification of our RT2i composite thermoplastic aerospace ducting product and successfully transitioned into series production of a Business Jet LP duct system utilizing both RT2i 3D Near Net Shape and Fusion Deposition Modelling ("FDM") non-metallic AM parts within critical areas of the system.
- Completed the industrialisation of Electric Vehicle ("EV") 70kW cooler. Secured additional Fluid Conveyance projects for Hybrid and EVs.

Our plans for 2022

- Continue product development projects to support further diversification in space and defence that utilises available capacity in our Aerospace structures operating businesses.
- Continue to pursue the utilisation of RT2i 3D Near Net Shape and Fusion Deposition Modelling (FDM) non-metallic AM parts for ducting applications in the regional jet market.
- Continue to support our customers in the development of thermal management projects for passenger car and commercial vehicle applications.

Governance

Growth opportunities are regularly reviewed by the Executive Committee and Board. The AdvancedTechnology Forum is in place under the chairmanship of the Group Director of Business Development and 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.

3.

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 2021:

- Continued to implement the comprehensive restructuring plan in response to global pandemic;
- Implemented APQP gated NPI processes across 75% of Aerospace operating business.

Our plans for 2022

- Ensure the organisation is suitably aligned for the recovery that is undeway;
- Multiple lean events continue with focus on cycle time reduction and cost reduction, together with continued targeted inventory improvement workshops;
- Complete the roll-out of APQP process standards across remaining Aerospace operating businesss;

Governance

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

Read more about Risks and Uncertainties on pages 48 to 55

4.

COMPETITIVE COST COUNTRY STRATEGY

Enhance Senior's global footprint to ensure our businesses stay competitive at 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 demand.

What we did in 2021:

- Expanded capacity at our Mexican Aerospace operation in support of increasing volumes.
- Successfully launched new programme for production on new EU commercial aircraft business class seat structures in Thailand and secured new content on several OEM engine programs for commercial aerospace platforms.
- Completed the transfer of production equipment from the Pacific Northwest to Thailand to support wing-product series production activities in 2022.
- Secured additional high-volume land vehicle contracts for fluid conveyance products, including Hybrid and EV applications in Mexico and Czech Republic.

Our plans for 2022

- Continue Senior Aerospace Mexico investments in talent and equipment to allow further production transfers.
- Secure further contracts to fill capacity in our cost competitive country locations.
- Continue to transfer cost sensitive product lines to locations where the cost structure would deliver a more competitive advantage.

Governance

The Executive Committee conducts monthly 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.

5.

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 2021:

- Successfully raised £49.7m from the strategic divestment of the Senior Aeropsace Connecticut helicopter structures business;
- Realised value from the sale of the property following the closure of our oil and gas machining Senior Flexonics Malaysia facility, which offset the closure costs;
- Completed the transfer of production from Senior Aerospace Bosman in the Netherlands to our Aerospace facilities in France.

Our plans for 2022

- Maintain our pricing and return on capital discipline when negotiating contracts and assessing investments;
- Continue to actively manage portfolio;
- Currently expect to reintroduce dividend in 2022.

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.

6.

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 on-line 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 2021:

- We launched our first Company-wide Employee Engagement Survey;
- Developed and initiated action plans as a result of the survey and other feedback mechanisms, eg focus groups and employee forums;
- Participated in the 30% club Mission Gender Equity cross company mentoring Scheme for the fourth year.
- Expanded our network of recruitment

Our plans for 2022

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

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 and ensuring appropriate development plans are in place 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.

OUR TECHNOLOGY THEMES

Senior's fluid conveyance and thermal management businesses have design IP (intellectual property) and our structures businesses have manufacturing IP. Both types of IP are underpinned by our investment in advanced manufacturing technology and supported by our extensive design and engineering expertise. Our global footprint in Aerospace & Defence, Land Vehicle, Power & Energy and other attractive and diverse end markets offer deliverable growth opportunities.

FLUID CONVEYANCE AND THERMAL MANAGEMENT

Fluid conveyance is the flow of fluid, including both gases and liquids, within a system. Senior has rich IP in fluid conveyance applications; for example, our fluid conveyance designs have been key to maintaining aircraft cabin air supply and thermal control for the crew and passengers during flight.

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; a key differentiator in electric and hybrid vehicle economics.

Capabilities highlights

- World class design capabilities for complex fluid conveyance systems incorporating zero-leakage flexible joints 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, Computational Fluid Dynamics 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 capabilities in both metal and polymer materials as an enabling technology for complex high-pressure and low pressure ducting systems and heat exchanger designs

CASE STUDY

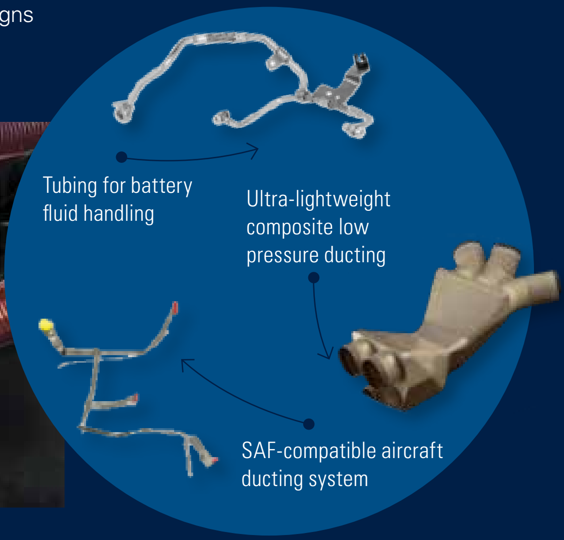
An aerospace OEM has dedicated significant funding and resources to develop a ground demonstrator with a full hydrogen powertrain by 2025.

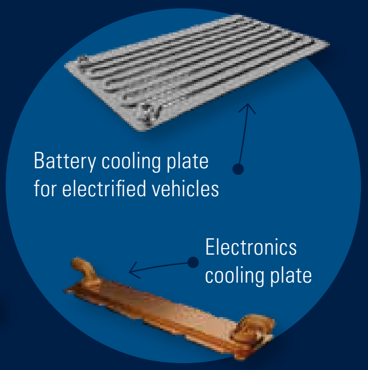
The concept is similar to land vehicle applications, and in this particular case, the customer has chosen to run the system at cryogenic temperatures for efficiency.

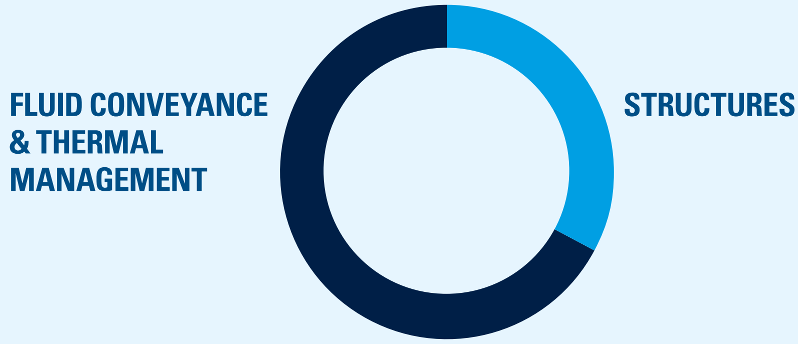
Senior Flexonics has extensive experience with fuel cell battery technologies. One of our core capabilities is the design and development of cooling systems for batteries and electronics that enable saafer and faster charging speeds. We also have cryogenic experience from our medical products that use liquid helium for cooling.

Through existing collaboration between Senior Aerospace and the customer, we have already established ourselves as a trusted aerospace supplier.

Benefiting from our synergies, Senior Aerospace and Senior Flexonics collaborated to submit a thermal management proposal for this emerging powertrain. The learnings from this project will prepare us for future opportunities that involve similar technology.







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 close 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.

Capabilities highlights

- Deep 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 optimization, on-machine probing, and vibration dampening
- Highly vertically integrated, with wide-ranging process qualifications across machining, Non-Destructive Testing, 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

Complex airframe components & assemblies

Precision-machined aeroengine components

Complex space satellite structures

CASE STUDY

Recently space launch and satellite applications have expanded rapidly, creating new aerospace opportunities.

A new customer presented Senior with a challenge to produce complex 5-axis machined structural components for a prototype platform, in a very short lead time.

Senior's engineering team worked closely with the customer's design engineering team to identify maximum impact features for lead-time reduction and developed a best-in-class process based on toolpath simulation, in-cycle probing and cutting tool parameters optimised for machine/spindle harmonics.

Backed by our footprint across regions and collaborative business model, we strategically split the work package between two Senior sites in the US with identical equipment, to concurrently manufacture the initial production units.

As a result, First Article parts were delivered in record time with 100% quality compliance, earning customer accolades and new business for follow-on production orders due in 2022/23.

OUR TECHNOLOGY AND PRODUCT DEVELOPMENT

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

2020 — 2030

AEROSPACE

Observation
Current generation engines bring 15 to 25% of fuel efficiency improvements.

Smaller electrified aircraft will enter into service this decade.

Our response
We have significant content in current best-in-class engines.

We are designing and manufacturing components for electric vertical take-off and landing ("eVTOL") aircraft.

Additive manufactured LEAP engine oil bearing nozzle and distributor

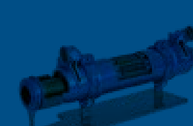
Observation
The US aims to supply ≥3 bn gallons of sustainable aviation fuels ("SAF") per year by 2030.

The EU plans for SAF to be ≥5% of aviation fuels.

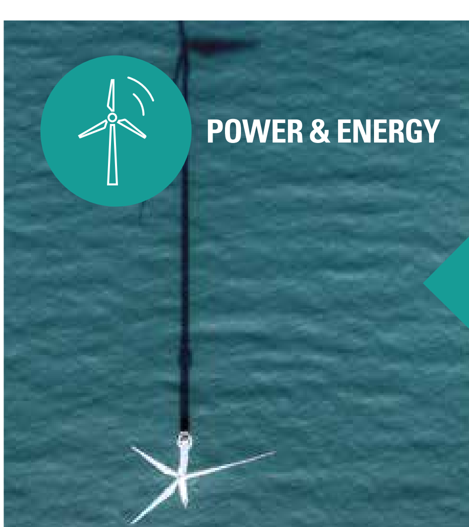
LAND VEHICLES

Observation
Alternative fuels such as natural gas and hydrogen are a crucial engine bridge technology prior to widespread electrification of commercial vehicles.

Our response
Upgraded and enhanced versions of our components such as the Radial Fin EGR cooler are fuel agnostic and ensure compliance and efficiency for all applications.



Observation
A COP26 declaration calls for all new car sales to be zero emission by 2035 in leading markets.



POWER & ENERGY

Observation
Some countries recognise the role of nuclear power to reach net zero.

At COP26, world leaders have agreed to phase out fossil fuel subsidies.

Our response
We are supporting engineering with active OEMs of Small Modular Reactors.

Our flue gas diversion products are mitigating climate impact for the time being.

Wye piping, reducer and crossover expansion joint conveys fluid in the form of steam powering turbines to generate electricity

Observation
The EU targets renewables to be ≥40% of energy mix by 2030.

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

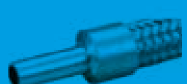
Our fluid conveyance and thermal management technology, highly relevant to these market development themes, will help us provide customers with high-valued solutions in the future.

2040

2050

Our response
Our current fluid conveyance technologies are compatible with SAF.

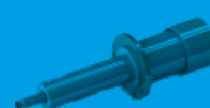
We are supplying hoses for electrolysers that may generate hydrogen for SAF production.



Stainless steel hoses for hydrogen production

Observation
Alternative-powered aircraft will increase demand for our battery thermal management, fuel cell and cryogenic fluid handling expertise.

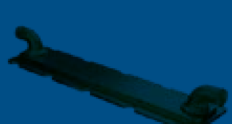
Our response
Our Aerospace and Flexonics divisions are teaming up to develop cooling and fluid handling products for our customer's demonstrator hydrogen powertrain units.



Cryogenic products in medical MRI liquid helium systems

Our response
Our electric vehicle inverter heat sink "Omega Fin" has been awarded a patent.

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

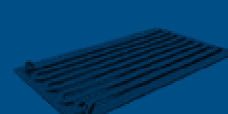


"Omega Fin" inverter heat sink

Observation
At COP26, fifteen countries have committed to 100% zero-emission new truck and bus sales by 2040.

Our response
We have commenced production of our 70kW battery cooler for e-buses.

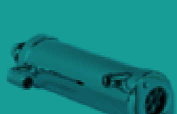
We have numerous developments with battery manufacturers and OEMs.



Battery cooling plate for electrified vehicles

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

Senior has solutions for thermal management for energy storage applications.



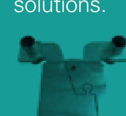
Heat exchanger for thermal management

Observation
Emerging economies will catch up on renewables share.

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 solid experience in stationary fuel cell backup power for data centres and hydrogen conveyance solutions.



Fuel distribution anode separator plate

STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders is fundamental to our business 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 grows and delivers long-term sustainable value.

OUR STAKEHOLDERS

Employees
Read more on page 41

Customers
Read more on page 41

Suppliers
Read more on page 42

Communities
Read more on page 42

Shareholders
Read more on page 43

WHY ARE THESE STAKEHOLDERS IMPORTANT TO OUR VALUE CREATION?

EMPLOYEES

How we engage

The global pandemic meant developing new ways of working and ensuring we maintained effective communication and employee engagement, while remaining COVID secure and creating an environment of stability for employees.

We launched our first global employee engagement survey in May 2021. The survey was split into three main sections, Engagement, Values and Health and Wellbeing, and was delivered electronically, to all employees in their preferred language.

Outcome of engagement

The response rate of 81% exceeded our expectations and the benchmark for manufacturing companies with a significant number of employees who do not have ready access to company emails. The 81% response rate in itself is a positive indicator of engagement and employees' desire to provide feedback.

Overall the feedback was positive, with a score of 7.4 out of 10 for the question "Overall, how satisfied are you working at Senior?". Other highlights included management support, peer relationships, goal setting and meaningful work. As expected, there are areas for improvement. Across all of Senior the key areas we should work on are: improved communication regarding the operating business strategy and mission so that people are inspired by what we do. Reward was also an area for improvement, both in terms of how individuals are rewarded and the process for determining pay.

Company actions responding to engagement outcome

Management-level actions

In our autonomous and collaborative business model, the questions and feedback were collected at an operating business level and each operating business has analysed their feedback, shared the feedback with their teams and developed action plans. Action plans are monitored by the Executive leadership teams.

Board-level actions

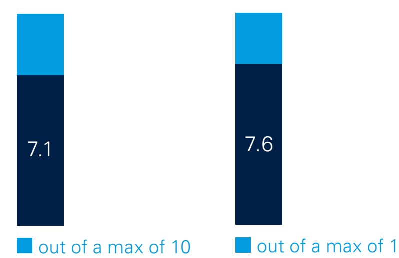
Feedback and high level action plans have been shared with the Board and in particular, Celia Baxter, the non-executive Director designated to provide focus on employee engagement, has spent time doing a deeper dive on the feedback.

Celia Baxter and Jane Johnston, Group HR Director, have resumed their programme of face-to-face focus groups and visited four UK businesses, holding 15 sessions in the autumn of 2021. The sessions were interactive and provided an opportunity for Celia Baxter to engage directly with a cross section of employees, including employee and union representatives, asking and answering questions. As well as holding the focus groups, the site visits included factory tours and meeting the leadership teams. In addition, we consulted with UK employee representatives on executive pay.

Participation in first global employee opinion survey

81%

Engagement score | **Health and Wellbeing score**



CUSTOMERS

How we engage

We regularly engage with our customers at operational and senior levels. Division-level Customer Relationship Managers are in place to interact with and support our largest customers, ensuring that we monitor and work to understand what is happening in their businesses, how it affects their end-markets, and that we respond appropriately across all of Senior.

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

Outcome of engagement

We conducted multiple Senior Management meetings with our major customers in 2021, covering both normal business activities and for dedicated purposes with our largest customers to understand more clearly what the customer perceptions were regarding Senior and how we could improve. This resulted in Senior winning several large packages of work in 2021; taking market share from our competitors.

Company actions responding to engagement outcome

Management-level actions

Listening to and understanding our customers and their programme issues provides valuable insight which helps inform future technology and product development and innovation investments and activities.

We conduct periodic, formal Senior Management Meetings ("SMMs") with our largest customers. Operational metrics, communications, growth strategies, and market dynamics are frequently the main topics and help both Senior and the customer Executives to understand each other better.

Board-level actions

Our Board receives detailed monthly updates relative to customer activities.

Actively seeking feedback from our customers is vital to ensure we are aligned to their needs."

Launie Fleming
Chief Executive of Aerospace Division

SUPPLIERS

How we engage

We engage with our suppliers in a variety of ways, including during tender and bid processes, site visits and audits, where appropriate. In 2021, collaborative communication with critical suppliers was key to managing the effects of escalating supply chain constraints impacting our operating businesses, in some cases utilising weekly, or even daily, status update meetings. 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 GHG 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.

Outcome of engagement

Our collaboration with suppliers to respond to the increases in supply chain challenges during 2021 allowed the Group to manage lead times, leverage long-term supply agreements, consolidate supply requirements and identify additional supply sources, where needed.

For the CDP's supply chain engagement programme, we identified around 340 suppliers, accounting for 80% of the Group's total spend. In 2021, we engaged with all 340 suppliers through CDP's supply chain programme. We have analysed and verified the results. The insights from the engagement programme were then used to set strategy and prepare for 2022.

For all our efforts in 2021, CDP have awarded us Supplier Engagement Leader status based on our Supplier Engagement Rating ("SER").

Company actions responding to engagement outcome

Management-level actions

The Executive Committee identified supply chain challenges as a new principal risk to the Group in 2021. In response, supply chain concerns and mitigating actions have been a focal point during operating business reviews and Executive Committee meetings.

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.

Engaged with

340

suppliers through CDP's supply chain programme

Board-level actions

The Group Director of HSE & Sustainability attended two Board meetings in 2021 and provided an in-depth review on the progress in engaging with suppliers in respect of the Group's Scope 3 targets.

Read more in the Risk & Uncertainties Section on page 52

Read more in the Sustainability Section on page 15

COMMUNITIES

How we engage

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. Despite the pandemic, where possible, community engagement programmes were maintained. Examples of our community engagement programmes include:

- In 2021, SA Thailand provided Scholarship to 22 students in the Diploma Degree in Aerospace Components Manufacturing for two years. SA Thailand developed the training programme with Thai-Austrian technical college.
- SA Mexico supported women with cancer this year and money was raised by selling used plastic to recycling companies.
- Senior India collaborated with NGO Anadi Seva Prakalp to construct a dining hall along with a kitchen for a home for the elderly and replaced the facility's old inverter batteries for power back-up.
- SF Pathway provided coaching to students from local schools who have an interest in welding.

Outcome of engagement

The first group of students supported by SA Thailand will graduate in March 2022.

The collected donation from SA Mexico was able to fund seven chemotherapy treatments.

The help from Senior India enabled food to be prepared and served in the new kitchen and dining hall in the home for the elderly, improving the quality of life of senior residents.

Through engagement with local schools, SF Pathway identified talent in the local community and inspired local students to pursue their passion.

Company actions responding to engagement outcome

Management-level actions

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

Board-level actions

The Board continues to focus on its responsibility to our communities and aims to identify those Environmental, Social and Governance considerations that have the potential to impact our long-term sustainability as a business.

"I am pleased that we have continued to engage with, and support local communities, successfully navigating the challenges posed by the pandemic."

Jane Johnston
Group HR Director

SHAREHOLDERS

How we engage

In 2021, in addition to the regular engagement that we maintain with our major shareholders, we had extra contact and consultation due to the conditional proposals from LSF XI Investments, LLC, a company advised by Lone Star Global Acquisitions, Ltd. It was important for us to communicate and engage with our shareholders to answer all questions, queries and concerns they had on the Company and the Board's decision around the proposal.

Twice this year, the Group Chief Executive Officer, Group Finance Director and Director of Investor Relations & Corporate Communications undertook a series of virtual meetings (by video conference or conference call) with our 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 well as to understand their views and address any concerns they may have on the Company.

In addition, we issued four market updates, each time offering our major shareholders the opportunity of a follow-up call with our Group Chief Executive Officer and Group Finance Director.

Furthermore, we held an in-person CMD at the London Stock Exchange on October 12, where we showcased our strategy, capabilities, and a range of our business leaders. We also provided investors with a deeper insight into our fluid conveyance and thermal management technology and how we are future proofing growth of the business as we transition to a low carbon economy.

The Company typically makes constructive use of the Annual General Meetings ("AGM") to communicate with its private shareholders as we value their engagement and the opportunity for the Group Chief Executive Officer to present on the Group's business. In April 2021, this process had to again be limited, because of the UK Government's restrictions due to the pandemic; however, we ensured that private shareholders would have live audio access to the proceedings of the AGM and the opportunity to submit questions to the Directors and listen to their responses.

Throughout the year we responded to requests for further information.

During 2021, the Company's Chairman also attended the full-year and interim results announcements in March and August, respectively. The Chairman undertook a series of conference calls with the Company's major shareholders to discuss any queries they may have regarding the corporate governance of the Company. Furthermore, Celia Baxter, the Senior Independent non-executive Director, was also available to attend meetings with major shareholders upon request, so providing an alternative channel of communication between the Company and its shareholders.

Regular investor updates were provided to the Board as part of the reporting cycle, which includes feedback on investor perceptions and market environment. Updates from Company-level engagement with shareholders are provided to the Board as appropriate.

In 2021, Celia Baxter (acting in accordance with her role as the Chair of the Remuneration Committee) and our Director of HR engaged and consulted with major shareholders, key proxy voting agencies and advisory bodies (ISS, Glass Lewis and the Investment Association) throughout the year on key remuneration topics and to gather their views on their voting preferences regarding the Remuneration Policy and Report and potential future changes.

Outcome of engagement

- Shareholders were kept fully informed of the performance, market dynamics and strategy of the Group.
- Fully informed shareholders about the Board's decision in the corporate activity process.
- Followed up and engaged with major shareholders on the changes to the Remuneration Policy and the decisions taken by the Board regarding the outcome of the 2020 executive bonus relating to the attainment of free cash flow targets and to penson alignment.
- 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, remunerations and sustainability particularly climate change risks and opportunities.

> The frequency of meetings with major shareholders increased in 2021...these exchanges highlighted the value of establishing and maintaining close relationships."

Ian King
Chair

Company actions responding to engagement outcome

Management-level actions

Engagement with shareholders during the corporate activity bid process reconfirmed how engaged our investors are with regard to the Company's performance and ensuring that continuing our strategy will deliver significant shareholder value over the medium-term. Questions focused on end-market recovery and key areas of Senior's strategy. In response, we provided a clear market and strategy update at the CMD. This event focused specifically on providing a deeper insight into our fluid conveyance and thermal management technology and how we, as a business, plan to future proof as we transition to a low carbon economy.

Management are continuing to meet with shareholders and will be returning to in-person meetings as part of the full year 2021 results roadshow.

Board-level actions

Feedback received from engagement with our shareholders has been taken into consideration as noted in the Remuneration Report.

SECTION 172 STATEMENT

In their discussions and decisions during 2021, 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.

HOW THE BOARD CONSIDERED STAKEHOLDERS DURING 2021

In accordance with Section 172 of the Companies Act 2006, the Directors are required to have regard to wider expectations of responsible business behaviour, such as:

The likely consequences of any decision in the long term:

- The Directors recognise the decisions they make today will affect Senior plc's long-term success. During the year, the Board had particular regard to the long-term success of the Company in its decision to conduct a thorough review to assess the fundamental value of Senior as well as the likely value to be created by the continued delivery of its strategy when it faced corporate action in the form of a conditional proposal from LSF XI Investments, LLC, a company advised by Lone Star Global Acquisitions, Ltd. Having carefully considered this proposal, the Board is unanimously confident that continuing the focus on our strategy will deliver significantly more value to shareholders over the medium-term.
- The Directors also made the decision to divest Senior Aerospace Connecticut, our stand alone, build-to-print helicopter structures operating business to PCX Aerosystems, LLC. Upon evaluation, the Board felt that this decision made sense in the long term as Senior Aerospace Connecticut was the only operating business in the Group whose primary focus is build-to-print parts for the rotary sector. Therefore, it was better suited to a larger organisation, which is primarily focused on that market. The divestiture of this operating business is consistent with Senior's strategy to review the overall portfolio of our businesses and evaluate their strategic fit within the Group. The net proceeds from the sale were used to further strengthen Senior's balance sheet and provide greater flexibility for the Group to operate within its capital deployment framework.
- Further details can be found on the Investment Case (page 32), Business Model (page 30) and Strategic Priorities (page 34).

The impact of Senior plc'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. Despite the pandemic, where possible, community engagement programmes were maintained. Further details on the Group's activities are set out on page 26.
- A commitment to sustainability underpins Senior's purpose, and is a key objective of the Directors and the Board. Senior's programme is well defined and being delivered. Its progress is measured by metrics, targets and an annual scorecard. Senior's industry leading ESG disclosures and ratings are evidence of the Group's long-standing approach to sustainability. Senior remains the only, company in its sector to have its scope 1, 2 and 3 greenhouse emissions reduction targets approved and verified by the SBTi. Further detail on Senior's sustainability progress in 2021 are set out on page 13.
- Amongst other sustainability successes, in 2021, Senior maintained its CDP leadership rating of A- for climate disclosure. CDP have also recognised Senior's efforts in 2021 by awarding us Supplier Engagement Leader status based on our Supplier Engagement Rating (SER).
- We are also committed to implementing the recommendations of the TCFD. See page 18 to 23 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 26).
- The Board is accountable for the oversight of a broad Corporate Framework which establishes the unmistakable expectation that Senior will operate with integrity, respect and morality 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 78 to 79 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. We acknowledge that not every decision we make will necessarily result in a positive outcome for all our stakeholders; the Board therefore has to balance competing interests in reaching its decisions.
- 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 40 to 43. For further details on how the Board operates and makes decisions, and its activities this year, see pages 41 to 43.

- Our colleagues are vital to our success and they are always considered in the Board's discussions and decision-making process. During 2021, the wellbeing of our colleagues across the Group has remained a priority. The Board continued to monitor the organisation's response to Covid, how the Company continued to operate effectively in the ever-changing situation and created a safe working environment in the various jurisdictions in which we operate. Other than in geographies with government mandated shutdowns, our operations have continued to function throughout the pandemic and we have implemented 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. A key element of this in 2021 was the wealth of information provided by the global engagement survey. The Group Chief Executive Officer and Group HR Director shared the survey feedback with the Board, highlighting key themes, strengths, areas for improvement and action plans.

  In addition, Celia Baxter, the non-executive Director designated to engage with employees spent time reviewing the data in more detail and has continued with our programme of focus groups, managing to engage in person while complying with Covid guidelines. Read more on our employees on pages 24 to 25 and 41.

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

- During the year, the Board, the Group Chief Executive Officer and Group Finance Director, and the Director of Investor Relations and Corporate Communications held various meetings with investors (see page 43 for more detail on our engagement with shareholders). These meetings gave investors the opportunity to discuss views on financial and operational performance, capital investment, capital allocation policy, end market fundamentals, and strategy.

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 and proportionate.

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 66 to 67.

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	• Sustainability: Environmental, Social and Governance (ESG)	Pages 12 to 29 and www.seniorplc.com/sustainability
	• Health, Safety and Environment Policy	www.seniorplc.com
Employees	• Employee Engagement	Pages 24 to 25, 35, 41, 54, 73
	• Talent Management	Pages 35, 42, 54, 77
	• Equality, Diversity and Inclusion	Pages 24, 27, 35
	• Code of Conduct	Pages 24, 26, 28, 55 and www.seniorplc.com
	• Whistle-blowing Policy	Pages 28, 75, 78 and www.seniorplc.com
Social Matters	• Community Engagement	Pages 26, 42, 67
Respect for Human Rights	• Statement on Anti-Slavery and Human Trafficking	Page 78
	• Anti-bribery and Anti-corruption Policy	Pages 28, 44, 55, 78
	• Modern Slavery Statement	www.seniorplc.com
	• Responsible Supply Chain Policy	Page 78 and www.seniorplc.com
Business model Principal risks KPIs	• Business Model	Pages 30
	• Risks and Uncertainties	Pages 48 to 55
	• KPIs	Page 47
	• Non-Financial KPIs	Page 46

For more information please visit: www.seniorplc.com

KEY PERFORMANCE INDICATORS

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

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; and
- 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:

- CO_2 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.

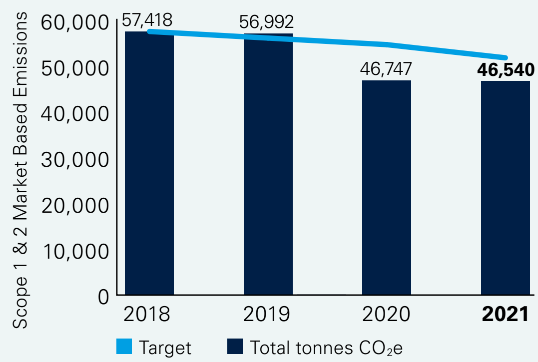
The Group collects its environmental data in accordance with the guidelines specified by the Global Reporting Initiative ("GRI"), to the extent that this is currently practicable, and has applied the greenhouse gas conversion factors contained within the Energy Agency and US EPA conversion factors 2021. The Group has used the financial control approach to define its organisational boundary and reports data from its wholly-owned or majority-owned operations. Billed or metered sources represent the basis of the majority of our greenhouse gas emissions.

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 record in this regard, including its long-term performance trends, are shown on pages 14 to 17.

Carbon dioxide emissions Scope 1 & 2 (market based) (Total tonnes CO_2e)

19% decrease

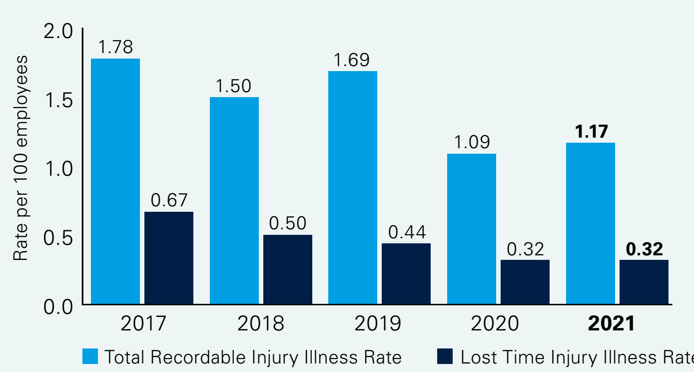
from 2018 base year



In 2021, our absolute Scope 1 and 2 Greenhouse Gas ("GHG") emissions reduced from 57,418 tCO_2e (2018) to 46,540 tCO_2e. We are on track to meet our SBTI 2025 target with a 18.9% reduction against our 2018 base year.

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

0%



We remain on track to reach our 2025 Target to reduce our Lost Time Injury Rate to 0.30. In 2021 we reduced our lost time injuries from 21 to 18. The end of year Lost Time Injury Rate was steady at 0.32, a similar result to 2020 as we had less employees in the Group as a consequence of the divestiture of the Connecticut business and other staffing changes.

Increased

Decreased

Unchanged

FINANCIAL METRICS

The Group's financial objectives are as follows:

- to achieve organic 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:

- organic revenue growth is the rate of growth of Group revenue, at constant exchange rates, excluding the effect of acquisitions and discontinued activities;
- 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).

Organic revenue growth (£m)

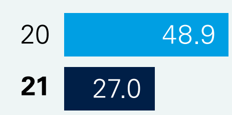
-5.5%

-1.9% excluding disposal

As discussed in the Group Chief Executive Officer's Statement, the coronavirus pandemic continued to impact on the Group's end market and customers, particularly in civil aerospace. The impact on the Divisions is set out in the Divisional Reviews, on pages 56 to 59. The overall reduction in Group revenue was a result of lower revenues in Aerospace partly offset by higher revenues in Flexonics year-on-year.

Net cash from operating activities (£m)

-44.8%

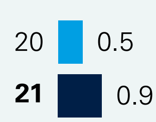


Against the backdrop of the pandemic, the Group delivered robust net cash from operating activities of £27.0m and is capitalised and prepared for growth in the Group's key end markets.

Cash performance in 2020 benefited from significant reductions in working capital as customer demand reduced.

Return on revenue margin (%)

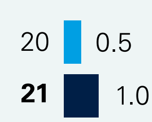
+40bps



The Group's adjusted operating margin increased by 40 basis points, to 0.9% for the full year. This improvement in profitability reflected the savings delivered from the restructuring programme as well as our focus on cost management activities and mitigated the drop through impact of the reduction in revenue.

Return on capital employed (%)

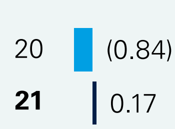
+50bps



Return on capital employed ("ROCE") increased to 1.0%. The increase in ROCE was mainly as a result of the increase in adjusted operating profit compared to prior year.

Adjusted earnings/(loss) per share

n/m



The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 415.7 million (2020 – 414.9 million). The increase arose principally due to vesting of shares held by the employee benefit trust during 2021. The adjusted earnings per share was 0.17 pence. The year-on-year improvement arose from improved profitability.

RISKS AND UNCERTAINTIES

The Group continues to leverage and adapt its risk and assurance framework to meet new challenges presented by the evolving 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 30, our Strategic Priorities are on page 34 and Sustainability starts on page 12.

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 Head of Risk and Compliance 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 an extended time horizon, 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 is assigned to each action. 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, either on their own 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, utilising 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, IT, 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 various factors, including site specific risks, prior audit results and changes within local management. Thematic reviews are deployed across 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 opposite.

2021 AT A GLANCE

Risk Management

- The Board completed two comprehensive risk assessments, encompassing both principal and emerging risks
- Completed "deep dive" Information Technology/Information Security assessments across nine critical Group operating businesses and the Group head office
- Introduced new annual risk assessment programmes focused on climate change and tax evasion facilitation

Assurance

- Completed broad scope audits with nine operating businesses (eight virtual, one on site)
- Information Security assurance reviews conducted across a cross section of the Group businesses
- Deployed thematic audits to address specific risks related to the Group's Controls Self Assessment process, contract review and Divisional Management approvals

Principal Risks (starts on page 50)

- Pandemic: The Group continues to adapt its COVID-19 response, including vaccination clinics for employees, flexible leave policies and adaptable "return to office" plans
- Cyber/Information Security: Vulnerability management and threat monitoring systems have been implemented to improve the Group's resilience to threats and attacks

LOOKING FORWARD

Risk Management

- Review our risk tolerance structure to ensure tolerance thresholds remain appropriate as the Group continues through recovery and growth phases for our end markets.
- Refine our information security and data privacy risk management process
- Expansion of risk management activities related to climate change in support of the Group's efforts to comply with TCFD requirements

Assurance

- Broad scope audits planned for 10 locations with a focus on resuming on-site audits where possible
- Information Security assurance reviews to be conducted with six operating businesses
- New thematic audits covering trade compliance, supply chain challenges and personal data protection

Principal Risks (starts on page 50)

- Supply Chain Challenges: Close co-ordination with suppliers and customers is critical to build resilience to ongoing supply chain disruptions
- Inflation: Mitigating rising inflationary pressures has come into sharp focus
- Talent and Skills: Labour market shortages may challenge the Group's ability to align staffing with production requirements

KEY RESPONSIBILITIES WITHIN THE RISK MANAGEMENT STRATEGY

The Board

- Has overall responsibility for ensuring the Group risk management process and systems of internal controls are robust and continually monitored
- Formulates the Group's strategy and defines the Group's risk appetite and culture
- Monitors the nature, extent and management of risk exposure for the Group's principal and emerging risks
- Provides direction and sets the tone on the importance of risk management

Audit Committee

- Supports and challenges the Board in monitoring risk exposure in line with its Terms of Reference
- Reviews the effectiveness of the Group's risk management and internal control systems and reports to the Board for consideration

Executive Committee and Divisional Management

- Development and implementation of strategy, operational plans, policies, procedures and budgets
- Monitoring of operating and financial performance including prioritisation and allocation of resources
- Assessment and control of risk – including emerging risks

Group Corporate Functions

- Lead and co-ordinate Group risk and control related processes
- Assesses and supports the Group in mitigating the Group's risks through policies and procedures, control self-assessments, specialist support, business reviews and other activities

Operating Units

- Operational units identify, assess and mitigate their key risks
- Risk assessments are reviewed and discussed by Divisional Management

SENIOR'S RISK MANAGEMENT PROCESS

1. Identify risks

The risks to the achievement of the Group's strategic priorities are identified from a top down and bottom up perspective. Existing and emerging risks are considered.

2. Evaluate gross (inherent) risks

The gross level of risk, considering impact and likelihood, to the achievement of the strategic priorities is assessed.

3. Identify existing controls and processes

The existing controls and processes which mitigate the risks are identified and assessed for adequacy.

4. Risk response planning

Based on the controls and processes already in place the net risk from an impact and likelihood perspective is evaluated. Where the net risk is considered to be higher than the Group's tolerance level for that risk, additional mitigating actions are identified and owners assigned.

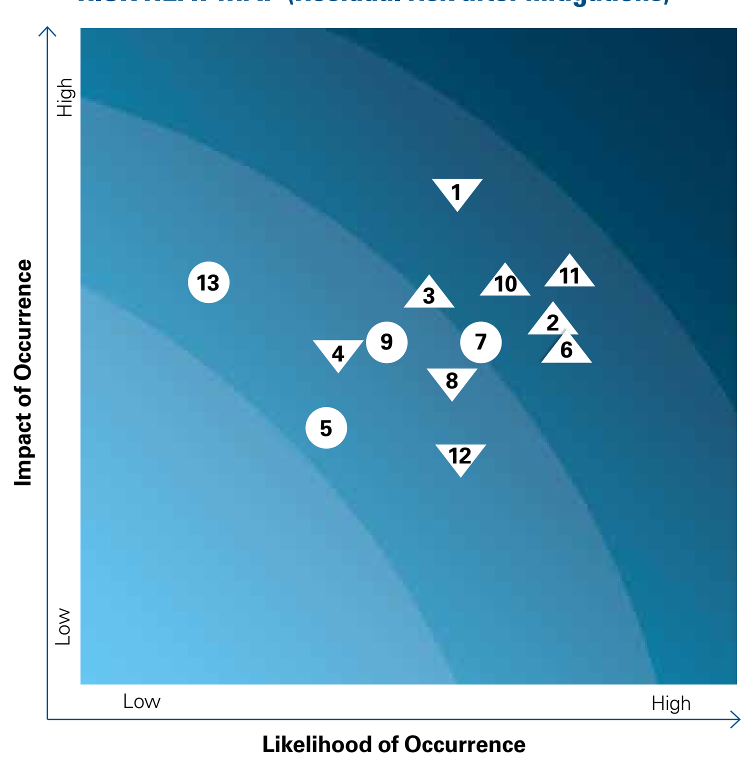
5. Monitor and assure

The most significant risks are regularly reviewed. Second line assurance and internal audit activity is conducted to assess whether key controls are effective and risks mitigated to an acceptable level. Timely implementation of resulting actions is monitored.

6. Risk reporting and review

The status of the most significant risks, top down and bottom up, are regularly reviewed to ensure any changes to the risk profile are captured and acted upon. The consolidated risk, assurance and control position is reported to the Audit Committee and the Board.

RISK HEAT MAP (Residual risk after mitigations)



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

Risk Definitions

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

Operational
6 Supply Chain Challenges
7 Cyber/Information Security
8 Programme Management
9 Customer Demand and Price-Down Pressures

People and Culture
10 Talent and Skills

Financial
11 Inflation
12 Financing and Liquidity

Compliance
13 Corporate Governance Breach

RISKS AND UNCERTAINTIES CONTINUED

PRINCIPAL GROUP RISKS

During 2021, an assessment of the principal risks and uncertainties, including emerging risks, that could threaten the Group's business model or achievement of the strategic priorities has been performed. As a result of this assessment, Supply Chain Challenges and Inflation were added to the Group's principal risks. Inflationary pressures on labour and material costs are having an impact to varying degrees across the Group and supply chain disruptions have developed due to labour shortages, logistical delays and material availability constraints. The Group has responded quickly with mitigating actions to manage these growing risks, primarily through close communication with customers and suppliers, internal efficiency improvements and cost reduction initiatives. The remainder of the principal risks remain unchanged since our 2021 Interim Statement.

Principal Risk	How we manage it	Focus in 2021
STRATEGIC		
Pandemic ↓ 2 3 6 A B C D E		
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. An adverse indirect consequence may result from our customers having to reduce production rates even where our supply chain and production remains intact.	• The Group has an Incident Response Plan and this is being used to manage the Group's response to the current pandemic. • 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. • Where a pandemic threat does emerge, we liaise with our suppliers and customers to manage the situation to the greatest extent possible.	This risk continues to have a significant impact on the Group, with new challenges arising as the current pandemic evolves. Response measures enacted in 2020 have continued in 2021, including the ongoing activities of the Group's Coronavirus Oversight Committee. The focus in 2021 continued to be on: • the health and safety of our employees. Various operating businesses have and continue to host vaccination clinics to support the rollout of global vaccination programmes. The Group remains flexible and responsive to employee needs with regards to localised leave policies and "return to office" strategies; • business continuity and ensuring that the business is able to meet its financial commitments and emerge from the pandemic strongly. Further details are provided against other principal risks as appropriate; and • ongoing communications with suppliers and customers as we adapt our business to address shifts in demand created by the evolution of the pandemic. In addition, our focus now includes careful management of the Group's response to demand increases to ensure the cost savings measures implemented in 2020 and 2021 are not diluted. The Group remains vigilant to the potential future impacts of future waves of the ongoing pandemic.
Climate change ↑ 2 5 B F G		
There is a risk that climate change and/or the measures taken to address it may have an adverse impact on the Group. Climate change may result in extreme weather events that may impact on our ability, or that of a supplier, to meet our customers' requirements. Our customers' products may evolve to require new technology, such as electrification. This also presents an opportunity to the Group to be involved in replacement technologies. Increasing legislation aimed at accelerating decarbonisation may increase our operating costs. It may also change consumer behaviours impacting on our end markets. For example, consumers may fly less often.	• 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. • 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. • In 2020, the Group became the first company in the global Aerospace & Defence sector to have its emissions reduction targets independently verified and approved by the Science Based Target Initiative ("SBTi"). The SBTi is a partnership between CDP, the United Nations Global Compact ("UNGC"), World Resources Institute ("WRI") and the Worldwide Fund for Nature("WWF"). The 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 have approved the following targets: – 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.	In 2021, the Group maintained a "leadership" rating of A- in 2021 from the globally recognised CDP for our climate change disclosures. In support of our Science Based Targets, the Group has achieved an 19% reduction in combined Scope 1 and 2 carbon emissions through 2021, on track to meet the 2025 target deadline. The Group engaged with over 300 of its leading suppliers regarding climate change, with 94 of these suppliers providing a full disclosure on their climate change programmes. As a result, CDP named the Group as a 2021 Supplier Engagement Leader in recognition of our efforts to raise the level of climate action across our supply chain. A comprehensive climate change risk and opportunity assessment exercise was conducted, addressing transitional and physical risks, as well as resource efficiency opportunities. The assessment considered an extended time horizon, with some elements contemplated over a 20+ year time frame. The exercise also applied Scenario Analysis to the most material transition and physical risks as per TCFD. For further details on Sustainability and TCFD, please see pages 12 to 23.

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
- N New risk
- E Emerging risk

Areas of strategic priorities

1. Enhance business model
2. Focus on growth
3. High performance operating system
4. Competitive cost countries
5. Capital deployment
6. Talent and development

Key Performance Indicators

- A Organic Revenue Growth
- B Return on Revenue Margin
- C Adjusted Earnings per Share
- D Net Cash from Operating Activities
- E Return on Capital Employed
- F Carbon Dioxide Emissions
- G 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 64.

Principal Risk	How we manage it	Focus in 2021
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. Trade relations, for example imposing of tariffs in the US, the UK leaving the EU and other likely geopolitical events have created uncertainty over the future impact on international trade and the ability to retain and recruit 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 54.	• 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 has a Brexit Committee which continues to monitor the ongoing impact of the Brexit transition from regulatory, supply chain, people and financial perspectives. • The Board ensures that it is kept informed of US trade developments and Brexit so that it can 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 have a significant impact on the global economy and sectors within which we operate. As a result, the Group has continued to focus on cash preservation, completion of restructuring projects, as described in the Strategy and Portfolio Management risk, and agreeing covenant relaxations with the Group's lenders, as described in the Financing and Liquidity risk. The Group Brexit committee continues to monitor the ongoing Brexit transition and review the appropriateness of planning measures taken for people, regulatory and other measures. The Group successfully implemented the necessary procedural changes to ensure a smooth transition, such as modified VAT and Customs processes and support for employees applying to the EU Settlement Scheme.
Implementation of Strategy ↓ 1 2 3 4 5 B D E		
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. Ambiguity surrounding the Group's strategy and strategic priorities may result in investors failing to recognise the value of the Group's investment case.	• The Group regularly reviews its strategy and portfolio to ensure that long-term value is maximised for shareholders. Where appropriate, divestments will be considered. • 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. • 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. • Post-acquisition reviews are conducted as appropriate. • 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.	The Board carried out a robust 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. The Group has focused on: • continued investment in new technology and product development in the areas of fluid conveyance, thermal management and additive manufacturing which will help us to emerge strongly as recovery from the pandemic occurs; • liquidity, effective cash management and further strengthening of the balance sheet; and • the Group's Prune To Grow strategy with the transfer of our Netherlands Aerospace business product lines to our French Aerospace businesses, the closure of our Flexonics business in Malaysia and the strategic divestment of the Senior Aerospace Connecticut helicopter business. We hosted a CMD in October 2021 presented by key business and technical leadership from across the Group. This provided detailed insight into our strategic objectives and capabilities.

RISKS AND UNCERTAINTIES CONTINUED

Principal Risk	How we manage it	Focus in 2021
Innovation and technological change → 1 2 5 A B C E F		
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. New technologies may have an impact on the Group's markets, e.g. electric vehicles and hydrogen aircraft.	• The Group has a Technology Collaboration forum which meets regularly to discuss innovation and technological change. • The Group has continued to invest in capabilities, (design and advanced manufacturing "AM" processes), 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 ground tests. The AAMC team also re-engineers existing product designs to deliver significant weight savings and performance enhancements. • The Group continues to develop products to support the move to low carbon technologies, both in the land vehicle and aerospace markets. • Global Marketing Teams are engaged to ensure that customer requirements and priorities are considered. • The Group continues to invest in machining and fabrication technology enhancements to improve process efficiency and reduce cost. • The Senior Operating System continues to deliver best practice tools for innovation and product development across the Group.	Despite the ongoing challenges in its business environment in 2021, the Group has continued to invest in new and emerging technologies with progress being made on a number of key projects: • the Technology Collaboration forum's charter has been revitalised to support the Group's strategic focus on Thermal Management and Fluid Conveyance applications for both Aerospace and Land Vehicles/Industrial markets; • technology Roadmaps have been established for process and product development for both Aerospace and Flexonics divisions. These roadmaps and progress made on current projects are reviewed on a quarterly basis; • expanded use of non-metallic (polymer) AM for low-pressure applications; and • introduced several innovative products for battery and fuel cell cooling, including ultra-thin patented designs for very demanding environments. Renewed focus 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.
OPERATIONAL		
Supply chain challenges ↑ N 1 2 3 4 A B C D E		
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. Critical materials or components may become temporarily or permanently unavailable, leading to an inability to meet production commitments. 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. In extreme cases some suppliers may face financial difficulties and go out of business.	• The resilience of the supply chain is monitored and, where possible, over-reliance on individual suppliers is reduced. • The Group closely monitors the resource required to deliver customer demand. • 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. • Operating businesses are required to maintain strong internal controls over supplier management from new supplier selection to performance monitoring and management of existing suppliers. • Our core Values (see page 30) emphasise operating with integrity and respect, which allows the Group to cultivate strong, long-term relationships with critical suppliers.	The world is experiencing significant supply chain disruption resulting from labour challenges, material shortages and transportation delays. Focus in 2021 has been on: • 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; • leverage supplier relationships across the Group to identify alternate supply sources and opportunities to streamline or consolidate supply requirements; • utilise the Senior Operating System and our engineering expertise to generate innovative solutions to supply chain challenges; and • increased focus on supply chain challenges in operating business reviews, as well as in Executive Committee and Group Procurement Council meetings.

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
- N New risk
- E Emerging risk

Areas of strategic priorities

1. Enhance business model
2. Focus on growth
3. High performance operating system
4. Competitive cost countries
5. Capital deployment
6. Talent and development

Key Performance Indicators

- A Organic Revenue Growth
- B Return on Revenue Margin
- C Adjusted Earnings per Share
- D Net Cash from Operating Activities
- E Return on Capital Employed
- F Carbon Dioxide Emissions
- G 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 64.

Principal Risk	How we manage it	Focus in 2021
Cyber/information security → 1 3 B		
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.	• The Group has a roadmap to achieving improved Information Security. • The Group has security controls in place including policies, standards and playbooks. • Each operating business has a security champion to assist in raising employee awareness to this risk. • Vulnerability metrics have been developed and are actively reviewed by Divisional Management and the Executive Committee. • The Group has a risk management framework specific to Information Technology "IT"/Information Security "IS". • Each operating business deploys a suite of protection and monitoring services, including endpoint detection and response, vulnerability management and cyber threat intelligence. • The Group hosts an annual IT/IS conference with participants from all operating businesses. • Employees receive annual awareness training on cyber-related issues.	Many of our employees continued to work from home during 2021 and measures were taken to ensure that the Group IT/IS policies continue to be followed. These measures included the introduction of an IS audit programme, as well as in-depth IS reviews of key operating businesses. In addition, the global roll out of the Group's endpoint detection and response tool set has provided additional monitoring of the environment. Further progress was made in 2021 in implementing the Group's Information Security roadmap, including: • completed the implementation of a third-party Managed Security Service provider and deployment of vulnerability management and cyber intelligence services, as well as endpoint detection and response software; • over 90% of employees completed on-line cyber/information security training; • continuation of the cyber awareness campaign, consisting of cyber newsletters and posters to alert employees to cyber threats; • alerting IT teams across the Group to near misses and incidents so they are aware of immediate threats; and • all Information Security policies and standards were updated.
Programme management ↓ 1 2 3 5 6 A B C D E		
The ability to introduce new products in line with customer requirements and to respond appropriately to increases or decreases in demand thereafter is key to achieving the Group's strategic objectives. There is a risk that the Group is unable to respond quickly enough to changes in demand, potentially resulting in excess inventory and/or an inability to meet schedule, quality and cost requirements resulting in delays, penalties, cost overruns or asset write-downs.	• The Group is experienced in bidding and launching new products. Formal New Product Introduction "NPI" processes, such as Advanced Product Quality Planning "APQP", are used in some parts of the Group and are being rolled out. • 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. • 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. • The Group monitors market and customer data so that we can be prepared to respond to changing market dynamics.	The ongoing pandemic continued to impact customer demand in 2021, although the recovery is underway in some end markets. Focus in 2021 has been on: • 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 optimise inventory levels where there are delays in firm orders; • 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.
Customer demand and price-down pressures → 1 3 4 5 A B C E		
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. COVID-19 continues to impact our end markets and there is a risk that customers do not honour firm order schedules, or in extreme cases, go out of business.	• 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. • The Group is able to consider bundles of products that in total help achieve customer pricing challenges. • 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. • 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.	Customer demand strengthened during the year, driven by the ongoing end-market recovery from the impacts of the pandemic. While price down pressures have continued in 2021 in certain markets, other segments have been impacted by supply chain disruptions, causing a shift in customer focus from reducing price to meeting delivery schedules. Focus in 2021 has been on: • collaborating with our customers to continue to ensure that, wherever possible, orders within firm windows can be delivered; • 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; and • pursuing new opportunities with existing and new customers, providing some market diversification.

RISKS AND UNCERTAINTIES CONTINUED

Principal Risk	How we manage it	Focus in 2021
PEOPLE AND CULTURE		
Talent and Skills ↑ N 2 6 A B D		
There is a risk that the group will have difficulty in retaining and recruiting sufficient skills to respond to a recovery in our markets and/or wages may have to be increased to attract new employees. 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. Employees may leave the business for better wages/opportunities elsewhere. A notable portion of the Group's workforce may reach retirement age at the same time, creating a gap in skills and labour availability. The Group may have insufficient talent to respond to all strategic priorities.	• Employee retention and recruitment challenges are regularly discussed within the operating businesses, Divisional Management and the Executive Committee. • 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. • Operating businesses partner with technical colleges and apprenticeship schemes to create talent pipeline programmes. • 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. • The Nominations Committee reviews management development and succession plans twice a year, making recommendations to the Board regarding size, structure and composition where applicable. • The "Perform" performance and development system is utilised across the Group to facilitate objective setting, development planning and performance and behaviour assessment. • The Group HR Director regularly provides people and culture feedback to the Board.	The Group conducted a global employee engagement survey in 2021, with excellent participation and engagement from employees. The feedback from the survey was very positive, valuable and constructive and will be used to help implement specific action plans to improve engagement for each operating business. Use of the Group's online recruitment system, "Recruit," was embedded across our US operating businesses and will be expanded to operating businesses in the UK in 2022. The Group responded to increasing challenges in employee retention and recruitment in 2021 by: • evaluating market labour rates at a local level, resulting in higher wages for new employees and the execution of off-cycle wage adjustments for existing employees, where appropriate; • enhancing wellbeing offerings, such as expanded employee assistance programmes, to provide additional resources employees can utilise to improve their overall physical and mental health; • expanding the Group's network of reputable recruiting partners and channels, including social media campaigns and job fairs, to broaden the pool of candidates for open positions; and • increasing the level of cross training amongst the current workforce to cover gaps in labour availability.
FINANCIAL		
Inflation ↑ N 2 3 A B C D E		
A confluence of labour constraints, supply chain disruption and shifting customer demand is increasing inflationary pressures on earnings from existing programmes. Higher production costs resulting from material, energy and labour cost inflation can reduce our ability to remain cost competitive and win new business. Inflationary pressures may result in higher interest rates, which could impact the Group's earnings.	• The Group's Treasury Committee actively monitors the economic forces impacting the Group and considers a variety of viable containment strategies where necessary. • 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. • 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.	The Group closely tracked the velocity of inflation escalation during 2021 and responded quickly to mitigate its impact on the Group's financial performance where necessary. Our efforts in 2021 included: • 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 continuing to maintain the Group's inventory optimisation progress from 2020; and • utilise the Senior Operating System to deploy lean and continuous improvement techniques with a focus on improving labour efficiencies and cost reduction initiatives.

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
- N New risk
- E Emerging risk

Areas of strategic priorities

1. Enhance business model
2. Focus on growth
3. High performance operating system
4. Competitive cost countries
5. Capital deployment
6. Talent and development

Key Performance Indicators

- A Organic Revenue Growth
- B Return on Revenue Margin
- C Adjusted Earnings per Share
- D Net Cash from Operating Activities
- E Return on Capital Employed
- F Carbon Dioxide Emissions
- G 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 64.

Principal Risk	How we manage it	Focus in 2021
Financing and liquidity ↓ 2 3 5 D E		
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. 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).	• 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. • Compliance with financial policies and exposure limits are reviewed by the Group's Treasury Committee on a regular basis. • The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on operations' trading activities in foreign currencies; however, it does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. • The Group's Treasury policy is updated and approved by the Board regularly. • The Group's viability assessment process considers a base case and risk case scenario, which considers the principal risks and uncertainties.	The Group continued to focus on this risk during 2021 to mitigate the ongoing impacts of the COVID-19 pandemic. Actions taken included: • worked with the Group's lenders, both banks and US private placement investors, during 2020 and through to February 2021 to agree appropriate covenant relaxations in relation to the June 2020 through to December 2021 testing periods. The Group continues to manage leverage accordingly and will revert to original covenant limits for the June 2022 testing period; • continued focus on cash preservation; no Senior plc dividends were paid in 2021, capital expenditure remained subdued and some delegated authorities remain restricted; • while inventory optimisation efforts focused on reducing inventory levels where appropriate are ongoing, efforts in 2021 also emphasised sustaining the benefits achieved in 2020 by responsibly managing growth in inventory requirements where customer demand is recovering and/or supply chain disruptions are occurring; • extensive scenario testing was undertaken in 2021 based on a variety of end market assumptions taking account of appropriate cost reduction and cash preservation mitigating actions; and • the Group's Treasury Policy was updated and approved by the Board in September 2021.
COMPLIANCE		
Corporate governance breach → 1 2 3 A B C		
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.	• 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. • Governance updates are provided to the Board and the Executive Committee at appropriate intervals, and to key operational management. • All employees are required to complete annual Code of Conduct training. • 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. • The Board receives regular updates on trade compliance matters.	In 2021, the Code of Conduct was updated and relevant training was rolled out to all employees, with 94% of employees having completed the training. Additional training was conducted for appropriate employee groups on topics including anti-money laundering, tax evasion facilitation, trade compliance, harassment and protecting human rights. The Group implemented an enhanced denied party screening tool and added export license management capability for the US operating businesses. Updates have been issued to various Group policies. The Group's 2021 internal audit programme and Controls Self Assessment were completed, providing a level of assurance that the Group's Code of Conduct, controls, policies and procedures are being followed.

DIVISIONAL REVIEW

– Aerospace

HEADLINES 2021

Revenue

£439.3m

(2020 – £498.0m)

Adjusted operating profit

£7.9m

(2020 – £5.5m)

Adjusted operating margin

1.8%

(2020 – 1.1%)

Aerospace Division

The Aerospace Division represents 66%[1] (2020 – 70%[1] of Group revenue and consists of 14[2] operations. These are located in North America (six), the United Kingdom (four), continental Europe (two), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby 2020 results have been translated using 2021 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions, goodwill impairment and write-off and net restructuring income/costs.

The Division's operating results on a constant currency basis are summarised below:

	2021 £m	2020[3] £m	Change
Revenue	**439.3**	498.0	-11.8%
Adjusted operating profit	**7.9**	5.5	+43.6%
Adjusted operating margin	**1.8%**	1.1%	+70 bps

(1) This number is excluding Senior Aerospace Connecticut
(2) This excludes Senior Aerospace Connecticut and Senior Aerospace Bosman in The Netherlands.
(3) 2020 results translated using 2021 average exchange rates – constant currency.

Divisional revenue decreased by £58.7m (11.8%) to £439.3m (2020 – £498.0m) whilst adjusted operating profit increased by £2.4m (43.6%) to £7.9m (2020 – £5.5m).

Revenue Reconciliation	£m
2020 revenue	498.0
Civil aerospace	(43.8)
Defence	1.0
Other	9.8
Disposal of business	(25.7)
2021 revenue	**439.3**

Revenue in the Aerospace Division reduced by 11.8% year-on-year on a constant currency basis, reflecting that part of 2020 was pre-COVID and 2020 included a full year contribution from Senior Aerospace Connecticut. Excluding Senior Aerospace Connecticut, which was divested on 22 April 2021, revenue for the full year on an organic, constant currency basis declined by 7.1%. The year-on-year decline reflected the reduction in civil aircraft production rates, partly offset by growth from semi-conductor equipment, defence and space markets.

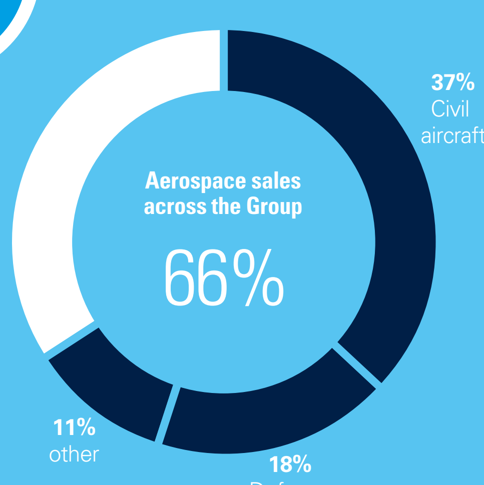
The civil aerospace sector was the most impacted by the pandemic with Senior's sales decreasing by 15.2% compared to prior year. This was reflective of aircraft production rates remaining lower in 2021 compared to pre-pandemic levels including the impact of lower 787 production as Boeing address the quality issues.

Excluding the divestment of Senior Aerospace Connecticut, total revenue from the defence sector increased by £1.0m, 0.9% during the year, as the F-35 production rate increase was partly offset by the timing gap between the completion of deliveries on parts for F-35 Lot 14 and the commencement of deliveries on Lot 15 and lower military aftermarket sales in 2021.

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 £9.8m as a result of the increasing demand in the semi-conductor equipment market and growth in the space satellite sector.

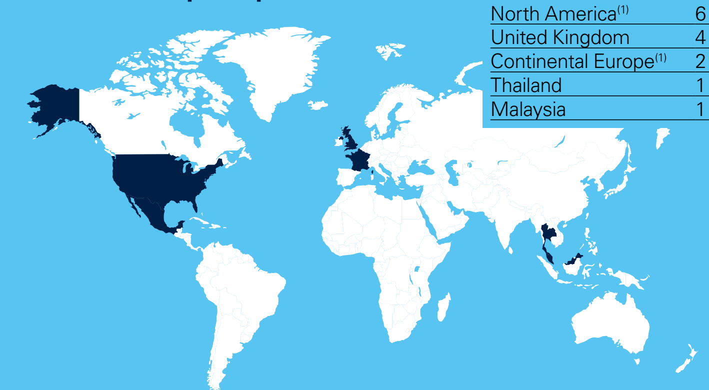
Even though divisional revenue decreased in 2021, adjusted operating profit increased by 43.6% to £7.9m (2020 – £5.5m). This reflected the drop through impact of the reduction in revenue, mitigated by additional savings delivered from the restructuring programme. On an organic basis (excluding Senior Aerospace Connecticut), the Divisional adjusted operating margin increased by 140 basis points to 1.6% (2020 – 0.2%).

In 2022, we expect production volumes for civil aerospace to be higher than 2021, driven by increasing single aisle rates. Positively, in 2021 both Airbus and Boeing confirmed plans to ramp up single aisle production in the near-term.



14[1] Global Aerospace operations

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



(1) In 2021, Senior Aerospace Connecticut was divested and Senior Aerospace Bosman in The Netherlands was closed

- Airbus increased the A320 Family production to 45 aircraft per month by the end of 2021. They have stated that the ramp up is on trajectory to achieve a monthly rate of 65 aircraft by summer 2023. For production rates beyond 2023, Airbus is still in the assessment phase and working with suppliers to potentially enable an increase above rate 65; recently, they have indicated that they expect to have clarity on their 2024 and 2025 production targets by the middle of 2022.
- Boeing announced at their recent earnings call that the 737 programme is currently producing at a rate of 26 per month, reiterated that it will continue to progress towards a production rate of 31 per month in early 2022 and stated that the company is evaluating the timing of further rate increases. Boeing have an order backlog of around 3,400 aircraft and there are currently 335 MAX aircraft in inventory with the majority of these expected to be delivered by the end of 2023. Boeing also stated that since the FAA's approval to return the 737 MAX to operations in November 2020, 299 737 MAX aircraft have been delivered and that there are 36 operators who have returned the 737 MAX to service. Furthermore, the Civil Aviation Administration of China ("CAAC") has now issued the appropriate airworthiness directives ("AD's"), clearing the way for the 737 MAX to return to service in China in the near future.
- COMAC recently announced that its C919 aircraft is continuing its flight certification programme and expect first delivery in 2022.

Recovery in long-haul routes, which typically use wide body aircraft, is expected to take longer than short-haul routes. IATA has signalled that this segment will return to 98% of 2019 levels by 2025 and 106% of 2019 levels by 2026.

- Airbus continue to expect to increase the A350 Family production rate, currently at an average production rate of 5 per month, to around 6 by early 2023. For the A330 Family, production will increase from around 2 per month to almost 3 per month at the end of 2022.
- On the 787 platform, Boeing continues to perform rework on aircraft in inventory which has led to production being reduced to a very low rate. This will continue until deliveries resume, with an expected gradual return to 5 per month over time. Boeing confirmed on their January 26, 2022 earnings call that they will have 110 airplanes in inventory at the end of the first quarter of 2022.
- Production of the 767 will continue at a rate of 3 per month.
- On the 777/777X combined production rate, Boeing announced that they will be increasing from 2 per month in H1 2021 to 3 per month in 2022. They are still anticipating first delivery of the 777X in late 2023.

Business jet flight activity was resilient in 2021, with strong leisure demand as travel restrictions loosened. With 3.3 million flights from January through December, business jet traffic was 7% higher than in 2019, the previous high point for global business jet demand, according to WingX Global Market Tracker. Activity in 2022 is also continuing this upward trend, with January 2022 traffic increasing 35% when compared to 2021. In regional jets, the entry into service of Embraer's E175-E2 jet has been delayed until 2027-28 although they continue to sell the current E175 jet. Airbus reaffirmed that production of the A220, which is currently at around rate 5 aircraft per month, will rise to around 6 per month in early 2022. Airbus is also envisaging a monthly production rate of 14 by the middle of the decade.

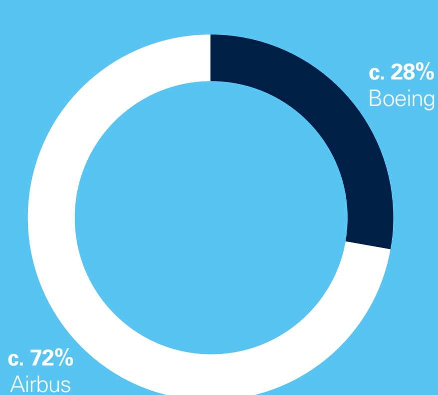
We expect defence revenue to be stable in 2022 with bipartisan support for US defence spending. The strength in US military spending can be primarily attributed to heavy investment in research and development and long-term projects such as the 5th generation F-35 Joint Strike Fighter.

- Lockheed Martin delivered 142 F-35 aircraft in 2021, which was higher than the range they set out of 133-139. At their full year results presentation, they reiterated their existing production for F-35; 151-153 aircraft in 2022 and then 156 thereafter. They further stated that the annual production may increase beyond the planned full-rate production of 156 aircraft per year given strong recent international order intake.

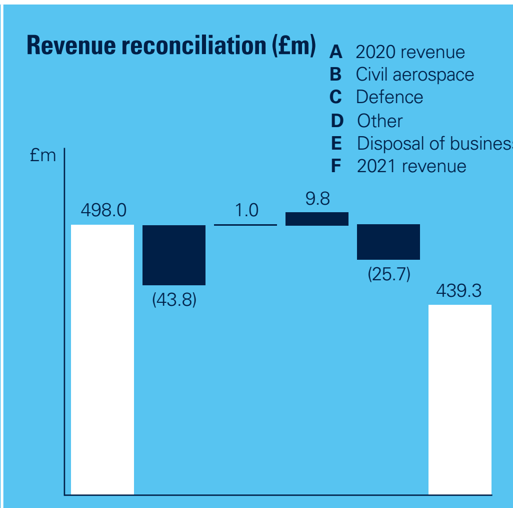
Senior has a diversified product portfolio in the aerospace sector and the potential to add content on existing programmes as our customers recognise and appreciate Senior's financial resilience, stability, and global footprint. Our businesses are well capitalised with equipment that can be utilised across civil, defence and space sectors. We have secured new multi-year contracts and contract extensions on defence and civil platforms which, coupled with increasing production rates, will help to underpin our return to growth in our Aerospace Division in 2022 and beyond. In 2021, new contracts of note that were signed include:

- Senior Aerospace was awarded a multi-year contract to supply major floor beam structural assemblies for the Boeing 767 platform. Production of the structural assemblies will be undertaken from the Senior Aerospace AMT facility in Arlington, WA, USA with deliveries commencing January 2022.
- Senior Aerospace won a multi-year contract to supply quadrant assemblies for flight control systems on the Boeing 737 and Boeing 777 platforms. The quadrant assemblies for the Boeing 737 Elevator Control and Boeing 777 Horizontal Stabilizer flight control system will commence in Q1 2022 from the Senior Aerospace Damar facility in Monroe, WA, USA.

Revenue by large commercial platforms



Revenue reconciliation (£m)



Sales in defence increased by

+1%

Adjusted operating margin increased to

1.8%

DIVISIONAL REVIEW

– Flexonics

HEADLINES 2021

Revenue

£219.9m

(2020 – £200.0m)

Adjusted operating profit

£12.9m

(2020 – £10.5m)

Adjusted operating margin

5.9%

(2020 – 5.3%)

Flexonics Division

The Flexonics Division represents 34% (2020 – 30%) of Group revenue and consists of 12[1] operations which are located in North America (four), continental Europe (two), the United Kingdom (two), South Africa, India, and China (two) including the Group'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 2020 results have been translated using 2021 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions, goodwill write-off and net restructuring income/costs. The Division's operating results on a constant currency basis are summarised below:

	2021 £m	2020[2] £m	Change
Revenue	**219.9**	200.0	+9.9%
Adjusted operating profit	**12.9**	10.5	+22.9%
Adjusted operating margin	**5.9%**	5.3%	+60 bps

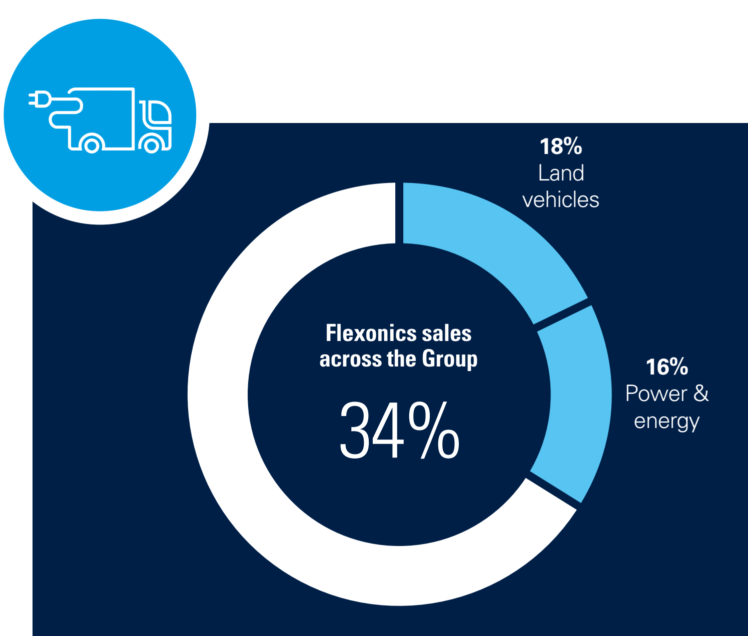
(1) This figure excludes Senior Flexonics Upeca, Malaysia following its closure.
(2) 2020 results translated using 2021 average exchange rates – constant currency.

Divisional revenue increased by £19.9m (9.9%) to £219.9m (2020 – £200.0m) and adjusted operating profit increased by £2.4m (22.9%) to £12.9m (2020 – £10.5m).

Revenue Reconciliation	£m
2020 revenue	200.0
Land vehicles	33.5
Power & energy	(13.6)
2021 revenue	**219.9**

Recovery is underway across some of our Flexonics end-markets with sales in 2021 increasing by 9.9% compared to prior year. The performance in the year benefited from the recovery in heavy-duty truck and off-highway and passenger vehicle markets, partially offset by a decline in oil & gas and the closure of the Senior Flexonics business in Malaysia.

Group sales to land vehicle markets increased by 39.3%. Senior's sales to the North American truck and off-highway market increased by £19.6m (42.9%), as off-highway sales were strong and market production of heavy-duty diesel trucks increased by 23%. Sales to other truck and off-highway regions, including Europe and India, increased by £7.6m (41.1%). Group sales to passenger vehicle markets increased by £6.3m (29.9%) in the year, reflecting higher demand in our core European and Indian markets.



(1) In 2021, Senior Flexonics Upeca in Malaysia was closed.
(2) Including joint venture.

In the Group's power & energy markets, sales decreased by £13.6m (11.9%) in the year. Sales to oil and gas markets decreased by £11.2m (26.7%), as a result of weaker demand, particularly for upstream activity and also the closure of our Senior Flexonics Upeca, Malaysia business. Downstream oil and gas activity was lower year-on-year because part of the prior year was pre pandemic with higher levels of economic activity. Some maintenance projects continue to be deferred. Sales to other power & energy markets decreased by £2.4m.

Adjusted operating profit increased by £2.4m compared to prior year and the divisional adjusted operating margin increased by 60 basis points to 5.9% (2020 – 5.3%). This reflected the drop through impact of growth in revenue coupled with additional savings delivered from the restructuring programme which more than offset the inflationary impact of freight and commodity costs.

Land vehicle markets are expected to continue to grow in 2022, as supply chain constraints gradually ease through the year.

- ACT Research is forecasting a 13% increase in North American heavy-duty truck production in 2022, and further growth of 21% in 2023.
- The North American medium-duty diesel truck production is forecast to increase by 11% in 2022.
- IHS Markit Inc. forecasts that European truck and bus production will grow by 7% in 2022 and that passenger vehicle production will grow by 20% in 2022.
- Indian passenger vehicle production is forecasted to grow by 7% in 2022.

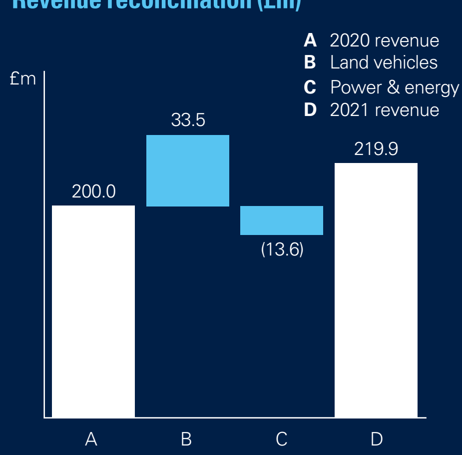
Some positive momentum is expected in power & energy markets now that recovery in the upstream oil & gas sector is underway.

- Global oil demand is forecast to exceed pre pandemic levels before the end of 2022 and to further strengthen in 2023, in the absence of any further COVID-related disruption. Industry macro fundamentals, for upstream oil and gas in particular, are looking very favourable, due to the combination of projected steady demand recovery, an increasingly tight supply market, and supportive oil prices. Nevertheless, the rise in geopolitical tensions could have a potential impact on the supply side.
- In power generation, the IEA forecasts electricity demand growing by 2.7% a year on average for 2022-2024. They also forecast the growth of renewable capacity in the next five years to accelerate, accounting for almost 95% of the increase in global power capacity through 2026.
- According to the IEA, nuclear power sustained significant growth in 2021; output from nuclear was 8% above 2019 levels, with emerging market and developing economies increasing their share of global nuclear output to almost one-third.

We will continue to focus our development efforts on differentiated technology and products, applicable across a diverse range of attractive industrial markets. In 2021, new contracts of note that were signed include:

- Senior Flexonics Canada was awarded an additional contract with Bruce Power Limited Partnership as a key supplier for their Major Component Replacement ("MCR") Project to supply replacement bellows expansion joints for critical equipment in the primary and secondary circuits for Reactor Units. The work will be performed at the Senior Flexonics facility in Ontario, Canada and Senior Flexonics Pathway facility in Texas, USA.
- Senior Flexonics was awarded new contracts to supply Honda with exhaust flexible connectors for the automotive manufacturer's 1.5L and 2.0L gasoline engines. To meet Honda's demanding performance requirements, Senior Flexonics undertook a rigorous development to ensure the flexible exhaust connectors met the required durability, weight and emissions standards. Manufacturing of these components will be performed at Senior Flexonics' facilities in India and China and deliveries have recently commenced.
- Senior Flexonics Olomouc in the Czech Republic has secured the Group's first contract for a fully electric heavy-duty truck application for one of our large European truck customers. We will be providing electronics cooling components.

Revenue reconciliation (£m)



Global energy usage will drive increased demand for many of the Flexonics Division's products

Sales to land vehicle markets increased by +39%

FINANCIAL REVIEW

Senior delivered improved profitability and strengthened the balance sheet in 2021."

Bindi Foyle
Group Finance Director

HIGHLIGHTS

Adjusted Operating Profit

£6.1m

2020 – £3.7m

Net Debt/EBITDA

1.9x

2020 – 2.8x

ROCE

1.0%

2020 – 0.5%

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	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 %**	2020 %
Aerospace	**439.3**	526.2	**7.9**	5.9	**1.8**	1.1
Flexonics[2]	**219.9**	208.3	**12.9**	11.0	**5.9**	5.3
Share of results of joint venture	**–**	–	**0.2**	0.2	**–**	–
Inter-segment sales	**(0.5)**	(0.9)	**–**	–	**–**	–
Central costs	**–**	–	**(14.9)**	(13.4)	**–**	–
Group total	**658.7**	733.6	**6.1**	3.7	**0.9**	0.5

(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:

	2021 £m	2020 £m
Adjusted operating profit	**6.1**	3.7
Amortisation of intangible assets from acquisitions	**–**	(7.7)
Goodwill impairment and write-off	**–**	(134.3)
Net Restructuring income/(costs)	**4.4**	(39.0)
Operating profit/(loss)	**10.5**	(177.3)

Financial detail

Group revenue

Group revenue was £658.7m (2020 – £733.6m). Excluding the adverse exchange rate impact of £36.4m, and the year-on-year effect of the disposal of £25.7m, Group revenue decreased by £12.8m (1.9%), with lower revenues in Aerospace partly offset by higher revenues in Flexonics year-on-year. In 2021, 60% of revenue originated from North America, 15% from the UK, 13% from the Rest of Europe and 12% from the Rest of the World.

Operating profit/loss

Adjusted operating profit increased by £2.4m (64.9%) to £6.1m (2020 – £3.7m). Excluding the adverse exchange rate impact of £0.8m, adjusted operating profit increased by £3.2m (110.3%) on a constant currency basis. After accounting for £nil amortisation of intangible assets from acquisitions (2020 – £7.7m), £nil goodwill impairment and write-off (2020 – £134.3m) and £4.4m net restructuring income (2020 – £39.0m net restructuring cost), reported operating profit was £10.5m (2020 – £177.3m loss).

Revenue (£m)

Adjusted operating profit (£m)

Free cash flow (£m)

The Group's adjusted operating margin increased by 40 basis points, to 0.9% for the full year. This improvement in profitability reflected the savings delivered from the restructuring programme as well as our focus on cost management activities, which more than offset the drop through effect of the reduction in revenue and the inflationary impact of freight and commodity costs. While the impact of the pandemic and industry wide supply chain constraints are still with us, we continue to manage these diligently.

As set out in Note 9, adjusted operating profit and adjusted loss before tax are stated before £nil amortisation of intangible assets from acquisitions (2020 – £7.7m), £nil goodwill impairment and write-off (2020 – £134.3m) and £4.4m net restructuring income (2020 – £39.0m cost). Adjusted loss before tax is also stated before corporate undertakings income of £21.2m (2020 – £4.6m cost).

Restructuring

The Group 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. At 31 December 2021, none of the Group's employees were on furlough (2020 – 7%).

The decisive actions taken on restructuring and cost management over the last couple of years has 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. Our operating businesses have also worked hard to maximise cash realised from disposal of assets where there is no alternate use.

The restructuring, which involves business closures and sale of associated assets, headcount reductions and other benefits, has resulted in net income of £4.4m (2020 – £39.0m net cost). Of this, £4.2m income (2020 – £nil) related to an aerospace manufacturing grant, £1.0m net income for closures of Senior Flexonics Upeca and Senior Aerospace Bosman (2020 – £10.5m cost), £0.4m cost related to headcount reduction (2020 – £13.5m cost) and £1.0m cost related to consultancy and other activities (2020 – £1.5m cost). For certain specific programmes, and in conjunction with the focus on restructuring, management has also identified inventory impairment reversals of £1.4m (2020 – £8.5m charge) where customer demand has increased, and further impairment provisions on property, plant and equipment in 2021 with a charge of £0.8m (2020 – £5.0m charge) to cover the risk where there are no alternative uses and in part due to customers choosing to cancel and/or significantly reduce future build rates.

Net cash outflow related to restructuring activities was £0.9m (2020 – £15.2m), with £50m of savings (2020 – £36m) delivered, mainly related to lower headcount.

At 31 December 2021, a restructuring provision of £1.3m (31 December 2020 – £8.9m) was recognised and is expected to be utilised in 2022.

Finance costs and investment income

Finance costs, net of investment income decreased to £8.0m (2020 – £9.9m) and comprise IFRS 16 interest charge on lease liabilities of £2.6m (2020 – £3.0m), net finance income on retirement benefits of £0.4m (2020 – £0.9m) and net interest charge of £5.8m (2020 – £7.8m). The decrease was mainly due to lower borrowings including the repayment in October 2020 of $20.0m (£14.6m) US Private Placement Note carrying a high interest rate.

Corporate undertakings

Net income associated with corporate undertakings was £21.2m in 2021, 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. In 2020, costs of £4.6m were incurred relating to employee costs and external professional fees for the potential divestment of the Aerostructures business. See Note 31 to the Financial Statements for further details on the £24.2m gain on disposal.

Profit/loss before tax

Adjusted loss before tax was £1.9m (2020 – £6.2m). Reported profit before tax was £23.7m (2020 – £191.8m loss). The reconciling items between adjusted loss and reported profit/loss before tax are shown in Note 9 to the Financial Statements.

Tax charge

The adjusted tax rate for the year was 136.8% credit (2020 – 43.5% credit), being a tax credit of £2.6m (2020 – £2.7m) on adjusted loss before tax of £1.9m (2020 – £6.2m loss). The adjusted tax rate benefits from prior year items as well as enhanced deductions for R&D expenditure in the US and capital expenditure in the UK.

The 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. The 2020 reported tax rate was 17.4% credit, being a tax credit of £33.3m on reported loss before tax of £191.8m. This included the tax credit of items excluded from adjusted profit before tax of £30.6m, of which £21.7m related to the reversal of deferred tax liabilities held against goodwill impaired in 2020.

Cash tax paid was £5.3m (2020 – £3.5m) and is stated net of refunds received of £0.9m (2020 – £0.3m) of tax paid in prior periods, including refunds arising from the offset of tax losses against taxable profits of prior periods. Tax payments during the year are £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.

FINANCIAL REVIEW
CONTINUED

Earnings/loss per share
The weighted average number of shares, for the purposes of calculating undiluted earnings/loss per share, increased to 415.7 million (2020 – 414.9 million). The increase arose principally due to exercising of share-based payment awards during 2021. The adjusted earnings per share was 0.17 pence (2020 – adjusted loss per share of 0.84 pence). Basic earnings per share was 5.82 pence (2020 – basic loss per share of 38.20 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 50 basis points to 1.0% (2020 – 0.5%). The increase in ROCE was mainly a result of the increase in adjusted operating profit compared to prior year.

Research and design
The Group's expenditure on research and design was £19.2m during 2021 (2020 – £18.7m). Expenditure was incurred mainly on funded and unfunded work, which 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 2021 was generated outside the UK and consequently, foreign exchange rates, principally the US Dollar against Sterling, can affect the Group's results.

The 2021 average exchange rate for the US Dollar applied in the translation of income statement and cash flow items was $1.38 (2020 – $1.29). The exchange rate for the US Dollar applied to the translation of Balance Sheet items at 31 December 2021 was $1.35 (31 December 2020 – $1.37).

Using 2021 average exchange rates would have decreased 2020 revenue by £36.4m and decreased 2020 adjusted operating profit by £0.8m. A 10 cents movement in the £:$ exchange rate is estimated to affect full-year revenue on average by £28m, adjusted operating profit by £1m and net debt by £7m.

Cash flow
The Group generated robust free cash flow of £14.0m in 2021 (2020 – £46.5m) as set out in the table below:

	2021 £m	2020 £m
Operating profit/(loss)	**10.5**	(177.3)
Amortisation of intangible assets from acquisitions	**–**	7.7
Goodwill impairment and write-off	**–**	134.3
Net restructuring (income)/costs	**(4.4)**	39.0
Adjusted operating profit	**6.1**	3.7
Depreciation (including amortisation of software)	**47.8**	53.9
Working capital and provisions movement, net of restructuring items	**(2.6)**	32.3
Pension payments above service cost	**(5.1)**	(5.0)
Other items[(1)]	**2.2**	2.0
Interest paid, net	**(8.0)**	(10.6)
Income tax paid, net	**(5.3)**	(3.5)
Capital expenditure	**(21.3)**	(26.8)
Sale of property, plant and equipment	**0.2**	0.5
Free cash flow	**14.0**	46.5
Corporate undertakings	**46.9**	(4.2)
Net restructuring cash paid	**(0.9)**	(15.2)
US Class action lawsuits	**(2.3)**	(3.9)
Net cash flow	**57.7**	23.2
Effect of foreign exchange rate changes	**0.7**	2.4
IFRS 16 non-cash additions and modifications after disposals	**(5.6)**	(1.9)
Change in net debt	**52.8**	23.7
Opening net debt	**(205.9)**	(229.6)
Closing net debt	**(153.1)**	(205.9)

(1) Other items comprises £3.5m share-based payment charges (2020 – £3.0m), £(0.2m) profit on share of joint venture (2020 – £(0.2m)), £(1.1m) working capital and provision currency movements (2020 – £(0.7m) before £0.5m foreign exchange loss recycled to the Income Statement on restructuring activities) and £nil profit on sale of fixed assets (2020 – £(0.1m) profit).

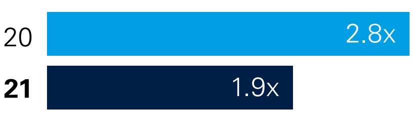
Capital expenditure
Gross capital expenditure of £21.3m (2020 – £26.8m) was 0.6 times depreciation excluding the impact of IFRS 16 (2020 – 0.6 times). The disposal of property, plant and equipment raised £0.2m (2020 – £0.5m). As previously advised, the Group's operating businesses are capitalised and prepared for growth. Therefore, we can expect future capital investment to be at more normal levels: 2022 capital investment is expected to be slightly below 2022 depreciation (excluding the impact of IFRS 16). We are prioritising new investment on health and safety related items; important replacement equipment for current production; and growth projects where contracts have been secured.

Working capital
Working capital decreased by £3.0m in 2021 to £103.0m (2020 – £106.0m), reflecting our relentless and effective focus on working capital management. With demand recovery underway in our key end markets, and some supply chain lead times increasing, we may see an increase in working capital over the coming months. We will continue to manage this diligently.

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 2021 were £16.8m (31 December 2020 – £17.6m). The net impact of reverse factoring on 2021 was a cash outflow in working capital of £0.9m (2020 – £13.3m outflow) and the discount interest presented within other finance costs is a charge of £0.2m in 2021 (2020 – £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. While Group performance in 2021 has improved compared to 2020, it was still impacted by the pandemic, and as such, the Board believes it is not appropriate to pay a dividend for the year. Therefore, no cash outflow was incurred during 2021 in respect of dividends (2020 – £nil). The Board recognises the importance of the dividend for our shareholders and is optimistic that the recovery currently underway in our core end markets will continue. The Board therefore expects to resume dividend payments in 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



Goodwill
The reduction in goodwill from £165.0m at 31 December 2020 to £150.2m at 31 December 2021 reflects the disposal of Senior Aerospace Connecticut in April 2021 (£15.1m reduction), partly offset by foreign exchange differences (£0.3m increase).

Retirement benefit schemes
The retirement benefit surplus in respect of the Group's UK defined benefit pension plan ("the UK Plan") increased by £25.7m to £72.2m (31 December 2020 – £46.5m) due to £19.7m net actuarial gains, £5.4m cash contributions by the Group, in excess of running costs, and £0.6m net interest income. Retirement benefit deficits in respect of the US and other territories increased by £0.1m to £11.0m (31 December 2020 – £10.9m).

The latest triennial actuarial valuation of the UK Plan as at 5 April 2019 showed a deficit of £10.2m (5 April 2016 – deficit of £37.4m). As a result, and effective from April 2019, the Group's deficit reduction cash contributions to the UK Plan have reduced from an annual amount of £8.1m to an annual amount of £5.5m. The Group continues to contribute £0.5m per annum towards plan administration costs. These contributions are payable over the three-year period to March 2022 and are subject to review and amendment as appropriate at the next funding valuation in 2022.

Net debt
Net debt which includes IFRS 16 lease liabilities decreased by £52.8m to £153.1m at 31 December 2021 (31 December 2020 – £205.9m). As noted in the cash flow above, the Group generated net cash flow of £57.7m (as defined in Note 32(c) of the Financial Statements) and benefited from £0.7m favourable foreign currency movements, partially offset by £5.6m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £73.2m (31 December 2020 – £76.5m) decreased by £49.5m to £79.9m at 31 December 2021 (31 December 2020 – £129.4m).

Funding headroom (£m)

Funding and Liquidity
As at 31 December 2021, the Group's gross borrowings excluding leases and transaction costs directly attributable to borrowings were £132.0m (31 December 2020 – £154.4m), with 62% of the Group's gross borrowings denominated in US Dollars (31 December 2020 – 62%). Cash and bank balances were £51.1m (31 December 2020 – £23.6m).

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	14.8	14.8
In the second year	–	35.9
In years three to five	71.5	191.5
After five years	45.7	45.7
	132.0	287.9

(2) Gross borrowings include other loans and committed facilities, but exclude leases of £73.2m and transaction costs directly attributable to borrowings of £(1.0m).

At the year-end, the Group had committed facilities of £287.9m comprising private placement debt of £132.0m and revolving credit facilities of £155.9m. The Group is in a strong funding position, with headroom at 31 December 2021 of £208.0m in cash and undrawn facilities.

In April 2021, the Group refinanced its US revolving credit facility of $50.0m (£37.0m at year end exchange rate) and extended the maturity to June 2023.

The weighted average maturity of the Group's committed facilities at 31 December 2021 was 3.0 years.

The Group has £nil (2020 – £0.4m) of uncommitted borrowings which are repayable on demand.

The Group has two existing covenants ("Existing Covenants") for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines on page 1) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. The Group's lenders, both banks and US private placement investors, have been supportive and we agreed covenant relaxations ("New Covenants") in relation to the June 2020, December 2020, June 2021 and December 2021 testing periods and agreed an additional September 2021 testing period to provide financial flexibility for the Group through this unprecedented period.

For the testing period ended 31 December 2021, the New Covenants required the Group's net debt to EBITDA must not exceed 4.5x, interest cover must be higher than 3.5x and liquidity headroom must be higher than £40.0m. At 31 December 2021, the Group's net debt to EBITDA was 1.9x and interest cover was 7.3x, both comfortably within the Existing (and New) Covenants limits. The Group's liquidity headroom at £208.0m was also comfortably within covenant limits.

UK withdrawal from the European Union
The Group's Brexit Committee undertook detailed reviews and continues to assess the impact of the UK's decision to leave the European Union including from a regulatory, supply chain, people and financial perspective. Appropriate steps were taken to prepare for the transition, particularly to minimise any potential operational disruption, with limited impact on the Group's performance in 2021. While we do not anticipate a significant direct impact from Brexit on the Group's activities, we remain alert to any long-term impact of Brexit on macroeconomic conditions. Our assessment remains that any direct or indirect impact from Brexit will be limited given the Group's global positioning.

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 2024), 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 2024.

While the impact of the pandemic and industry wide supply chain constraints are still with us, we continue to manage these diligently. Notwithstanding near-term uncertainties in the global economy, Senior is well placed to benefit from the recovery underway in our end markets. However, the Board has maintained a higher level of caution than years prior to 2020, in evaluating the severe but plausible downsides. 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 potential recovery from the pandemic under a base case, while also assessing continued impacts under a severe but plausible downside scenario.

The base case projections of the viability assessment are based on the Group's Budget for 2022 and the Group's Strategy for 2023 and 2024. Global air traffic recovery in 2021 showed ongoing progress as the COVID-19 vaccine rollout & booster gathered pace and travel restrictions eased globally. IATA reported that overall travel demand in 2021 strengthened and its current view is that world passenger flows will return to 2019 levels by the end of 2023. IATA expects domestic traffic to reach 2019 levels by 2022 and international traffic 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, 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 now underway.

In determining a severe but plausible downside scenario, the base case projections are flexed to reflect the probability weighted and cumulative estimated effects of the Group's principal risks and uncertainties, as disclosed on pages 50 to 55, including but not limited to the risks related to the pandemic and the impact on end market demand, as well as inflation and programme and supplier management.

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 2021, the Group held committed borrowing facilities of £287.9m with liquidity headroom of £208.0m. The weighted average maturity of the Group's committed facilities at the end of December 2021 was 3.0 years. Net debt (defined in Note 32(c) was £153.1m, including £73.2m of capitalised leases which do not form part of the definition of debt under the committed facilities and do not impact the Group's lending covenants.

The Group has two Existing Covenants 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 1) and interest cover, the ratio of EBITDA to interest. The Group's lenders, both banks and US private placement investors, have been supportive and agreed New Covenants in relation to the December 2020, June 2021 and December 2021 testing periods, and an additional September 2021 testing period to provide financial flexibility for the Group through this unprecedented period. However, this flexibility was not utilised as the Group's performance in 2020 and 2021 was within the Existing Covenants.

Board's conclusion

Modelling the base case and severe but plausible downside scenarios and mitigations indicate that the Group is in compliance with all debt covenants at all measurement dates out to 31 December 2024. 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 2024.

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 64 was approved by the Board of Directors on 25 February 2022 and signed on its behalf by

David Squires
Group Chief Executive Officer

CHAIR'S GOVERNANCE LETTER

A Governance Framework that has been tested, challenged and has stood firm and robust over an extended period of external events and circumstances."

Ian King
Chair

CONTENTS

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 2021, other than the executive Directors' pension contributions, which will be aligned with the rates available to the majority of the UK workforce by the end of 2022. Further details of how the Company applied the Principles of the Code can be found on pages 75 to 107.

Dear Shareholders,

In another year of external events that challenged the Company the Governance Framework proved to be invaluable and robust. The approach by LSF XI Investments, LLC, a company advised by Lone Star Global Acquisitions, Limited, came at a time when the Group continued to face challenging trading conditions as a result of the continued COVID-19 pandemic. As we emerged from the difficult conditions of last year, I look forward to leading the Board in the next phase of the Company's development and growth and I am 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 have brought strong, broad, professional and complementary qualities to the Board, which proved invaluable during 2021. Despite the challenges, the Board maintained its focus and progress 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 has always been given prominence across the Senior plc 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.

I have summarised below the Company's approach to key governance matters.

Board governance

Leadership

The Board is led by me, as the non-executive Chair, together with two executive Directors and six independent non-executive Directors, following Barbara Jeremiah's appointment on 1 January 2022. 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 68 to 72. My role as Chairman includes:

(a) setting the Board's agenda, 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.

Board and Committee membership and attendance

As the pace of decision-making increased in 2021 as a result of the pandemic, the Board increased its frequency of meetings. The membership and attendance record of the full Board Meetings and its full Committee Meetings during 2021 are shown in the table below:

	Main Board	Audit Committee	Nominations Committee	Remuneration Committee
Chair	**Ian King**	**Giles Kerr**	**Ian King**	**Celia Baxter**
Total number of meetings				
Ian King	20/20	–	6/6	7/7
Celia Baxter	20/20	5/5	6/6	7/7
Susan Brennan	19/20	4/5	6/6	6/7
Bindi Foyle	20/20	–	–	–
Giles Kerr	18/20	5/5	6/6	7/7
Rajiv Sharma	19/20	4/5	6/6	6/7
David Squires	20/20	–	–	–
Mary Waldner(1)	3/3	–	1/1	2/2

(1) Mary Waldner was appointed to the Board on 1 December 2021.

Barbara Jeremiah was appointed to the Board on 1 January 2022 and so has not been included in the table above.

The non-executive Directors have an important role in reviewing and challenging executive management's decisions and actions. The events of 2021, including the continuing COVID-19 pandemic and the possible takeover bid by Lone Star, 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 clear division of responsibilities between the running of the Board and the running of the Group's businesses. In 2021, a detailed Board evaluation review was undertaken with the assistance of EquityCulture Limited which confirmed that the Board was performing well. The review found that the Board had operated effectively and robustly throughout the particularly difficult year. A summary of the 2021 report on the Board evaluation findings and a list of recommended actions are provided on page 77.

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. As Chair, I encourage open and honest discussions between the Directors, both within and outside Board meetings, and ensure no Director or group of Directors exerts pressure or dominates the Board's decision-making.

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. Notwithstanding the restrictions imposed as a result of the Coronavirus pandemic, regular communication continued.

As the Company's non-executive Chair, I also attended the full-year 2020 and 2021 interim results announcements made to analysts in March and August 2021. I also met with the Company's major shareholders on a regular basis, with a cycle that is complementary to the executive Directors. In addition, I led the shareholder consultation with respect to the Lone Star bid.

The frequency of meetings with major shareholders increased in 2021, to address the challenges faced by the Company as a result of the possible takeover bid by Lone Star and the continued pandemic; these exchanges highlighted the value of establishing and maintaining close relationships.

We also further consulted on the 2021 Directors' Remuneration Policy. Celia Baxter, the Senior Independent non-executive Director, was also available to attend meetings with major shareholders upon request, so providing an alternative channel of communication between the Company and its shareholders.

The Company typically makes constructive use of the Annual General Meetings ("AGM") to communicate with its private shareholders. In April 2021, this process had to again be limited, because of the UK Government's restrictions due to the pandemic; however, we chose to offer private shareholders live audio access to the proceedings of the AGM and the opportunity to submit questions to the Directors and listen to their responses. In April 2022, regulations permitting, we will be offering a hybrid format for the AGM; this will involve shareholders being able to physically attend the Meeting to be held in London or gain audio access to listen to the proceedings and submit questions to the Board by email. A presentation on the Company's annual performance to be made to shareholders by the Group Chief Executive Officer will be made available to all shareholders choosing to attend either in person or virtually; a copy of this presentation will also be uploaded to the Company's website. We will continue to monitor the AGM structure as and when circumstances change.

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.

Employees

Celia Baxter is the Director designated by the Board to engage with the Group's workforce and listen to any employee concerns. During the year, she participated in 15 face-to-face Focus Group meetings at four of the UK operating businessses 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 and make suggestions for improvement in 2022.

Further details on Employee Engagement can be found on page 41.

The Board was flexible in its approach, embraced Video Conferencing technology and met 20 times over the year. The commitment of all members has been exemplary."

Ian King
Chair

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 continuity of supply and customer satisfaction. In 2021, it continued to be important for the Group's operating businesses to maintain regular contact with their customers, as the Group's supply chain faced the difficult conditions created by the COVID-19 pandemic.

The Group has dedicated account managers to deal directly with key customers on existing and new customer agreements. Relationships with potential and new customers are also established 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 41.

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 2021, it was particularly important for the Group to maintain regular contact with its suppliers and work together constructively to ensure the Group's supply chain was able to maintain continuity of supply during the challenging business environment created by the pandemic.

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 utilised, supplies may involve long lead times, and so communication and managing good relations with suppliers is paramount to the Group's operating businesses. In 2021, 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 CDP, who gave us a Supplier Engagement Leadership A rating.

Further details on Supplier Engagement can be found on page 42.

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. Despite the pandemic, where possible, community engagement programmes were maintained. 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 2021. In December 2021, we were delighted to have again achieved a Leadership rating of A- from the globally recognised Carbon Disclosure Project ("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 14 and 42.

2021 has been an extremely challenging year for the Board, the Company, its employees and shareholders. We have shown resilience, made difficult decisions, been agile in our responses and not compromised the Group's standards and values. The Board firmly believes it is strong and well-positioned to take the Group into the next phase of growth. Our Governance Framework has been strongly tested, stood firm and is effective for today and for the next phase of growth. I convey the Board's thanks for your support.

Ian King
Chair
25 February 2022

BOARD OF DIRECTORS

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

Tenure – Board

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

Diversity – Board[(1)]

Female	55%
Male	45%

(1) Following Barbara Jeremiah's appointment to the Board on 1 January 2022

Ian King

Company Chair and Chair of the Nominations Committee

Responsibilities
Leadership of the Board, setting its agenda and ensuring its effectiveness.

Qualifications
Fellow of the Chartered Institute of Management Accountants.

Appointment to the Board
Ian King joined the Board on 13 November 2017 as a non-executive Director and became Chairman in April 2018.

Committee membership
Nominations (Chair) and Remuneration.

Skills and experience
For more than 40 years Ian has held many senior management and directorship roles, including finance, executive management, customer support and strategic planning.

Career experience
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.

Current directorships/business interests
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 advisor to the Board of Gleacher Shacklock LLP.

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

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

Responsibilities
To support the Chairman 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.

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

Appointment to the Board
Celia Baxter joined the Board on 2 September 2013, became Chair of the Remuneration Committee in December 2013 and the Senior Independent non-executive Director in April 2019.

Committee membership
Remuneration (Chair), Audit and Nominations.

Skills and experience
Celia is an experienced non-executive Director, Remuneration Committee and Pension Trustee Company Chair.

Career experience
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.

Current directorships/business interests
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

Responsibilities
To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.

Qualifications
BSc in Microbiology and MBA.

Appointment to the Board
Susan Brennan joined the Board in January 2016.

Committee membership
Audit, Nominations and Remuneration.

Skills and experience
Susan brings more than 25 years of manufacturing experience, including automotive vehicle, powertrain and components assembly. Susan has dedicated her career to improving American manufacturing and assuring that the United States maintains a vital manufacturing footprint. In her time as a manufacturing practitioner, she has always been a strong proponent of sustainability, starting in her first role as the Environmental and Coating Manager with Douglas and Lomason, leading the plant to the State of Iowa's first ever Waste Minimization award and, more recently, launching the all-electric Nissan Leaf in Smyrna, USA.

Career experience
Susan served as VP of Manufacturing at Nissan North America, Inc. and as Director of global manufacturing at Ford, where she led a global business office for Ford's assembly, powertrain and stamping plants. Until 5 August 2021, Susan was the Executive Vice-President and Chief Operations Officer of Bloom Energy Corporation.

Current directorships/business interests
In August 2021, Susan was appointed the President and Chief Executive Officer of Romeo Power, Inc., an energy technology company delivering large-scale electrification solutions for complex commercial vehicle applications based in Los Angeles, California.

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.

Bindi Foyle
Group Finance Director

Responsibilities
To manage the Group's financial affairs and to contribute to the management of the Group's business and to the implementation of the strategy and policies approved by the Board.

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

Appointment to the Board
Bindi Foyle joined the Board as an executive Director on 3 May 2017 and became Group Finance Director on 1 July 2017.

Committee membership
Bindi sits on the Group Executive Committee and the Treasury Committee, which is not formally appointed as a Committee of the Board.

Skills and experience
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.

Career experience
Prior to joining Senior, Bindi held senior finance roles at Amersham plc and GE, having previously worked with BDO Stoy Hayward.

Current directorships/business interests
Bindi is a non-executive director of Avon Protection plc; in January 2021 she became 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.

Giles Kerr
Independent Non-Executive Director and Chair of the Audit Committee

Responsibilities
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.

Qualifications
BA (Hons) in Economics and a Chartered Accountant.

Appointment to the Board
Giles Kerr joined the Board on 2 September 2013 and became Chair of the Audit Committee in April 2014.

Committee membership
Audit (Chair), Nominations and Remuneration.

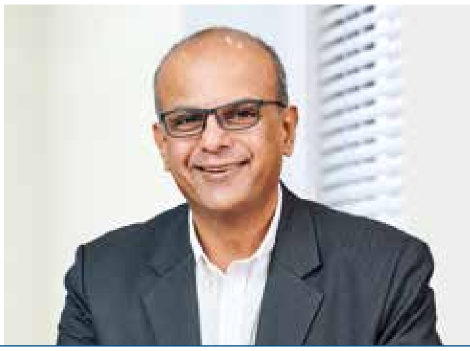
Skills and experience
Giles has over 35 years' experience in finance across a broad range of industrial sectors. During his tenure as Director of Finance at Oxford University, he established a successful investment office and he gained considerable experience of establishing and growing technology-based companies.

Career experience
Giles is a former Director of Finance of Oxford University and non-executive director of BTG Plc and Victrex plc, Adaptimmune Therapeutics plc and Arix Bioscience plc. Giles held a number of positions with Amersham plc, including Group Finance Director. He was formerly a Partner with Arthur Andersen & Co.

Current directorships/business interests
Giles was appointed a non-executive director and Chairman 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 chairman 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.

It is intended Giles will step down from the Board following a suitable transition period with Mary Waldner and the rotation of the lead audit partner.



Rajiv Sharma
Independent Non-Executive Director

Responsibilities
To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.

Qualifications
BTech in Mechanical Engineering and MBA, Marketing & Strategy.

Appointment to the Board
Rajiv Sharma was appointed to the Board on 1 January 2019.

Committee membership
Audit, Nominations and Remuneration.

Skills and experience
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.

Career experience
During his career, Rajiv has held senior roles in various companies including Honeywell, GE and Shell.

Current directorships/business interests
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 make his contribution to delivering the Company's long-term success an important one.

David Squires
Group Chief Executive Officer

Responsibilities
To manage the Group's business and to implement the strategy and policies approved 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.

Appointment to the Board
David Squires was appointed to the Board on 1 May 2015 and became Group Chief Executive Officer on 1 June 2015.

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.

Skills and experience
A graduate in business management, member 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.

Career experience
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.

Current directorships/business interests
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

Responsibilities
To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.

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

Appointment to the Board
Mary Waldner joined the Board on 1 December 2021. It is intended Mary will became Chair of the Audit Committee upon Giles Kerr's retirement from the Board, following a suitable transition period.

Committee membership
Audit, Nominations and Remuneration.

Skills and experience
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.

Career experience
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.

Current directorships/business interests
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.

Barbara Jeremiah
Independent Non-Executive Director

Responsibilities
To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.

Qualifications
BA in Political Science and a qualified lawyer.

Appointment to the Board
Barbara Jeremiah was appointed to the Board on 1 January 2022. It is intended Barbara will become the Chair of the Remuneration Committee upon Celia Baxter's retirement from the Board, following a suitable transition period.

Committee membership
Audit, Nominations and Remuneration.

Skills and experience
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.

Career experience
Barbara was most recently a non-executive Director and Remuneration Committee Chair of Aggreko plc from March 2017 to August 2021.

Current directorships/business interests
Chair Designate and Senior Independent Director of The Weir Group PLC; Barbara was appointed Senior Independent Director on 1 January 2020. She was previously a non-executive Director of The Weir Group PLC from 1 August 2017 until 31 December 2019.

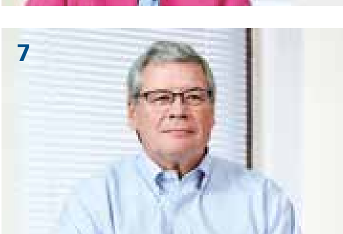
Specific contribution to the Company's long-term success
Barbara's extensive experience in a number of Senior's key markets as an executive and a non-executive Director will complement those of the existing members of the Board.

Andrew Bodenham
Group Company Secretary

Andrew Bodenham acts as Secretary to the Senior plc Board and its Committees. See biography on page 72.

EXECUTIVE COMMITTEE

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



1. David Squires

See biography on page 70.

2. Martin Barnes

Martin became the Director of Business Development & Strategy in October 2021, when he succeeded David Beavan; Martin 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.

3. Andrew Bodenham

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

4. 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.

5. Bindi Foyle

See biography on page 69.

6. Jane Johnston

Jane joined the Group 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, and professional services and, prior to joining Senior, was Group HR Director at Pace plc.

7. 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.

David Beavan

David was the Director of Business Development & Strategy from April 2014 to October 2021, he was succeeded by Martin Barnes. David retired from the Group on 31 December 2021.

Michelle Yorke

Michelle was the Director of Risk and Compliance from September 2018, retiring from the Group on 31 December 2021. Michelle had a broad portfolio and, upon her retirement from the Executive Committee and the Group, a decision was taken to restructure this role and split the portfolio. The risk and compliance duties have transferred to a newly created Head of Risk and Compliance position and Michelle's other duties and responsibilities transferred to the Director of Business Development & Strategy. Michelle stepped down from the Executive Committee on 31 December 2021.

Executive Committee

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 not formally appointed as a Committee of the Board, but 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 and the Group Director of HSE & Sustainability attends and presents to the Board twice a year.

The members of this committee are David Squires (Chairman of the Committee), Mike Sheppard (Chief Executive of the Flexonics Division) and Launie Fleming (Chief Executive of the Aerospace Division). Mark Roden, the Group Director of HSE & Sustainability, attended all meetings held during the year. David Beavan and Michelle Yorke were also members of the Executive Committee until 31 October 2021 and 31 December 2021 respectively. The Committee met three times during the year.

REPORT OF THE DIRECTORS

The Directors present their Report and supplementary reports, together with the audited Financial Statements for the year ended 31 December 2021.

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 1 to 64. Its Group undertakings are shown on pages 164 and 165. Six of the Company's operating businesses are located in the UK and 20 in the Rest of the World.

The Strategic Report includes details of Senior's business model, strategic priorities, key performance indicators, risks and uncertainties, market overview, key growth drivers and a summary of the Group's 2021 performance.

Acquisitions and disposals

On 22 April 2021, divested Senior Aerospace Connecticut; further details of this transaction can be found on Note 31. As previously announced, in 2021 we closed both our small oil & gas business in Malaysia, Senior Flexonics Upeca, and our Senior Aerospace Bosman operating business in the Netherlands, following the transfer of production to our French Aerospace sites.

Results and dividends

The results for the year are shown in the Consolidated Income Statement on page 116.

During 2021, no 2020 final dividend was proposed or paid to shareholders, as part of the Board's cash preservation measures taken in response to the COVID-19 pandemic. Similarly, no 2021 interim dividend has been paid to shareholders during the year (2020 – nil pence) and the Directors do not propose payment of a 2021 final dividend (2020 – nil pence).

Share capital

The Company has one class of ordinary shares, which carries no right to a fixed income. Each share carries the right to vote at general meetings of the Company. The Company issued no new shares in 2021; the total number of shares in issue at 31 December 2021 was 419,418,082. Further details on the Company's share capital can be found in Note 25.

Diversity policy

Senior has an Equality, Diversity and Inclusion policy which is contained within its Code of Conduct. The policy states that we treat everyone fairly, equally and value diversity. We will not make employment decisions on the basis of anything that does not have a direct bearing on the ability of any individual to perform a job. We value diversity and promote equal opportunities for all employees in a workplace free of discrimination. We are open, honest and courteous in our working relationships and we value individual differences and believe that creating an environment where everyone feels included and diversity of thought are valued strengths of Senior. Further details can be found on page 24.

Engagement with employees

At Senior, everyone's opinion matters and this is reflected in how we engage with our employees. The Group promotes the dissemination of relevant information through workshops, newsletters and a number of other methods, so that employees are kept regularly advised on the Group's and local operational developments. Where appropriate, local briefing sessions are held concerning such matters as business performance, corporate ethics, health and safety. In 2021, the Group's employees were invited to complete a voluntary Employee Engagement Survey. The survey had an 81% completion rate and asked for employees' views and recommendations for areas of improvement. The feedback from employees on our response was positive. For further information, please see Employee Engagement on pages 24 to 25.

At an Operating Business level, we continue to gather feedback through locally-managed Engagement Surveys. While maintaining social distancing and safety protocols where possible other activities continued, for example, skip level meetings, Value workshops, CEO Breakfasts and All-hands meetings, sharing business information and encouraging two-way communication through questions and discussion.

We have also employed new ways of encouraging two-way communication with employees. As a result of our engagement with employees in 2021, we were able to assess the culture across much of the organisation, providing feedback to the Board; since the sessions, the operating businesses have been focusing on areas for improvement. The Board's usual programme of visiting operating businesses and taking the opportunity to meet with teams at all levels had again to be undertaken virtually in 2021. Celia Baxter was able to carry out a number of UK site visits as part of her employee engagement role in 2021.

Senior continues to invest in its workforce through training and development opportunities, including "Learn", our global learning management programme. In addition, the ongoing roll-out of "Perform", our performance management system, ensures there is an adequate focus on developing skills, abilities and knowledge of our employees. Across the Group, we have a range of rewards and recognition initiatives to encourage employees' involvement in business performance. Whilst 2021 continued to be a challenging year as a result of the pandemic, engagement with employees was considered by management to be invaluable and allowed the Group's businesses to continue to operate and support their customers throughout a number of locally imposed lockdown periods, where this was permitted by governments.

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.

Engagement with other stakeholders

Senior works hard to create value for all its stakeholders. By engaging and collaborating with the key groups of stakeholders, Senior can ensure its business grows and delivers long-term sustainable value. During 2021, members of the Board and senior management engaged with the Group's customers, key suppliers, local communities and shareholders to seek their views on a number of matters that may affect them or could be of potential concern. Further details on this engagement process can be found on page 40.

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.

Risk management
The Board has ultimate accountability for the Group's risk management process, which is described in detail on pages 48 to 49.

Financial instruments
Note 20 contains disclosures on the Company's financial instruments.

Directors
Details of the Directors who served throughout the year can be found on pages 68 to 71. The Directors' interests in the shares of the Company are included in the Directors' Remuneration Report on page 104. No Director has any interest in contracts with the Company or its subsidiary undertakings. As shown on page 69, Susan Brennan was the former Executive Vice President and the Chief Operations Officer of Bloom Energy Corporation, having stepped down from this role on 5 August 2021. Note 51 provides details of the contract Bloom Energy has with a Group subsidiary. Procedures were adopted by Bloom Energy which meant Susan Brennan had no involvement in this contract during her period of employment with them.

The provisions of the Corporate Governance Code require that all Directors of FTSE 350 companies should be subject to annual election by shareholders. Mary Waldner and Barbara Jeremiah were appointed to the Board in December 2021 and January 2022, respectively; they will stand for election at the AGM to be held in April 2022. Celia Baxter, Susan Brennan, Bindi Foyle, Giles Kerr, Ian King, Rajiv Sharma and David Squires will all stand for re-election at the 2022 AGM.

Board diversity
Senior remains committed to all aspects of Board diversity, including gender, nationality, experience, background and personal attributes, and keeps under review its balance and composition. The earlier appointments of Celia Baxter, Susan Brennan and Bindi Foyle to the Board, and more recently those of Mary Waldner in December 2021 and Barbara Jeremiah in January 2022, mean that Senior has strong female representation on its Board. The Board strongly believes that its composition is well-balanced in terms of diversity, including gender and ethnicity, and that this balance drives the Group's business performance and creation of longer-term sustainable growth.

The Board's Diversity and Inclusion Policy was approved in February 2021. The Policy includes the Board's commitment to maintaining at least one-third female representation and at least one Director from a Black Asian and Minority Ethnic background on the Board. Currently, 55% of the Board Directors are female and two of the Directors are from minority ethnic backgrounds.

The Nominations Committee annually reviews and approves management development and succession plans and makes recommendations to the Board on its structure, size and composition to ensure that it is appropriate for the Senior Group.

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 2021, whilst cash preservation measures were key to ensuring the Group's stability during the pandemic, investment for future business activities was also viewed to be important by the Board. In 2021, the Group incurred £19.2m (2020 – £18.7m) 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.

Greenhouse gas emissions
Our report under the Streamlined Energy and Carbon Reporting requirements can be found on page 17.

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 9 February 2022
Alantra Asset Management	18.48
Aberforth Partners	8.46
Heronbridge Investment Management	7.15
Columbia Threadneedle Investments	4.73
BlackRock	4.11
Legal & General Investment Management	4.04
Vanguard Group	3.62
Janus Henderson Investors	3.38

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.

Compliance with the UK Corporate Governance Code
The Company's statement of compliance with the provisions of the UK Corporate Governance Code 2018 issued by the Financial Reporting Council is set out on page 65. This Code is publicly available on the Financial Reporting Council's website: www.frc.org.uk. The Chair's Governance Letter on pages 65 and 67 forms part of this Report of the Directors.

Remuneration Report and Policy
The 2021 Annual Report on Remuneration is to be put to shareholder vote at the 2022 AGM. Following a triennial review, the Directors' Remuneration Policy was approved by shareholders at the 2021 AGM and took effect from 1 January 2021. Details of the Directors' Remuneration Policy can be found on pages 92 to 97.

Annual General Meeting
The Notice of Annual General Meeting describes the business to be considered at the hybrid AGM to be held at 11.30 am on Thursday 21 April 2022 at Ironmongers' Hall, Off Shaftesbury Pl, Aldersgate St, Barbican, London EC2Y 8AA. The AGM can also be attended virtually. Please see the Notice of Annual General Meeting 2022 for the details of the AGM; a copy may be found on the Company's website.

Acquisition of the Company's own shares
The Company purchased no ordinary shares of 10 pence each in the capital of the Company; no shares (2020 – 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 23 April 2021, to make market purchases of the Company's shares up to an aggregate nominal amount of £42m (2020 – £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 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 2021 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
25 February 2022

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.

In July 2018, The Financial Reporting Council published a revised Corporate Governance Code, which was designed to set higher standards of corporate governance to promote transparency and integrity in business.

The 2018 Corporate Governance Code established five new principles:

1. Leadership and purpose
2. Division of responsibilities
3. Composition, succession and evaluation
4. Audit, risk and internal control
5. Remuneration

Leadership and purpose

Company purpose, values and strategy

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 2021 and more fully describe the responsibilities of the Board; the Matters Reserved for the Board may be found on the Company's website.

The Company's purpose is stated on page 1. Senior aims to create long-term sustainable value for all its stakeholders through its business model. Six strategic priorities have been identified as key elements of the Company's business model, in order to drive the creation of shareholder value. Details of the Group's Business Model and Strategic Priorities can be found in the Strategic Report on pages 30 to 31, 34 to 35.

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). During 2021, where we were not able to rely solely on face-to-face Board meetings, virtual meeting methods were used as an alternative and proved to be very effective.

The Board demonstrated its strength and adaptability when guiding the Group during the potential offer for the Company by Lone Star, as well as its response to the continued pandemic. At the Board's Annual Strategic Review meeting held in October 2021, the Group's Strategy was tested, taking into account recent events and the impact of the pandemic on the Group's end markets, and was found to be still relevant by the Board.

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, 20 times in 2021; in addition, there were five meetings of the Audit Committee in 2021, together with seven meetings of the Remuneration Committee and six meetings of the Nominations Committee. A table showing Board and Committee meeting membership and attendance is shown on page 66. Other Committees are appointed by the Board to deal with treasury matters, disclosure matters and specific matters such as acquisitions and disposals.

During 2021, 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 2021, 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; this process continued to be held by virtual meetings during 2021, in accordance with COVID-19 travel restrictions imposed by governments. Our Senior Independent Director, Celia Baxter , who is the nominated Director responsible for employee enaggement, was able to visit a number of UK sites towards the end of the year. In 2021, at every Board meeting, there were reviews of health, safety and environmental performance, and operational, financial and administrative matters. Social and ethical issues, reported whistle-blowing incidents, and the agreement of budgets and levels of insurance cover were 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 Chairman 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.

"

I am confident that Senior has the requisite diversity of skills, people, and experience that will guide the Company in delivering value for all our stakeholders."

Ian King
Chair

COMPOSITION, SUCCESSION AND EVALUATION

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 when deemed appropriate. There were six scheduled meetings of the Committee in 2021. Two members constitute a quorum for the Nominations Committee. The Committee's attendance records are shown on page 66.

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 Termsof Reference can be found on the Company's website.

Appointments to the Board

The Nominations Committee typically enlists an external consultancy firm to assist with the appointment of Directors to the Board. In 2021, two consultancy firms, Korn Ferry and Sam Allen Associates Limited, were engaged separately to assist with the recruitment of the Board members recently appointed. The Company provided the relevant appointed firm with a role description, together with the required skills and personal attributes to be considered for the role. The appointed firm filtered a list of candidates down to a number of those that they felt met the skills and attributes required, then conducted preliminary interviews with the selected candidates. The candidates were then referred to Senior for interview, together with a written analysis on each candidate, with each candidate being interviewed by a number of members of the Board. The Nominations Committee also took up references on the preferred candidates. The final recruitment decisions were taken by the Board as a whole.

In addition, the Nominations Committee sought confirmation that candidates under consideration would have sufficient time to carry out 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.

Mary Waldner was appointed to the Board on 1 December 2021 and Barbara Jeremiah was appointed to the Board on 1 January 2022.

Following the appointments of Mary and Barbara, a full and comprehensive induction programme is taking place. The induction process includes areas such as financial forecasts, Group strategy and values; ethics and training on the Code of Conduct, together with other relevant topics. Visits to the Group's operations by the newly appointed Directors will also be undertaken.

The Nominations Committee and the Board have been taking due regard of Lord Davies' review into Women on Boards (February 2011), the Hampton-Alexander Review: FTSE Women Leaders (November 2016) and the Hampton-Alexander Review: Improving Gender Balance in FTSE Leadership (November 2017). I am pleased to report that the Board is supportive of the aim to increase diversity and the level of female representation in Board and senior leadership positions. Following Barbara Jeremiah's appointment, five of the nine Directors are currently 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 74.

Two of the seven members of the Executive Committee are currently female (28%). A third female member, Michelle Yorke, retired from the Executive Committee at the end of December 2021, following five and a half years' service with the Company, most recently as its Director of Risk & Compliance.

The Board has been proactive in further promoting diversity and equality of all kinds throughout the Group, regardless of geography or position. The Committee regularly discusses the benefits of diversity with regard to the Board and its Committees.

Extension of appointments to the Board

In 2021, no Board Directors' appointments were extended.

Succession planning

The Committee regularly considers the matter of succession planning for Board-level and the Group's senior management roles. Cognisant of 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 70 to 71.

The Group continues to focus on maximising the potential of its employees and improving succession planning. The 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 2021, the Nominations Committee reviewed the Group and divisional 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 carrying out 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 interests 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
25 February 2022

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, further details of which can be found on page 76. The Committee, which consists entirely of non-executive Directors, is chaired by Ian King; its composition is shown on page 66.

Details of the Directors' external statutory appointments can be found in their biographies on pages 68 to 71. 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 continuing Directors offered themselves for re-election at the Company's AGM 2021. All Directors will again offer themselves for election or re-election at the 2022 AGM. The resolutions to be put to shareholders at the 2022 AGM can be found in the Notice of Annual General Meeting, which is available on the Company's website.

The Board confirms that in 2021 all Directors in office at the time worked assiduously and diligently, particularly in addressing the situation arising from the potential Lone Star bid, as well as the impact of the continued pandemic. Each Board member made a positive contribution to the running of the Company and the Board confirms that they will continue to work to ensure its long-term success.

Remuneration

The Remuneration Report on pages 87 to 107 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 regularly reviews the composition of the Board.

Board diversity and inclusion

The Group seeks to ensure diversity in the composition of its Board, including, amongst other qualities, diversity of gender, social and ethnic backgrounds, cognitive and personal 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.

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 has arranged for Mary Waldner and Barbara Jeremiah, our recently appointed non-executive Directors, to receive early and appropriate induction and all Directors already in office continued to receive regular updates on statutory matters. 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 carry out 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

The Board felt that it was appropriate to complete an external evaluation for the second year running, given the extreme challenges of operating in a COVID-19 environment. We again used EquityCulture Limited (formerly Equity Communications Limited) to maintain continuity. The evaluation was carried out through individual confidential interviews with each Director.

EquityCulture Limited was very positive about the manner in which the Board had operated and made only a limited number of recommendations for the Board to consider. The Board was found to have functioned well during 2021, having met a total of 20 times. It had made effective use of video conferencing for the Board and its Committee meetings and had been flexible and adaptive to the dynamics the Company was facing.

The 2021 evaluation findings showed that the Board had operated effectively and robustly throughout the particularly difficult year and made some suggestions for additional focus.

The main recommendation centred around Board succession, ensuring Mary Waldner and Barbara Jeremiah were not rushed and given appropriate time to complete their induction in this challenging environment. We invested early in succession planning for Celia Baxter and Giles Kerr and have time to optimise the process. The other points raised were ensuring strategy forms part of every Board meeting agenda and ensuring the Directors have good access to the Executive teams, as we review performance and strategy. The meeting structures of virtual, hybrid and physical are also under review.

We have adapted to change well through 2020 and 2021, and as a Board and we must not lose the momentum. The findings will add to the Board's development as we enter the recovery phase of our end markets and strategic growth of the Company.

EquityCulture 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 six 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

DIRECTORS’ DUTIES CONTINUED

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 2021 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. By utilised skills and talent mapping this 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 different backgrounds and experience across the organisation, including Board members and senior managers.

In 2021, the Executive Directors undertook a separate succession-planning exercise to find suitable successors for David Beavan, our Group Director of Business Development & Strategy, and Michelle Yorke, our Group Director of Risk & Compliance, in preparation for their retirements in late 2021. The current composition of the Executive Committee can be found on page 72.

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 80 to 86 describes the role and activities of the Audit Committee, together with the significant risks and judgments that it considered in relation to the 2021 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 48 to 49.

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 30. 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 2021 Global Code of Conduct online training course was rolled out across the Group to all employees during the year. The 2021 course contained training modules on: Global Anti-bribery, Preventing Harassment & Promoting Respect and Protecting Human Rights; 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 Commiittee 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.

Because of the travel restrictions imposed as a result of COVID-19, physical presentations were not possible in 2021; however, the Code was reinforced by the executive Directors and Executive Committee by regular meetings and the ongoing training of employees. 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 March 2021, it is available 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 plc 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 plc 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, and in 2019 a Group Head of Information Security was appointed. In 2019, an Acceptable Use Policy was issued to provide guidelines for the acceptable and appropriate use of Information and Operational Technologies by all Group employees. The policy sets out the controls that are in place to help reduce risk associated with the inappropriate use of Information and Operational Technologies, 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.

In 2021, all Group employees continued to receive regular updates on information security, supported by internal newsletters and posters, alerting them to key current issues, such as cyber security.

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.

In 2021, the Group further strengthened its risk management procedures and these have been reviewed by the Audit Committee."

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 Head of Risk & Compliance;
- reviewing the effectiveness of the internal audit function (currently headed by the Group's 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. One Audit Committee member, Susan Brennan, was the Executive Vice President and the Chief Operations Officer of Bloom Energy Corporation until 5 August 2021, when she left to become the President of Romeo Power. Note 51 provides details of the contract Bloom Energy has with a Group subsidiary. Procedures were adopted by Bloom Energy which meant Susan Brennan had no involvement in this contract.

The Audit Committee is composed entirely of independent non-executive Directors, as shown below:

Member	Appointment date	Retirement date
Giles Kerr (Committee Chair)	2 September 2013	–
Celia Baxter	2 September 2013	–
Susan Brennan	1 January 2016	–
Rajiv Sharma	1 January 2019	–
Mary Waldner	1 December 2021	–

Barbara Jeremiah was appointed to the Audit Committee on 1 January 2022.

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 2021.

Collectively, the members of the Audit Committee have significant commercial and financial experience at a senior management level. Giles Kerr has the recent and relevant financial experience required by the UK Corporate Governance Code to chair the Audit Committee. For details of the qualifications of members of the Audit Committee, please refer to the Board of Directors' biographies shown on pages 68 to 71.

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 2021.

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.

DIRECTORS' DUTIES CONTINUED

Activities of the Audit Committee

The Audit Committee met on 23 February and 4 March 2021 to consider the 2020 year-end report and during the subsequent 12 months conducted the following business on the three standard scheduled meeting dates, as indicated below:

28 July 2021

- Received and considered an Internal Audit Report including Risk & Assurance and Mapping reports presented by the Group's Director of Risk & Compliance.
- Noted the UK Government's proposals for strengthening the UK's internal controls framework.
- Noted the recommendations of UK Government agencies, which related to the Company's Annual Report & Accounts 2020.
- Reviewed the accounting presentation and judgemental issues, and the funding and liquidity reports for the half-year ended 30 June 2021, which included consideration of compliance with all debt covenants at all measurement dates out to 31 December 2022.
- Reviewed, challenged and agreed the basis for going concern to be adopted for the 2021 Interim Results.
- Reviewed the assessment of goodwill at 30 June 2021 agreeing it was no longer considered to be a significant risk, in line with KPMG's assessment.
- Reviewed the Tax Memorandum for the half-year ended 30 June 2021.
- Reviewed and accepted KPMG LLP's Report to the Audit Committee on the half-year review for the six months ended 30 June 2021.
- Noted the OECD's Inclusive Framework Agreement ("BEPS") relating to a reformation of international tax rules, which may become effective in 2023.
- Reviewed and approved the terms of the management representation letter addressed to the External Auditor.
- Discussed the Group's draft Announcement of the 2021 Interim Results together with the draft slides for the analysts' presentation.
- Discussed and approved the external audit plan and strategy proposed by KPMG LLP for the 2021 audit, including scope, significant risks and other areas of audit focus, the audit cycle and auditor reporting.
- Reviewed and approved the terms of the letter of engagement addressed to the External Auditor.
- Received and reviewed KPMG LLP's assessment on its objectivity and independence.
- Discussed KPMG's Lead Partner rotation and confirmed agreement with the proposed successor to the current Lead Partner on the Senior account.
- Held a private meeting with the External Auditor, without executive management being present.
- Held a private meeting with the Director of Risk & Compliance, without executive management being present.

30 September 2021

- Discussed and approved the External Auditor's confirmation of the 2021 audit scope, strategy, materiality and fee.
- Noted KPMG LLP's Lead Partner succession plan and U.S. Audit overview.
- Discussed the FRC's report on findings on key matters relevant to the audit quality at KPMG LLP in relation to its audits of banks and similar entities.
- Reviewed the effectiveness of the external audit.
- Assessed the significant risks that are considered by the Audit Committee, agreeing they would remain unchanged from 2020, with the exception of goodwill which was no longer considered to be a significant risk.
- Addressed Government agency recommendations on the Company's Annual Report & Accounts 2020, agreeing areas that could be better signposted in the Annual Report & Accounts 2021.
- Received and considered an Internal Audit Report presented by the Group's Director of Risk & Compliance. The Audit Committee was also updated on Deloitte's Cyber Threat Intelligence System which strengthened the Group's Cyber/Information Security measures.
- Received an update on the Group's cyber risk communications programme and on 2021 Code of Conduct training.
- Reviewed the effectiveness and quality of the 2020 external audit.
- Noted the 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, which had been agreed earlier in 2021 and no changes were required to be made.
- Reviewed the draft updated Terms of Reference of the Audit Committee which contained one minor amendment.
- Reviewed the output of the AQR review.

22 February 2022

- Reviewed the accounting presentation and judgmental issues, and the viability assessment report for the year ended 31 December 2021, which included consideration of compliance with all debt covenants at all measurement dates out to 31 December 2024.
- Reviewed and approved the statements included in the Annual Report & Accounts 2021 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 2021 Accounts.
- Reviewed the Tax Memorandum for the year ended 31 December 2021.
- Reviewed and accepted KPMG LLP's Report to the Audit Committee on the audit of the Financial Statements for the year ended 31 December 2021.
- Reviewed KPMG LLP's confirmation of its objectivity and independence.
- Reviewed and approved the terms of the management representation letter addressed to the External Auditor.
- Reviewed BDO LLP's Independent Limited Assurance Report on the Scope 1 and 2 (location based) GHG emissions data included in the Annual Report & Accounts 2021.
- Approved the Audit Committee Report for 2021.
- Reviewed the effectiveness of the Group's risk management and internal control systems and disclosures made in the Annual Report & Accounts 2021.
- Reviewed the draft Annual Report & Accounts 2021 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 2021 Final Results together with the draft slides for the analysts' presentation.
- Reviewed the Notice of Meeting for the 2022 AGM and the Proxy Form for the 2022 AGM.
- Received and considered a report presented by the Group's Head of Risk & Compliance, which included the proposed 2022 internal audit plan.
- Reviewed and approved the Internal Audit Charter.
- Assessed the effectiveness of the internal audit function.
- Held a private meeting with the External Auditor, and a separate private meeting with the Group's Head of Risk & Compliance without executive management being present.

In addition to the three standard scheduled meetings summarised above, additional meetings were held in March 2021, to review documents in relation to the disposal of Senior Aerospace Connecticut, and in April 2021, to review the draft Q1 2021 Trading Update. The Audit Committee also discussed and approved the appointment of the Head of Risk & Compliance and reviewed her remuneration.

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 & Compliance and, more recently, the Group's Head of Risk & Compliance (who, following the retirement of the Director of Risk & Compliance, heads up the internal audit function) 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 2021, the Audit Committee also held separate discussions with the External Auditor, the Director of Risk and Compliance and, more recently, with the Group's Head of Risk & Compliance, 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
Inventory net realisable value Inventory held covers a wide range of products in both the Aerospace and Flexonics Divisions. The ability of the Group to sell this inventory at a value above its carrying value in the future can be adversely affected by many factors. Accordingly, there is a risk that inventory is carried at amounts that exceed net realisable value. The global pandemic has continued to have an adverse impact on demand levels in the short term from the OEMs that the Group serves. In response, certain programmes on which the Group has content have been cancelled or significantly reduced. This continues to heighten the exposure to any specific inventory or assets held where there is no alternate use.	The Audit Committee recognises the risk that the Group may not recover the full cost of inventory via future sales and may not hold appropriate provisions against obsolete and slow-moving inventory. Management included within the continued restructuring focus an assessment of any actions required to address the exposures on programmes where the end customer significantly reduced or cancelled demand. Management presented an analysis of proposed inventory and asset impairments as well as reversals of previously impaired inventory and assets. The Audit Committee challenged impairments to ensure there was no alternative use, or that there was sufficient committed demand where impairments were reversed and agreed with the proposals and accompanying disclosures. The considerations above were presented to the Audit Committee within the accounting presentation and judgmental issue paper for the related reporting period from the Group Financial Controller. These were further discussed with the External Auditor. The Audit Committee believes there are no reportable issues arising from this significant risk.
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: • those held against legal claims and contractual matters, restructuring, 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.

Goodwill, which was a significant risk in the Annual Report & Accounts 2020, is no longer considered a significant risk by the Audit Committee given sufficiency of headroom in the goodwill impairment assessment and no further identified impairment assessment triggering events in 2021 (See Note 13).

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 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 going concern and viability[1], 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.

(1) In 2020, given the impact of the pandemic on macro-economic conditions, going concern and viability was considered a key focus area regarding the challenge of management's judgments by the Audit Committee. In 2021, although the review of going and viability will still be included within "other key judgments and estimates" for consideration by the Audit Committee, it is no longer considered a key focus area given the level of headroom on committed facilities and covenant compliance at 31 December 2021 and positive market signals for future growth.

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.

Resilience through the pandemic

The finance community across Senior have continued to demonstrate resilience throughout the pandemic, and the Audit Committee has valued the continued focus on maintaining an effective control environment, addressing the challenges presented by the globalised lockdowns and new ways of remote working. This supported the further strengthening of the risk management framework, and delivery of the key elements of the internal audit programme in 2021. Similarly, the external audit progressed as planned and to the set timescales, with no changes required to the strategy or scope approved by the Audit Committee.

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;
- In December 2020, the Company adopted a new 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 2021, 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	**2021**	2020
Interim review	**£0.05m**	£0.09m
Auditor assessment of tax incentives in Malaysia and certification of expenses in France	**£0.01m**	£nil
Total audit-related services:	**£0.06m**	£0.09m
Non-audit related services:	**£0.1m**	£nil

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 2021 that it was not appropriate to do so. 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 2021 meeting.

In 2021, the effectiveness of the external audit process was 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 2021 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.

In July 2021, the Financial Reporting Council (FRC) published the 2020/2021 Audit Quality Inspection Reports (AQIR) for each of the "big four" audit firms, including KPMG. The Audit Committee challenged KPMG on the AQIR findings and reviewed improvement proposals outlined to the Committee to ensure they had been addressed appropriately. The Audit Committee Chair and the Group Finance Director also had direct discussions with the KPMG Head of Audit, UK, to discuss the firm's quality improvement plans. 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 2022.

AQR review of the Senior 2020 audit by KPMG

During the year, the 2020 audit of Senior plc by KPMG was reviewed by the FRC's Audit Quality Review team ("AQR").

The AQR highlighted specific areas for improvement related to how KPMG challenged and evidenced the audit team's consideration of all inputs to the Company's impairment models and cash flow forecasts. The Audit Committee Chair, together with the Chair of the Board and the two Executive Directors, scheduled a meeting to examine with KPMG the root cause analysis and to understand the actions agreed with the AQR to address the issue raised. The Audit Committee considered the findings and the identified improvement observations and are satisfied that the actions will be implemented by the External Auditor if similar circumstances were to be encountered in future audits. The AQR raised no concerns on the audit challenge over revenue recognition and the significant risks referenced in the Audit Committee report.

No changes were required to the accounting applied, or the disclosures presented in the Annual Report & Accounts 2020.

Overall, the results of the review raised no issues about Senior's financial reporting and there were no issues identified which cast doubt on the fundamental quality of Senior's external audit and the Committee remains satisfied with the efficiency and effectiveness of the audit. KPMG have discussed more generally the firm's process for enhancing audit quality which includes internal quality reviews, and the Audit Committee Chair and Group Finance Director had direct discussions with the KPMG Head of Audit, UK to discuss the firm's quality improvement plans. KPMG reported to the Audit Committee as part of their September 2021 report on these matters, with the Audit Committee concluding that the findings were being addressed appropriately.

Specific areas referred to the External Auditor

In 2021, the Audit Committee asked the External Auditor to look into specific areas of inventory net realisable value and other provisions, given these areas are significant risks identified in this report on page 83. Further details on the work performed by the Auditor on the provision for uncertain tax positions is disclosed on page 110. The Audit Committee was satisfied with the results of KPMG'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 Director of Risk & Compliance until 30 October 2021. In preparation for Michelle Yorke's retirement from the Group, her role was restructured and some duties allocated elsewhere; a Head of Risk & Compliance was appointed on 1 September 2021. The Internal Audit Manager, who formally reported to the Group Director of Risk & Compliance, now reports to the Head of Risk & Compliance.

In 2021, as set out on pages 48 to 49, 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 response to constraints imposed by the pandemic, the internal audit programme was delivered remotely in 2021.

Under normal circumstances, the Chair and non-executive Directors are actively encouraged to visit the Group's operating businesses unaccompanied by executive Directors. This enables them 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. In 2021, due to the restrictions imposed by governments in order to deal with the pandemic, no overseas site visits by the Chair and the non-executive Directors were possible; a number of UK site visits were undertaken by Celia Baxter, in connection with her role as the Director designated to engage with the Group's employees. The Board is keen to resume more site visits, as soon as practicable.

Conclusion

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its Terms of Reference. At its meeting held on 22 February 2022, the Audit Committee considered each section of the Annual Report & Accounts 2021, 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 2021 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. The Chair of the Audit Committee will be available at the 2022 AGM to answer any shareholders' questions about the work of the Audit Committee, subject to any Government restrictions on the holding of such meetings in April 2022.

Approval

This Report was reviewed and approved by the Audit Committee and signed on its behalf by:

Giles Kerr
Chair of the Audit Committee
25 February 2022

REMUNERATION: CHAIR'S ANNUAL STATEMENT

Our remuneration policy and practices seek to incentivise during a critical stage in our recovery."

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 2021. 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 delivering 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 introduced 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 is happy 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 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. Having carefully considered shareholder feedback, current market conditions and the stage of recovery of the business, we believe it is more important at this stage of our rebuilding to incentivise the executives on delivering the core financial performance of EPS and Free Cash Flow. 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; rather it is something driven by our core values. We have therefore decided once again not to introduce a strategic metric for incentives related to sustainability, but we will continue to keep this matter under review.

Senior's performance during 2021

As explained in the Chairman's Statement and the Group Chief Executive Officer's Statement, Senior delivered a robust set of results in what was another very challenging year. The Group delivered improved profitability, generated good free cash flow and maintained sector-leading sustainability progress while navigating through the impact of the pandemic on our markets and customers. Key headlines included:

- the Group's revenue decreased by 5.5% (on a constant currency basis);
- adjusted operating profit increased by 110.3% (on a constant currency basis);
- the Group's adjusted operating margin increased by 40 basis points, to 0.9% for the full year;
- adjusted earnings per share was 0.17 pence; and
- the Group generated robust free cash flows of £14.0m.

The restructuring of the Group to meet our strategy and purpose continued in a focused manner to provide a solid foundation to support the Company's future growth aspirations with the divestiture of Senior Aerospace Connecticut, the closure of our small oil and gas operating business in Malaysia, and the closure of our Senior Aerospace Bosman business in the Netherlands following the successful transfer of product lines to our French Aerospace businesses.

Consultation with stakeholders during the year

Consultation with employees regarding executive remuneration: During the year the Group HR Director and I once again consulted with employees by holding a video/telephone 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. Further we asked them which of the benefits received by employees did they most value. It was agreed that the retirement benefits were appreciated by most employees. Finally, we asked whether they thought that our executive Directors should have ESG targets linked to their bonus. There were no strong views voiced on this topic. 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 third year of running employee focus groups. Last year we undertook all of the meetings by video and we wanted this year to carry out focus groups face-to-face as the information we gain is richer. Unfortunately, we were unable to travel to the US when we had planned due to travel restrictions. We have therefore this year focused on the UK operations. The Group HR Director and I have undertaken 15 focus groups at four of our UK locations. There were no questions raised related to executive pay.

Consultation with shareholders: We extensively consulted with major shareholders and the major governance agencies during 2020 on the Remuneration Policy and subsequently made amendments to our policy proposals relating to post employment shareholding requirement and the alignment of Director's pension contributions to the workforce. We also contacted them again in early 2021 to explain why, despite the sensitivities, we wished to make a part payment of the 2020 executive bonus relating to the attainment of free cash flow targets. At the 2021 AGM the resolutions relating to the Remuneration Report and Remuneration Policy were approved by 74.23% and 74.18% respectively.

Since then, the Committee has written again to its largest shareholders and, also to a wider group of smaller shareholders to further understand and explore their views. I have undertaken a number of discussions and will continue to do so with individual shareholders as per their request. The Committee acknowledges the shareholders' concerns around remuneration decisions taken in 2020, which the Committee believes were necessary to retain and incentivise a strong management team. The main reason why some shareholders voted against the Remuneration Report was because they did not agree with the Committee's decision to pay an annual bonus to the executive Directors. On the Remuneration Policy, there was a divergence of views. Although we had stated that any new executive directors' pension contributions would be aligned on appointment to that of the wider UK workforce and that the incumbent executive Directors' pension contributions would be aligned by the start of 2024, some shareholders felt that the incumbent executive Directors' pension contributions should be aligned by the end of 2022.

The Committee were grateful for the feedback that they received and have discussed it at length with the executive Directors and the following actions have been agreed:

- **Pension Alignment:** The executive Directors have offered and the Committee agreed that the alignment of their pension contributions to that available to the UK workforce, will be brought forward to the end of 2022. In addition, through employee consultation we are aware that retirement benefits are highly valued by our UK employee base and form an essential part of our employee offering for attracting and retaining skilled staff. With the further recovery of the business during 2022 the viability of increasing the pension contribution rate available to the UK workforce (currently 10%) will be considered.
- **Bonus payments:** During 2021, we are pleased that there has been no need for any major restructuring programmes and we have commenced hiring employees as our orderbooks fill. Although early in 2021, we furloughed a small number of employees in the UK, these monies were repaid to the UK government in Q4 2021. Although we have not reinstated the payment of dividends this year, we are expecting payments to re-commence in 2022. The Committee continues to review the outcome of the bonus with regard to the overall stakeholder experience and has the ability to exercise discretion if it feels that the formulaic outcomes do not feel appropriate taken in the round.

Executive Directors' remuneration 2021

The basic salaries of the Group Chief Executive Officer, Group Finance Director, the rest of the Board and the majority of senior management across the Company were not increased from 1 January 2021. For the wider workforce, pay increases were applied to a limited extent in some businesses to satisfy mandatory wage increases and to address retention concerns. 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 2021 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 2020 60% and 40% respectively, reflecting the continued importance of Free Cash Flow to the business. Following the disposal of Senior Aerospace Connecticut, which completed on 22 April 2021, the 2021 bonus targets were reviewed by the Committee; as the Group would no longer benefit from that operation's net Profit before Tax and net Free Cash Flow for the remaining 8 months and 1 week of 2021. The Committee concluded that the original 2021 bonus targets should be adjusted to reflect the reduction in Adjusted EPS and Free Cash Flow, as set out on page 102. The revised loss per share target had arisen due to the sale of a profitable business which did not fit our future strategy, and the disposal of which provided additional liquidity. The Committee considered that the new targets were not materially easier or harder to achieve than the original targets.

The Committee retains an overriding discretion in relation to the amount of bonus it awards not withstanding any formulaic calculations and targets. The targets are disclosed in the Annual Report on Remuneration on page 102.

LTIP awards were granted to both executive Directors and senior management subject to the satisfaction of challenging three-year targets linked to Adjusted EPS growth, relative TSR and for the first time ROCE to align with our business strategy and due to the importance of building the business back to healthy levels of returns. The 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. The Committee felt that this was appropriate as it further aligned the executive Directors with shareholders. We were aware that none of the inflight LTIPs are likely to vest. We saw this LTIP award as an important part of maintaining management stability as we moved into the recovery stage. 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.

Incentive scheme outcomes for 2021

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 strongly:

- drive the recovery
- reshape the structure and strategy of the business 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 2021 base salary), of which one third would be delivered in shares deferred for three years and two thirds would be delivered in cash.

Awards made under the LTIP in 2019 were subject to Adjusted EPS and TSR performance measured over three years up to the end of 2021. Unfortunately, the Adjusted EPS and the TSR performance was below threshold 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.

Implementation of the Policy for 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.

During the Committee's annual consideration of how we implement our Policy, in light of shareholder feedback described previously, we reconsidered the alignment of the executive Directors' pension contributions with that available to the majority of the UK workforce. It was agreed that the pension contributions of the incumbent executive Directors would be aligned by the end of 2022 rather than the end of 2023 as per the Remuneration Policy voted on in the 2021 AGM.

The Committee has an obligation to set stretching targets which balance shareholder perspectives with the need to challenge, engage and incentivise executive and senior management to deliver the business recovery and strategy. With this is mind the Committee has concluded the following:

LTIP 2022:

Performance measures and weighting:

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%.

Adjusted EPS target has been set to be stretching and challenging. In our deliberations we ensured alignment with shareholders by setting Threshold and Maximum taking into consideration the conditional proposal that had been received from LSF XI Investments, LLC, a company advised by Lone Star Global Acquisitions, Limited. The target is expressed as an absolute number to be achieved in 2024 rather than a cumulative growth percentage.

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 broadly similar to those used in previous years but have been re-mapped based on current Industrial Classification Benchmark sectors. The vesting scale will remain the same as for awards granted in 2021.

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 2022 LTIP award have been increased from those set in 2021 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 Committee will continue to review annually the targets for new awards to ensure that they remain challenging and stretching as the Company continues to rebuild, as its strategy is implemented in recovering markets.

Further details of the targets to be set for the 2022 LTIP awards are set out in the Annual Report on Remuneration on page 107.

Quantum of LTIP awards 2022:

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.

Annual bonus plan 2022:

Having considered the priorities for the year we will be maintaining the same bonus performance conditions and weightings as in 2021: 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 2022, shareholders will be asked to vote on the Annual Remuneration Report. I hope that the decisions the Committee has taken in respect of 2021 will have your support.

Celia Baxter
Chair of the Remuneration Committee

2021 REMUNERATION REPORT AT A GLANCE

Overview of our remuneration framework for 2021

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: • 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: • 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 95
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(1)			
Free Cash Flow – full year	£(2.0)m	£14.0m	100%
Adjusted EPS – full year internal target(2)	(1.69)p	0.34p	100%
Bonus award to Group Chief Executive Officer and Group Finance Director: 100% of maximum			

(1) The Committee set bonus targets in January 2021, but following the disposal of Senior Aerospace Connecticut, which completed on 22 April 2021, the 2021 bonus targets were reviewed by the Committee, as the Group would no longer benefit from that operation's net Profit before Tax and net Free Cash Flow for the remainder of 2021. The Committee concluded that the original 2021 bonus targets should be adjusted to reflect the reduction in Profit Before Tax and Free Cash Flow; the above table shows the revised targets. The Committee considered that the new targets were not materially easier or harder to achieve than the original targets. A summary of the original and adjusted performance measures, weightings and performance achieved is provided in the "Performance against performance targets for annual bonus" section on page 102.
(2) Adjusted EPS is measured on a constant currency basis to reduce the impact of exchange rate movements on bonus outcomes

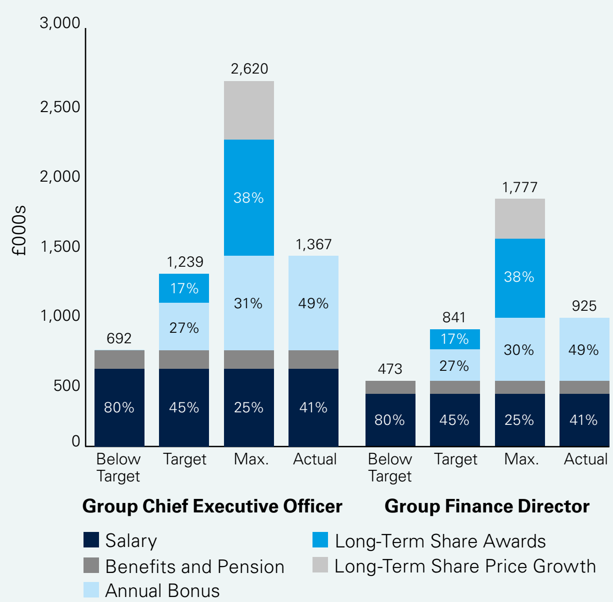
Long-Term Incentive Plan (2019 award)	Targets (threshold – maximum)	Actual	
Adjusted EPS (50%)	15% – 30% growth over three-year performance period	-98.9%	(below threshold)
Total Shareholder Return (50%)	TSR ranking: 75th percentile (maximum threshold); 50th percentile (minimum threshold)	12th percentile	(below threshold)

Targets for the 2019 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:



	Threshold	Target	Maximum
Fixed pay	Salary is the 2022 basic salary The value of Benefits and Pension is taken from the single total figure of remuneration for 2021		
Annual bonus	Nil	62.5% of 2021 basic salary	125% of 2021 basic salary
Long-term share awards	Nil	25% vesting under the LTIP (i.e. 25% of (150% x 2022 basic salary)) and set out at face value, assuming no share price growth or dividend.	100% vesting under the LTIP (i.e. 100% of (150% x 2022 basic salary)) and set out at face value, assuming 50% share price growth and no dividend.

Changes made in 2021

The revised Remuneration Policy was reviewed and agreed by shareholders at the 2021 AGM. The Pension section of the Remuneration Policy was changed in 2021 in line with shareholder feedback. The details of the change are outlined in the Annual Statement from the Chair of the Remuneration Committee on page 88 and in the full Remuneration Policy which for ease of reference is laid out on pages 93 to 95.

About this Report

The Report on Remuneration on pages 98 to 107 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

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.

The policy was approved by shareholders at the AGM by 230,355,445 (74.18%) voting in favour and 80,193,440 (25.82%) voting against; with 22,432,322 votes withheld, being votes that are not recognised as a vote in law. That policy can be read in full in the 2020 Annual Report at https://www.seniorplc.com/investors/reports.aspx. The Remuneration Committee had consulted progressively in the months prior to the 2021 AGM with the Company's largest shareholders and the major governance agencies. Following the 2021 AGM, we consulted further with the Company's major shareholders and, as required by the UK Corporate Governance Code 2018, the Company produced an Update Statement which may be found at https://www.seniorplc.com/~/media/Files/S/Senior-PLC/documents/update_statement_2021.pdf. Of those shareholders who chose not to support the Remuneration Policy resolution, there was a divergence of views. Although we had stated that any new executive directors' pension contributions would be aligned on appointment to that of the wider UK workforce and that the incumbent executive Directors' pension contributions would be aligned by the start of 2024, some shareholders felt that the incumbent executive Directors' pension contributions should be aligned by the end of 2022.

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.

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 77 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 and executive management (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

Below is the Policy which was approved by shareholders at the 2021 AGM. Following shareholder feedback after the AGM, the update to the Policy is highlighted in bold in the table.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary	• 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	• 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	• 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	• Individual performance in the role and Group performance are among the factors taken into consideration when awarding increases
Bonus	• 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	• 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	• Overall maximum of 125% of salary	• 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

REMUNERATION REPORT: POLICY CONTINUED

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Long-Term Incentive Plan (LTIP)	• 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	• 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 3-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	• 150% of salary • 200% of salary in exceptional circumstances, such as upon recruitment	• 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	• Employees including executive Directors are encouraged to become shareholders through the operation of the Sharesave Plan, the HMRC-approved all-employee share plan	• 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	• 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	• N/A
Pension	• Provides competitive retirement benefits for the Group's employees	• 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**	• 20% of basic salary either as a Company contribution to Senior GFRP or as salary in lieu of pension • **From the end of 2022, the maximum pension contribution or pension allowance for executive Directors will be the maximum percentage pension contribution available to the majority of the UK workforce.**	• N/A

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Other benefits	• Provides a competitive package of benefits that assists with recruitment and retention	• 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	• The value of benefits is based on the cost to the Company and is not predetermined • There is no monetary cap on other benefits	• N/A
Shareholding guidelines	• Aligns executive Directors' interests with those of other shareholders in the Company	• 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.	• N/A	• 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 93 to 95. 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.

REMUNERATION REPORT: POLICY CONTINUED

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 at below 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 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.

As laid out in the Chair's Annual Statement, the Company consulted with employees in 2021 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 further on the AGM voting of the Remuneration Policy and Remuneration Report resolutions. Consultation with shareholders has always been constructive. A further amendment to the Remuneration Policy regarding pension alignment was made as a result of the consultation.

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 93);
- 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.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION

Policy for non-executive Directors

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Non-executive Directors and Chairman fees	• Takes account of recognised practice and set at a level that is sufficient to attract and retain high calibre non-executive Directors	• 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	• 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	• 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	September 2022
Susan Brennan	January 2016	January 2022	December 2024[(1)]
Barbara Jeremiah	January 2022	January 2022	December 2024[(2)]
Giles Kerr	September 2013	September 2019	September 2022
Rajiv Sharma	January 2019	January 2022	December 2024[(1)]
Mary Waldner	December 2021	December 2021	November 2024

(1) Rajiv Sharma's first three-year term of appointment and Susan Brennan's second three-year term of appointment were both due to expire in December 2021. The terms of appointment for both Directors have been extended for a further period of three years from the end of December 2021.

(2) Barbara Jeremiah was appointed to the Board with effect from 1 January 2022.

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 and/or Group Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chair, 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;
- determine the policy for, and scope of, pension arrangements for each executive Director and other designated senior executives;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is recognised; 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	7	7
Susan Brennan	7	6
Giles Kerr	7	7
Ian King	7	7
Rajiv Sharma	7	6
Mary Waldner(2)	1	1

(1) The full Committee met 7 times in 2021. In addition, authority was delegated to two members of the Committee, Celia Baxter and Ian King, to hold 3 additional meetings to confirm the granting and vesting of share awards.

(2) Mary Waldner was appointed to the Board and to the Remuneration Committee on 1 December 2021.

Barbara Jeremiah was appointed to the Board on 1 January 2022 and so has not been included in the table above.

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 2021, the Company incurred fees of £13,400 from Korn Ferry and of £4,613 from FIT Remuneration Consultants, and these costs were based on a combination of hourly rates and fixed fees for specific items of work. During 2021, Korn Ferry also supported the Company with the recruitment to the Board of Barbara Jeremiah as a non-executive Director for which it received a fee of £25,000.

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 2021 has been objective and independent.

Principal activities and matters addressed during 2021

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, although additional meetings were held in 2021 as the Committee considered issues arising from the disposal of a business and the AGM voting on the the Remuneration Policy and Remuneration Report resolutions. In addition, authority was delegated to two members of the Committee, Celia Baxter and Ian King, to hold 3 additional meetings to confirm the grant and vesting of share awards. The table below shows the standard 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 for the financial year including finalisation of targets.	
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 next financial year including finalisation of targets. Review of draft Remuneration Report.	Approve launch of 2021 Sharesave Review gender pay gap reporting
March (three meetings)	Approve Remuneration Report. Confirmation of grants of LTIP, Deferred Bonus Awards and Restricted Share Awards. Confirmation of vestings of Deferred Bonus Awards and Restricted Share Awards.	
May		Review of targets for bonus and LTIP awards following disposal of Senior Aerospace Connecticut. Review of voting on AGM Resolutions for the Directors' Remuneration Policy and the Directors' Remuneration Report. Confirm scaling back of 2021 Sharesave grant. Confirm vesting of Restricted share awards for leavers following completion of disposal of Senior Aerospace Connecticut.
September		Discuss shareholder feedback from consultation post-AGM Approve the AGM Update Statement.
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 FTSE 250 salary market data. Performance update on outstanding incentive and bonus awards. Discussion on 2022 LTIP and bonus targets; and associated shareholder consultation. Determine remuneration of Chairman. Review of Committee's Terms of Reference.	Discuss further shareholder feedback and actions arising from AGM votes on Remuneration Policy and Report. Review feedback from employee consultation.

Statement of voting at General Meeting

At the AGM held on 23 April 2021, shareholder votes on the Directors' Remuneration Report and the Remuneration Policy were cast as follows:

	Voting	For	Against	Total	Withheld[1]	Reason for vote against, if known)	Action taken by Committee
Remuneration Report	Votes	233,840,000	81,174,762	315,014,762	17,966,445	See below	See below
	%	74.23%	25.77%	100%	N/A		
Remuneration Policy	Votes	230,355,445	80,193,440	310,548,885	22,432,322	See below	See below
	%	74.18%	25.82%	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 2021 AGM concerning executive remuneration. Following the AGM, the Committee wrote again to its larger shareholders and, also to a wider group of smaller shareholders to further understand and explore their views. A number of discussions have been and will continue to be held with individual shareholders as per their request. The Committee acknowledges the shareholders' concerns and sensitivities around remuneration decisions taken in 2020, which the Committee believes were necessary to retain and incentivise a strong management team. The main reason why shareholders voted against the Remuneration Report was because they did not agree with the Committee's decision to pay an annual bonus to the executive Directors for 2020.

On the Remuneration Policy, there was a divergence of views. Although it had already been stated that any new executive directors' pension contributions would be aligned on appointment to that of the wider UK workforce and that the incumbent executive Directors' pension contributions would be aligned by the start of 2024, some shareholders felt that the incumbent executive Directors' pension contributions should be aligned by the end of 2022. Since the AGM, the Committee also agreed that the executive Directors' pension contributions or allowances would be aligned with the rates available to the majority of the UK workforce at the end of 2022.

Single total figure of remuneration (Audited information)

The following table shows a single total figure of remuneration in respect of qualifying service for the 2021 financial year for each Director, together with comparative figures for 2020. Aggregate Directors' emoluments are shown at the end of the Single Total Figure of Remuneration section.

	Salaries and fees(1) £000s		Taxable benefits and allowances(2) £000s		Bonus(3) £000s		Long-term incentives(4) £000s		Pension benefits including cash in lieu of pension £000s		**Total fixed remuneration £000s**	**Total variable remuneration £000s**	Total £000s	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	**2021**	**2021**	2020
Executives														
David Squires	**540**	513	**27**	26	**675**	270	**0**	0	**108**	108	**675**	**675**	**1,350**	917
Bindi Foyle	**361**	343	**22**	21	**451**	181	**0**	0	**72**	72	**455**	**451**	**906**	617
Total remuneration	**901**	856	**49**	47	**1,126**	451	**0**	0	**180**	180	**1,130**	**1,126**	**2,256**	1,534
Non-executives														
Ian King (Chairman)	**191**	181	**1**	–	**–**	–	**–**	–	**–**	–	**192**	**–**	**192**	181
Celia Baxter(6)	**71**	67	**–**	–	**–**	–	**–**	–	**–**	–	**71**	**–**	**71**	67
Susan Brennan	**53**	50	**–**	–	**–**	–	**–**	–	**–**	–	**53**	**–**	**53**	50
Giles Kerr	**62**	59	**–**	–	**–**	–	**–**	–	**–**	–	**62**	**–**	**62**	59
Rajiv Sharma	**53**	50	**–**	–	**–**	–	**–**	–	**–**	–	**53**	**–**	**53**	50
Mary Waldner(6)	**4**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4**	**–**	**4**	–
Total remuneration	**434**	407	**1**	–	**–**	–	**–**	–	**–**	–	**435**	**–**	**435**	407

(1) During 2020, the executive Directors, the Chairman and the non-executive Directors voluntarily reduced their salaries and fees by 20% for a three-month period. Without the reductions, David Squires' base salary would have been £540,000 and Bindi Foyle's base salary would have been £361,000. The fees that the Chairman and the non-executive Directors would have received, before reductions, are as stated in the table below.
(2) Taxable benefits for executive Directors include the provision of a fully expensed company car or car allowance and private medical insurance. During 2020, David Squires exchanged his company car for a car allowance. Taxable benefits for non-executive Directors are travel expenses.
(3) Awards under the deferred bonus award, the Enhanced SMIS, in respect of 2021 performance will be granted following the announcement of the 2021 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 2021 results, is included in the Bonus figure and will be equivalent in value to one-third of the Bonus figure, namely £225,000 and £150,417 respectively.
(4) The performance conditions attached to David Squires' and Bindi Foyle's 2019 LTIP Awards were not achieved, and this award will lapse in March 2022. Further details on the performance conditions can be found on page 90.
(5) 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 £2,512,008.
(6) Mary Waldner was appointed to the Board on 1 December 2021 and her 2021 fee is the amount paid from that date. Celia Baxter's 2020 salaries and fees figure includes the fee for acting as the Senior Independent non-executive Director from 24 April 2020. Barbara Jeremiah was appointed to the Board on 1 January 2022 and so has not been included in the table above.

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 £59,205 for the year ending 31 December 2021 (£29,375 for the year ended 31 December 2020). 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 2021 outlook, and the significant re-structuring of the business that was then being undertaken, the Board agreed that the salaries and fees paid to the Directors would not increase in 2021.

Fees	**2021 £**	2020(1) £	Percentage change
Chairman	**191,000**	191,000	0%
Non-executive Director	**53,000**	53,000	0%
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%

(1) During 2020, the executive Directors, the Chair of the Board and the non-executive Directors voluntarily reduced their salaries and fees by 20% for a three-month period; the table above shows the fees that would have been paid had they not been reduced.

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. The increase in the 2021 Short-term employee benefits compared to the prior year was partly as a result of the senior managers voluntarily reducing their salaries for a three-month period in 2020 in recognition of the disruption caused by the pandemic; and due to the stronger bonus performance in 2021.

	2021 Total £000s	2020 Total £000s
Short-term employee benefits	**3,169**	2,986
Post-employment benefits	**42**	89
Share-based payments	**933**	887
Total	**4,144**	3,962

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 2021 have been determined by Adjusted EPS and Free Cash Flow performance as set out in the table below.

The Committee set bonus targets in January 2021, but following the disposal of Senior Aerospace Connecticut, which completed on 22 April 2021, the 2021 bonus targets were reviewed by the Committee in May 2021, as the Group would no longer benefit from that operation's net Profit before Tax and net Free Cash Flow for the remaining 8 months and 1 week of 2021. The Committee concluded that the original 2021 bonus targets should be adjusted to reflect the reduction in Adjusted EPS and Free Cash Flow, as set out on page 88. The revised loss per share target had arisen due to the sale of a profitable business which did not fit our future strategy, and the disposal of which provided additional liquidity. The Committee considered that the new targets were not materially easier or harder to achieve than the original targets.

A summary of the adjusted measures, weightings and performance achieved is provided in the table below:

	2021							2020		
	Threshold	**Target**	**Maximum**	**Actual achieved**	**Maximum bonus achievable**	**Percentage of maximum achieved**	**Bonus payable (% of 2021 salary)(1)**	Maximum bonus achievable	Percentage of maximum achieved	Bonus payable (% of 2020 salary)(1)
Free Cash Flow targets – full year	**£(5.0)m**	**£(2.0)m**	**£10.0m**	**£14.0m**	**50.00%**	**100%**	**50%**	50.00%	100.00%	50.00%
Adjusted EPS targets(2) – full year internal target	**(2.00)p**	**(1.69)p**	**0.02p**	**0.34p**	**75.00%**	**100%**	**75%**	75.00%	0.00%	0.00%
Totals					**125.00%**	**100%**	**125%**	125.00%	40.00%	50.00%

(1) When bonus is payable, this is paid two-thirds in cash and one-third in deferred shares. The deferred share element of the 2020 bonus was awarded on 12 March 2021 based on a share price of £1.128 and shall ordinarily vest on the third anniversary of the award on 12 March 2024. The deferred element of any 2021 bonus shall be awarded following the announcement of the 2021 annual results in 2022 and the details disclosed in the 2022 Remuneration Report.
(2) The bonus is calculated with regard to full-year Free Cash Flow, and internal Adjusted EPS targets on a constant currency basis.
(3) The performance measures originally set by the Committee in January 2021 for the 2021 bonus targets, before adjustment due to the disposal of Senior Aerospace Connecticut, are set out in the table below:

	Threshold	Target	Maximum
Free Cash Flow targets – full year	–	£3.0m	£15.0m
Adjusted EPS targets(2) – full year internal target	(1.66)p	(1.32)p	0.39p

Total pension entitlements (audited information)

The 2021 single figure remuneration for pension benefits for David Squires and Bindi Foyle consisted of a cash allowance of £108,000 (2020 – £108,000) and £72,200 (2020 – £72,200) respectively, this being 20% of the respective base salaries.

The Committee had previously stated that any new executive Directors' pension contributions would be aligned on appointment to that of the wider UK workforce and that the incumbent executive Directors' pension contributions would be aligned by the start of 2024. However, during consultations with shareholders during 2021, some felt that the incumbent executive Directors' pension contributions should be aligned by the end of 2022. Since the 2021 AGM, the Committee agreed that the executive Directors' pension contributions or allowances would be aligned at the end of 2022 with the maximum rate available to the majority of the UK workforce.

Further detail may be found on page 88 of the Chair's Statement and page 94 of the Renumeration 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 2019 LTIP award. Neither performance condition was achieved and therefore the 2019 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	12th	0%
Growth in adjusted earnings per share over performance period (50% of Award)	15%	30%	-98.9%[1]	0%

(1) The growth in adjusted earnings per share was calculated after adjusting for the impact of IFRS 16.

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	810	25%	718,085	31 December 2023
Bindi Foyle[1]	LTIP	Annual award	542	25%	480,053	31 December 2023

(1) The face value of the awards represented 150% of the executive Directors' respective 2021 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 2020 and 2021.

	Conditional share awards granted in 2021			Conditional share awards granted in 2020		
Performance condition	**Target (25% vesting)**	**Maximum (100% vesting)**	**Actual to date**	Target (25% vesting)	Maximum (100% vesting)	Actual to date
Total shareholder return ranking	**50th percentile**	**75th percentile**	**99th percentile**	50th percentile	75th percentile	17th percentile
Adjusted EPS performance for the final Financial Year of the performance period	**5.67p**	**7.56p**	**0.17p[2]**	13.5p	16.5p	0.17p[1]
Return on Capital Employed[3]	**9.8%**	**11.0%**	**1.0%**			

(1) Actual to date figure of 0.17p represents the Adjusted EPS during the first two years of the three-year performance period for the 2020 LTIP award.
(2) Actual to date figure of 0.17p represents the Adjusted EPS during the first year of the three-year performance period for the 2021 LTIP award.
(3) In 2021, the Committee amended the performance conditions for LTIP awards, so that awards are based on three evenly weighted conditions, namely: TSR ranking, Adjusted EPS performance, and Return on Capital Employed. Actual to date figure of 1.0% represents the Return on Capital Employed during the first year of the three-year performance period for the 2021 LTIP award.

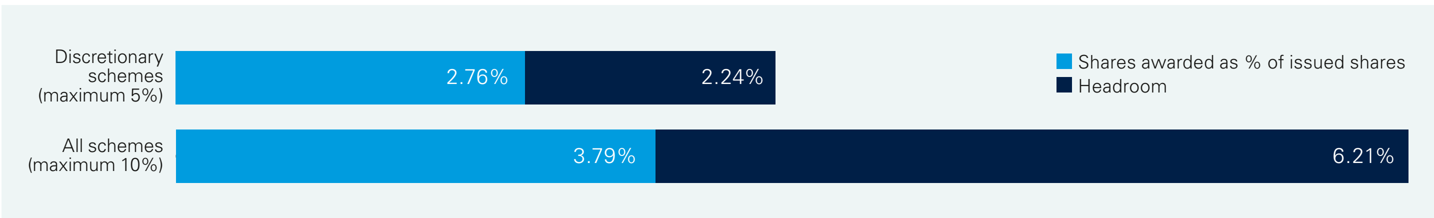
To ensure a suitably broad peer group, the TSR comparator group applicable to LTIP awards is the FTSE 350 index, excluding sectors with limited direct relevance to Senior and those exhibiting high volatility. TSR is averaged over three months prior to the start and end of the performance period.

The Committee reviewed the potential impact of the disposal of Senior Aerospace Connecticut on the three performance targets for the 2021 LTIP awards: Total Shareholder Return; Earnings per Share; and Return on Capital Employed. The Committee concluded that the disposal should have no material impact on any of the three measures and agreed that the original targets for the 2021 LTIP awards should remain unaltered.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

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 2021, awards outstanding and shares issued in the previous 10 years under all share plans (the Senior plc 2005 Long-Term Incentive Plan (the 2005 LTIP), the Senior plc 2014 Long-Term Incentive Plan (the 2014 LTIP), the Restricted Share Award Plan and the 2006 Savings-Related Share Option Plan (the Sharesave Plan)) amounted to 3.79% of the issued ordinary share capital of the Company. At 31 December 2021, awards outstanding and shares issued in the previous 10 years under executive (discretionary) plans (the 2005 LTIP and 2014 LTIP) amounted to 2.76% of the issued ordinary share capital of the Company.

During 2021, 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 and Enhanced SMIS deferred share awards, 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 290,000 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 2021 of 147.03p (31 December 2020 – 89.25p). No options under the Sharesave Plan were exercised by the executive Directors during the year.

				Unvested awards, subject to performance conditions	Unvested awards, not subject to performance conditions	
Executive Directors	**Number of shares required to be held (equivalent to 200% of basic salary at 31 December 2021)**	**Number of shares held (including unvested deferred shares net of tax) at 31 December 2021**	Share ownership requirements met	LTIP award[1]	Sharesave	Total deferred share award
David Squires	**734,544**	**639,708**	No – 87.1%	1,554,257	4,103	240,723
Bindi Foyle	**491,056**	**288,119**	No – 58.7%	1,038,261	4,103	160,816

(1) The minimum thresholds were not reached for the two performance conditions attached to David Squires' and Bindi Foyle's 2019 LTIP awards over 353,340 shares, and 235,426 shares respectively (included within their respective LTIP award figures above) and therefore these awards shall lapse in full in March 2022.

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 2021	Shares vested during 2021[1]	Shares retained from 2021 vested shares	Shares purchased during 2021	**Number of shares owned outright (including connected persons) at 31 December 2021[3]**
Executive Directors					
David Squires	394,377	62,748	62,748	55,000	**512,125**
Bindi Foyle	129,361	34,738	34,738	38,788	**202,887**
Non-executive Directors					
Ian King	414,297	–	–	100,000	**514,297**
Celia Baxter	31,653	–	–	–	**31,653**
Susan Brennan	5,900	–	–	–	**5,900**
Giles Kerr	10,000	–	–	–	**10,000**
Rajiv Sharma	–	–	–	–	**–**
Mary Waldner[2]	–	–	–	–	**–**

(1) In 2021, the following gains were made by David Squires and Bindi Foyle: £73,283 and £40,570 respectively upon the vesting of their Enhanced SMIS deferred awards 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 18 March 2021 of 116.79p.

(2) Mary Waldner was appointed to the Board on 1 December 2021.

(3) Barbara Jeremiah was appointed to the Board on 1 January 2022 and so has not been included in the table above.

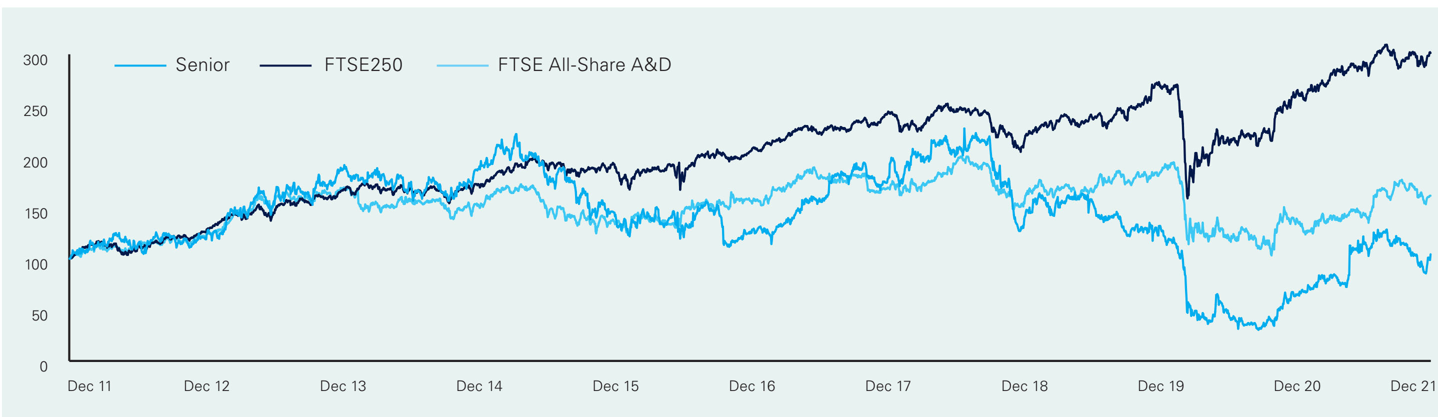
Performance graph

Share price performance

The closing middle market price of the shares at 31 December 2021 was 147.03p (2020 – 89.25p). During 2021, the shares traded in the range of 89.5p to 181.1p.

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

	2012	2013	2014	2015[1]	2016	2017	2018[2]	2019	2020	**2021**
CEO single figure of total remuneration (£000s)	1,529	1,726	1,316	1,020	790	1,009	1,107	1,203	917	**1,350**
Annual variable element award rates against maximum opportunity (%)	92	65	54	14	31	79	75	58	40	**100**
Long-term incentive vesting rates against maximum opportunity (%)	100	100	91.8	21	0	0	0	28	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 2019 and 2020 and between 2020 and 2021 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.

	2020 vs 2021			2019 vs 2020		
	Salary	**Taxable benefit and allowances**	**Bonus**	Salary	Taxable benefits and allowances	Bonus
	Percentage change	**Percentage change**	**Percentage change**	Percentage change[1]	Percentage change[2]	Percentage change
Executive Directors						
David Squires	**0%**	**3.4%**	**150.0%**	2.8%	-16.0%	-28.6%
Bindi Foyle	**0%**	**4.8%**	**150.0%**	3.1%	-0.1%	-28.4%
Non-executive Directors						
Ian King	**0%**	**–**	**–**	3.2%	–	–
Celia Baxter	**0%**	**–**	**–**	6.7%	–	–
Susan Brennan	**0%**	**–**	**–**	2.9%	–	–
Giles Kerr	**0%**	**–**	**–**	2.5%	–	–
Rajiv Sharma	**0%**	**–**	**–**	2.9%	–	–
Mary Waldner[1]	**N/A**	**–**	**–**	N/A	N/A	N/A
Senior plc Employees, excluding Directors	**3.3%**	**2.0%**	**158.6%**	-2.1%	2.6%	-30.1%

(1) The Salary Percentage change figure also includes any merit increases awarded to Directors and employees.
(2) The decrease in David Squires' Taxable benefits and allowances reflects the transition from using a company car in favour of taking a car allowance during 2020. Bindi Foyle's Taxable benefits consisted solely of the receipt of private healthcare insurance.
(3) Celia Baxter was appointed the Senior Independent Director on 24 April 2019 and her fee was adjusted accordingly.
(4) Mary Walder was appointed to the Board on 1 December 2021.

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, furloughed employees and 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 2021 were calculated, and then reviewed to ensure that the selected best equivalents were reasonably representative. Factors that contributed to the change in the CEO Pay Ratio from 2020 to 2021 included the Group Chief Executive Officer's temporary salary reduction during 2020, and the number of shopfloor employees who were excluded from the data due to furlough.

		Pay ratio		
Year	Method[1]	25th percentile	50th percentile	75th percentile
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.
(2) The pay ratios in 2020 had been impacted by the pandemic leading to significant numbers of employees being on furlough and/or made redundant, as well as reduced total remuneration for the CEO.

Year 2021	25th percentile	50th percentile	75th percentile
Base salary	£18,471	£ 25,944	£ 34,254
Total	£25,614	£ 27,797	£41,397

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 2021 compared with the financial year ended 31 December 2020.

	2021 £m	2020 £m	Percentage change
Employee remuneration costs (excluding social security)[1]	**198.9**	225.6	-11.8%
Adjusted (loss)/ profit before tax[2]	**(1.9)**	(6.2)	N/A
Dividends paid	**–**	–	0%

(1) The 2021 Employee Remuneration costs include those incurred by Senior Aerospace Connecticut during the period until its disposal in April 2021.
(2) The loss before tax in 2021 reduced by 69.4% compared to the loss before tax in 2020.

2022 Remuneration (non-audited information)

Salaries and fees for 2022

	2022 £	**2021 £**	Percentage change
Executive Directors			
David Squires	557,000	**540,000**	3.15%
Bindi Foyle	379,000	**361,000**	4.99%
Non-executive Directors[1]			
Chairman	197,000	**191,000**	3.14%
Non-executive Directors	54,500	**53,000**	2.83%
Chair of Audit Committee	9,000	**9,000**	0.0%
Chair of Remuneration Committee	9,000	**9,000**	0.0%
Senior Independent Director	9,000	**9,000**	0.0%

(1) No additional fees are payable for Committee membership.

Weighting of annual bonus KPIs for 2022

The individual weightings of the KPIs for the executive Directors for the annual bonus are set out below. The maximum bonus opportunity is 125% of basic salary, with two-thirds payable in cash and one-third in deferred shares.

	2022		**2021**	
	Maximum possible cash award	Maximum share award	**Maximum possible cash award**	**Maximum share award**
Free Cash Flow target – full year	33.33%	16.67%	**33.3%**	**16.67%**
Adjusted EPS target – full year internal target	50.00%	25.00%	**50.0%**	**25.0%**
Totals	83.3%	41.7%	**83.3%**	**41.7%**

The actual targets are currently considered commercially sensitive because of the information that this provides to the Company's competitors. Full disclosure of the 2022 targets will be disclosed in the 2022 Annual Report.

LTIP Awards for 2022

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%.

Adjusted EPS target has been set to be stretching and challenging. The target is expressed as an absolute number to be achieved in 2024 rather than a cumulative growth percentage.

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 broadly similar to those used in previous years but have been re-mapped based on current Industrial Classification Benchmark sectors. The vesting scale will remain the same as for awards granted in 2020.

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 2022 LTIP award have been increased from those set in 2021 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 2021 and 2022 are set out in the table below:

	2022			**2021**		
	Weighting (%)	Threshold (25% vesting)	Maximum (100% vesting)	**Weighting (%)**	**Threshold (25% vesting)**	**Maximum (100% vesting)**
Return on Capital Employed	33.33%	10.0%	13.5%	**33.33%**	**9.8%**	**11.0%**
Total Shareholder Return ranking	33.33%	Median or higher	Upper quartile or higher	**33.33%**	**Median or higher**	**Upper quartile or higher**
Adjusted earnings per share	33.33%	10.05p	12.35p	**33.33%**	**5.67p**	**7.56p**

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 25 February 2022.

Signed on behalf of the Board

Celia Baxter
Chair of the Remuneration Committee
25 February 2022

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
25 February 2022

Bindi Foyle
Group Finance Director
25 February 2022

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SENIOR PLC

1. Our opinion is unmodified

We have audited the Financial Statements of Seniorplc ("the Company") for the year ended 31 December 2021 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 fairview of the state of the Group's and of the parent Company's affairs as at 31 December 2021 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 five financial years ended 31 December 2021. 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. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole	£3.2m (2020: £2.2m) 0.5% of Group revenue (2020: 5% of normalised Group profit before tax)

Coverage

- 89% (2020: 87%) of Total losses/profit before tax
- 72% (2020: 76%) of Group revenue
- 82% (2020: 84%) of Group total assets

Key audit matters		**vs 2020**
Recurring risks	• Provision for uncertain tax positions	◀▶
	• Recoverability of the Parent Company's investment in its subsidiary	◀▶

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SENIOR PLC CONTINUED

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
Provision for uncertain tax positions The Group recorded a provision for uncertain tax position totalling £16.7m as at 31 December 2021 (2020: £19.5m) Refer to the Audit Committee Report in the Governance section on pages 80 to 86, Note 2 (significant accounting policies) and Note 21 (tax balance sheet).	**Subjective estimate** 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. 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. 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. 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.	**Our procedures included:** • **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. 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. **Our results** • We found the level of provisions for tax uncertainties to be acceptable. (2020 result –acceptable.)
Recoverability of the Parent Company's investment in its subsidiary The parent Company recorded an investment carrying value of £259.9m as at 31 December 2021 (2020: £259.9m). Refer to Note 36 (accounting policies) and Note 38 (financial disclosures) and the Parent Company Balance Sheet	**Low risk, high value:** The carrying amount of the Parent Company's investment in its subsidiary represents 61% 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	**Our procedures included:** • **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; and 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. **Our results:** • We found the company's conclusion that there is no impairment of its investment in it subsidiary to be acceptable. (2020 result –acceptable.)

We continue to perform procedures over going concern and impairment of goodwill. However, the level of audit risk, and the associated audit effort required, was significantly reduced in 2021 due in part to the recovery of the Group's end markets. We also continue to perform procedures over restructuring costs excluded from adjusted profit, however the nature and quantum has significantly reduced in 2021, reducing the audit effort required. Accordingly these matters are not assessed as the most significant risks in our current year audit. Therefore, these are not separately identified in our report this year.

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 (2020: £2.2m), determined with reference to a benchmark of Group revenue of £658.7m, of which it represents 0.5%. Materiality for 2020 was set at £2.2m, determined with reference to a benchmark of normalised Group profit before tax (PBT) of £44.1m, of which it represents 5%.

We consider total revenue to be the most appropriate benchmark in 2021 as it provides a more stable measure year on year than group profit before tax given the ongoing impact of the pandemic which has distorted the reported profits from the historical profile.

In 2020 we normalised PBT by adding back adjustments that do not represent the normal, continuing operations of the Group and by averaging over 5 years. In 2020 the items we adjusted for were impairment and write-off charges against goodwill of £134.3m, disposal costs of £4.6m and restructuring of £39.0m.

Materiality for the parent Company financial statements as a whole was set at £2.9m (2020: £2m), by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to total Company assets and represents 0.7% of the Company's total assets (2020: 0.5%).

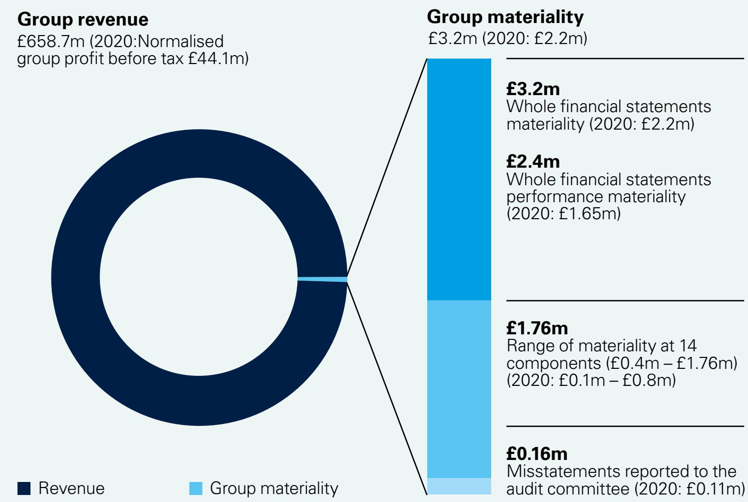
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £2.4m (2020: £1.65m) for the Group and £2.2m (2020: £1.5m) 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.

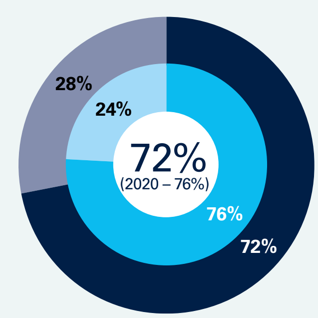
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £160,000 (2020: £110,000), in addition to other identified misstatements that warranted reporting on qualitative grounds

Of the Group's 30 (2020: 31) reporting components (excluding the Parent Company), we subjected 14 (2020: 17) to full scope audits for group purposes.

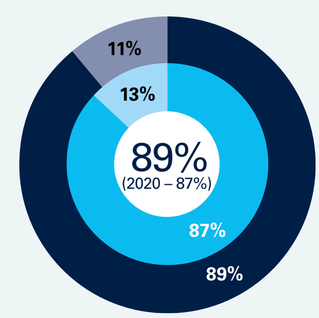
The components within the scope of our work accounted for the percentages illustrated opposite.



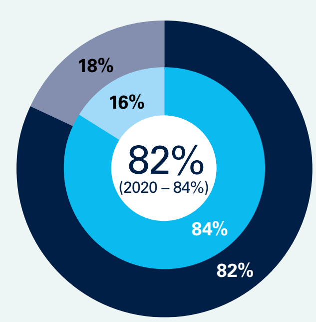
Group revenue



Total profits and losses that made up Group profit before tax



Group total assets



- Full scope for group audit purposes 2021
- Full scope for group audit purposes 2020
- Residual components 2021
- Residual components 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SENIOR PLC CONTINUED

3. Our application of materiality and an overview of the scope of our audit
continued

The remaining 28% (2020: 24%) of total Group revenue, 11% (2020: 13%) of total profits and losses that made up Group profit before tax and 18% (2020: 16%) of total Group assets is represented by 16 (2020: 14) of reporting components, none of which individually represented more than 5% (2020: 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 (2020: £0.1m to £0.8m), having regard to the mix of size and risk profile of the Group across the components. The work on 9 of the 14 components (2020: 10 of the 17 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from adjusted Group profit before tax.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

Telephone conference meetings and virtual site visits were held with component auditors throughout the audit. At these virtual meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

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, 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. 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 based on the Group's end markets.

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 18 to 23, 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 uncertainty of the impact of COVID 19, with future range of possible effects such as further waves of global infections currently unknown, given the rapidly evolving nature; and
- The ability of the group to respond and adapt to structural changes in the industry as a result 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 64 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 recorded 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 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 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 64 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 Statementof 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 64 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 108, 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.

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.

Robert Brent
(Senior Statutory Auditor)

for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

25 February 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	**Year ended 2021 £m**	Year ended 2020 £m
Revenue	3	**658.7**	733.6
Trading profit/(loss)		**10.3**	(177.5)
Share of joint venture profit	15	**0.2**	0.2
Operating profit/(loss) (1)	5	**10.5**	(177.3)
Investment income	7	**0.5**	1.1
Finance costs	8	**(8.5)**	(11.0)
Corporate undertakings	31	**21.2**	(4.6)
Profit/(loss) before tax (2)		**23.7**	(191.8)
Tax credit	10	**0.5**	33.3
Profit/(loss) for the period		**24.2**	(158.5)
Attributable to:			
Equity holders of the parent		**24.2**	(158.5)
Earnings/(loss) per share			
Basic (3)	12	**5.82p**	(38.20)p
Diluted (4)	12	**5.73p**	(38.20)p

(1) Adjusted operating profit	9	**6.1**	3.7
(2) Adjusted loss before tax	9	**(1.9)**	(6.2)
(3) Adjusted earnings/(loss) per share	12	**0.17p**	(0.84)p
(4) Adjusted and diluted earnings/(loss) per share	12	**0.17p**	(0.84)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**Year ended 2021 £m**	Year ended 2020 £m
Profit/(loss) for the period		**24.2**	(158.5)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on foreign exchange contracts – cash flow hedges during the period		**(2.1)**	2.0
Reclassification adjustments for (gains)/losses included in profit		**(1.3)**	0.6
(Losses)/gains on foreign exchange contracts – cash flow hedges	28	**(3.4)**	2.6
Foreign exchange (gain)/loss recycled to the Income Statement on disposal and restructuring (business closures)	28	**(2.9)**	0.5
Exchange differences on translation of overseas operations	28	**(3.8)**	(3.6)
Tax relating to items that may be reclassified	10	**0.8**	(0.5)
		(9.3)	(1.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension schemes	34	**19.7**	(11.4)
Tax relating to items that will not be reclassified	10	**(6.4)**	1.6
		13.3	(9.8)
Other comprehensive income/(expense) for the period, net of tax		**4.0**	(10.8)
Total comprehensive income/(expense) for the period		**28.2**	(169.3)
Attributable to:			
Equity holders of the parent		**28.2**	(169.3)

CONSOLIDATED BALANCE SHEET
As at 31 December 2021

	Notes	Year ended 2021 £m	Year ended 2020 £m
Non-current assets			
Goodwill	13	**150.2**	165.0
Other intangible assets	14	**4.2**	4.8
Investment in joint venture	15	**3.9**	3.6
Property, plant and equipment	16	**294.6**	330.5
Deferred tax assets	21	**5.7**	4.7
Retirement benefits	34	**72.2**	46.5
Trade and other receivables	18	**0.1**	0.1
Total non-current assets		**530.9**	555.2
Current assets			
Inventories	17	**145.2**	147.6
Current tax receivables	21	**2.6**	3.0
Trade and other receivables	18	**98.0**	85.3
Cash and bank balances	32c	**51.1**	23.6
Total current assets		**296.9**	259.5
Total assets		**827.8**	814.7
Current liabilities			
Trade and other payables	23	**143.0**	126.1
Current tax liabilities	21	**14.6**	19.8
Lease liabilities	22	**0.4**	0.5
Bank overdrafts and loans	19	**14.8**	0.4
Provisions	24	**13.8**	23.5
Total current liabilities		**186.6**	170.3
Non-current liabilities			
Bank and other loans	19	**116.2**	152.6
Retirement benefits	34	**11.0**	10.9
Deferred tax liabilities	21	**10.5**	5.5
Lease liabilities	22	**72.8**	76.0
Provisions	24	**2.2**	2.3
Others		**3.4**	3.8
Total non-current liabilities		**216.1**	251.1
Total liabilities		**402.7**	421.4
Net assets		**425.1**	393.3
Equity			
Issued share capital	25	**41.9**	41.9
Share premium account	26	**14.8**	14.8
Equity reserve	27	**5.8**	5.1
Hedging and translation reserve	28	**28.6**	37.9
Retained earnings	29	**343.2**	305.1
Own shares	30	**(9.2)**	(11.5)
Equity attributable to equity holders of the parent		**425.1**	393.3
Total equity		**425.1**	393.3

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 25 February 2022. 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 2021

		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 2020		41.9	14.8	5.5	(40.2)	79.1	472.5	(14.0)	559.6
Loss for the year 2020		–	–	–	–	–	(158.5)	–	(158.5)
Gains on foreign exchange contracts – cash flow hedges	28	–	–	–	2.6	–	–	–	2.6
Foreign exchange loss/(gain) recycled to the Income Statement on restructuring (business closures)	28	–	–	–	0.9	(0.4)	–	–	0.5
Exchange differences on translation of overseas operations	28	–	–	–	–	(3.6)	–	–	(3.6)
Actuarial losses on defined benefit pension schemes	34	–	–	–	–	–	(11.4)	–	(11.4)
Tax relating to components of other comprehensive income	10	–	–	–	(0.5)	–	1.6	–	1.1
Total comprehensive income/(expense) for the period		–	–	–	3.0	(4.0)	(168.3)	–	(169.3)
Share-based payment charge	33	–	–	3.0	–	–	–	–	3.0
Tax relating to share-based payments		–	–	–	–	–	–	–	–
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	–	–	–
Use of shares held by employee benefit trust	30	–	–	–	–	–	(2.5)	2.5	–
Transfer to retained earnings	29	–	–	(3.4)	–	–	3.4	–	–
Dividends paid	11	–	–	–	–	–	–	–	–
Balance at 31 December 2020		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**
Purchase of shares held by employee benefit trust	30	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
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**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Notes	Year ended 2021 £m	Year ended 2020 £m
Net cash from operating activities	32a	**27.0**	48.9
Investing activities			
Interest received		**0.1**	0.2
Proceeds on disposal of property, plant and equipment		**0.2**	0.5
Purchases of property, plant and equipment	16	**(20.2)**	(25.2)
Purchases of intangible assets	14	**(1.1)**	(1.6)
Proceeds on disposal activities net of cash balances	31	**51.7**	0.4
Net cash generated/(used) in investing activities		**30.7**	(25.7)
Financing activities			
Dividends paid	11	**–**	–-
New loans		**20.0**	135.6
Repayment of borrowings		**(41.1)**	(142.8)
Repayment of lease liabilities		**(8.4)**	(7.9)
Net cash used in financing activities		**(29.5)**	(15.1)
Net increase in cash and cash equivalents		**28.2**	8.1
Cash and cash equivalents at beginning of period		**23.2**	15.1
Effect of foreign exchange rate changes		**(0.3)**	–
Cash and cash equivalents at end of period	32c	**51.1**	23.2

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 64.

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 2021, 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 64. 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 existing covenants ("Existing Covenants") for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. The Group's lenders, both banks and US private placement investors, have been supportive and we agreed covenant relaxations ("New Covenants") in relation to the June 2020, December 2020, June 2021 and December 2021 testing periods and agreed an additional September 2021 testing period to provide financial flexibility for the Group through this unprecedented period.

For the testing period ended 31 December 2021, the New Covenants required the Group's net debt to EBITDA must not exceed 4.5x, interest cover must be higher than 3.5x and liquidity headroom must be higher than £40.0m. At 31 December 2021, the Group's net debt to EBITDA was 1.9x and interest cover was 7.3x, both comfortably within the Existing (and New) Covenants limits. The Group's liquidity headroom at £208.0m was also comfortably within covenant limits. For all testing periods within the Going Concern Period, there is sufficient headroom to remain within the relevant covenant limits and the Group's committed borrowing facilities, even in a severe but plausible downside scenario.

Based on the above assessment, the Board has concluded that the Group will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due over the going concern period. Accordingly, the Directors have formed the judgement that it is appropriate to prepare the 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 2021.

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 2021. 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.

2. Significant accounting policies continued

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.

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 2021	Average rates 2020	**Year-end rates 2021**	Year-end rates 2020
US Dollar	**1.38**	1.29	**1.35**	1.37

2. Significant accounting policies continued

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.

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 predicter 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.

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 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 three and five 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 receivable, 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 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.

Equity instruments
Equity instruments issued by the Company are recorded at the value of the proceeds received, net of direct transaction costs.

2. Significant accounting policies continued

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 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 2021, these extension options have an approximate average remaining lease term of six years. These judgments are reassessed at each reporting period, which could result in a recalculation of the lease liability and a material adjustment to the associated balances.

2. Significant accounting policies continued

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 liability at 31 December 2021 was £12.0m (2020 – £16.8m) and £4.8m (2020 – £0.8m), 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 2021. 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 2021 was a surplus of £72.2m (2020 – surplus of £46.5m), being the present value of the defined benefit obligations of £294.9m (2020 – £317.7m) and fair value of plan assets of £367.1m (2020 – £364.2m). Further details and sensitivities from changes in estimates are set out in Note 34g.

Other estimates

The Board has considered the estimation applied to inventory and concluded that there is not a significant risk of a material adjustment arising over the next financial year. Management assesses the carrying value of inventory to ensure that it is held at the lower of cost and net realisable value. Where necessary, Management makes an estimate to write down inventory to its net realisable value. The Group held a net inventory balance at the year-end of £145.2m (2020 – £147.6m). In determining an estimate of net realisable value, Management has made assumptions in respect of the durability, quality, specificity and order cover, which provide some protection against adverse market conditions, and competitor product development and pricing activity. Inventory held is typically built on a demand basis and is customer specific. In 2021, £1.5m inventory impairments have been reversed (2020 – £9.3m impairment charge) where demand has picked up on previously reduced or cancelled specific programmes, only to the extent that there are confirmed orders in place. Management does not anticipate further material adjustments to inventory to arise over the next financial year, subject to further unforeseen changes in market conditions.

The Board previously approved a restructuring plan that covered 2019, 2020 and 2021. In response to COVID-19, the Group implemented further cost cutting actions which included asset write downs. At 31 December 2021, a provision of £1.3m (2020 – £8.9m) is recorded relating to committed restructuring plans that have been communicated to those effected and where the cash outflow is anticipated to occur in 2022. The restructuring charges recorded in 2021 include asset impairments where demand on specific programmes has ceased or significantly decreased, and where there is no alternate use. Management does not anticipate further material adjustments to the restructuring provision recorded at 31 December 2021 over the next financial year as the commitments are settled, subject to unforeseen changes in market conditions.

Goodwill impairment assessment has been removed as a key estimate in 2021 given sufficiency of headroom and no identified triggering events at 31 December 2021 (see Note 13 for sensitivities). The Board does not consider there to be a significant risk of material adjustment arising for goodwill impairment over the next financial year.

The Directors have considered the impact of Climate Risk on the Financial Statements for the year ending 31 December 2021 to be immaterial, given the longer term view of Climate Risk compared to the short to mid-term planning cycle on which asset and liability values are based upon.

3. Revenue

Total revenue is disaggregated by market sectors as follows:

	Year ended 2021 £m	Year ended 2020 £m
Civil Aerospace	**244.5**	304.2
Defence	**125.0**	158.5
Other	**69.8**	63.5
Aerospace	**439.3**	526.2
Land Vehicles	**118.8**	89.2
Power & Energy	**101.1**	119.1
Flexonics	**219.9**	208.3
Eliminations	**(0.5)**	(0.9)
Total revenue	**658.7**	733.6

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.

4. Segment information continued

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:

	Notes	**Aerospace Year ended 2021 £m**	**Flexonics Year ended 2021 £m**	**Eliminations/ central costs Year ended 2021 £m**	**Total Year ended 2021 £m**	Aerospace Year ended 2020 £m	Flexonics Year ended 2020 £m	Eliminations/ central costs Year ended 2020 £m	Total Year ended 2020 £m
External revenue		**438.9**	**219.8**	**–**	**658.7**	525.4	208.2	–	733.6
Inter-segment revenue		**0.4**	**0.1**	**(0.5)**	**–**	0.8	0.1	(0.9)	–
Total revenue		**439.3**	**219.9**	**(0.5)**	**658.7**	526.2	208.3	(0.9)	733.6
Adjusted trading profit		**7.9**	**12.9**	**(14.9)**	**5.9**	5.9	11.0	(13.4)	3.5
Share of joint venture profit		**–**	**0.2**	**–**	**0.2**	–	0.2	–	0.2
Adjusted operating profit		**7.9**	**13.1**	**(14.9)**	**6.1**	5.9	11.2	(13.4)	3.7
Amortisation of intangible assets from acquisitions		**–**	**–**	**–**	**–**	(6.3)	(1.4)	–	(7.7)
Goodwill impairment and write-off	9	**–**	**–**	**–**	**–**	(112.1)	(22.2)	–	(134.3)
Net restructuring income/ (costs)	9	**2.2**	**2.2**	**–**	**4.4**	(32.5)	(6.5)	–	(39.0)
Operating profit/(loss)		**10.1**	**15.3**	**(14.9)**	**10.5**	(145.0)	(18.9)	(13.4)	(177.3)
Investment income					**0.5**				1.1
Finance costs					**(8.5)**				(11.0)
Corporate undertakings	9				**21.2**				(4.6)
Profit/(loss) before tax					**23.7**				(191.8)
Tax					**0.5**				33.3
Profit/(loss) after tax					**24.2**				(158.5)

Trading profit and adjusted trading profit is operating profit/loss and adjusted operating profit respectively before share of joint venture profit. See Note 9 for the derivation of adjusted operating profit.

Segment information for assets, liabilities, additions to non-current assets and depreciation and amortisation is presented below:

Assets	**Year ended 2021 £m**	Year ended 2020 £m
Aerospace	**506.6**	563.3
Flexonics	**184.9**	170.4
Segment assets for reportable segments	**691.5**	733.7
Unallocated		
Central	**4.6**	2.9
Cash	**51.1**	23.6
Deferred and current tax	**8.3**	7.7
Retirement benefits	**72.2**	46.5
Others	**0.1**	0.3
Total assets per Consolidated Balance Sheet	**827.8**	814.7

Liabilities	**Year ended 2021 £m**	Year ended 2020 £m
Aerospace	**148.1**	153.9
Flexonics	**63.9**	55.7
Segment liabilities for reportable segments	**212.0**	209.6
Unallocated		
Central	**15.4**	14.1
Debt	**131.0**	153.0
Deferred and current tax	**25.1**	25.3
Retirement benefits	**11.0**	10.9
Others	**8.2**	8.5
Total liabilities per Consolidated Balance Sheet	**402.7**	421.4

4. Segment information continued

	Additions to non-current assets Year ended 2021 £m	Additions to non-current assets Year ended 2020 £m	**Depreciation and amortisation Year ended 2021 £m**	Depreciation and amortisation Year ended 2020 £m
Aerospace	**12.9**	20.8	**35.1**	45.9
Flexonics	**10.3**	8.7	**12.2**	15.1
Sub total	**23.2**	29.5	**47.3**	61.0
Central	**0.1**	0.2	**0.5**	0.6
Total	**23.3**	29.7	**47.8**	61.6

The Group's revenues from its major products is presented below:

	Year ended 2021 £m	Year ended 2020 £m
Aerospace – Structures	**178.9**	234.4
Aerospace – Fluid Systems	**260.0**	291.0
Aerospace total	**438.9**	525.4
Land vehicles	**118.8**	89.2
Power & Energy	**101.0**	119.0
Flexonics total	**219.8**	208.2
Group total	**658.7**	733.6

No individual customer accounted for more than 10% of external revenue in 2021 or 2020

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 2021 £m	Sales revenue Year ended 2020 £m	**Segment non-current assets Year ended 2021 £m**	Segment non-current assets Year ended 2020 £m
USA	**316.4**	367.4	**202.5**	239.7
UK	**105.0**	121.8	**181.8**	159.3
Rest of the World	**237.3**	244.4	**140.9**	151.5
Sub total	**658.7**	733.6	**525.2**	550.5
Unallocated amounts	**–**	–	**5.7**	4.7
Total	**658.7**	733.6	**530.9**	555.2

The unallocated amounts on non-current assets relate to deferred tax assets.

5. Operating profit

Operating profit/(loss) can be analysed as follows:

	Year ended 2021 £m	Year ended 2020 £m
Revenue	**658.7**	733.6
Cost of sales	**(555.7)**	(628.3)
Gross profit	**103.0**	105.3
Distribution costs	**(5.4)**	(4.6)
Administrative expenses	**(87.3)**	(278.3)
Profit on sale of fixed assets	**–**	0.1
Share of joint venture profit	**0.2**	0.2
Operating profit/(loss)	**10.5**	(177.3)

Operating profit/(loss) for the period has been arrived at after charging:

	Year ended 2021 £m	Year ended 2020 £m
Net foreign exchange (gains)/losses	**(1.7)**	3.1
Research and design costs	**19.2**	18.7
Depreciation of property, plant and equipment	**46.3**	52.1
Amortisation of intangible assets included in administration expenses	**1.5**	9.5
Cost of inventories recognised as expense	**555.7**	628.3
Provision for loss allowance against receivables	**0.6**	0.7
Restructuring: provision for impairment of property, plant and equipment and inventories	**2.3**	17.3
Restructuring: staff and other costs	**2.5**	21.2
COVID-19 grant (income)	**(0.3)**	(9.0)
Aerospace manufacturing grant (income)	**(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. In 2021, government assistance schemes in response to the COVID-19 pandemic have benefitted the Group through £0.3m grant income (2020 – £9.0m grant income), to compensate for furloughing of employees, and have £2.4m of deferral of social security tax payments, which is due for payment in 2022.

The analysis of the Auditor's remuneration is as follows:

	Year ended 2021 £m	Year ended 2020 £m
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	**0.3**	0.2
Fees payable to the Company's Auditor and their associates for other services to the Group		
– The audit of the Company's subsidiaries	**1.5**	1.3
Total audit fees	**1.8**	1.5

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 (2020 – £0.09m) to the Company's Auditor for audit related services and £0.1m (2020 – £nil) for non-audit related services during 2021, 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 80 to 86. No services were provided pursuant to contingent fee arrangements.

6. Staff costs

The average monthly number of employees (including Directors) was:

	Year ended 2021 £m	Year ended 2020 £m
Production	**4,850**	5,713
Distribution	**63**	72
Sales	**252**	285
Administration	**473**	564
Total	**5,638**	6,634

The actual number of employees at 31 December 2021 was 5,664 (2020 – 5,880).

	Notes	Year ended 2021 £m	Year ended 2020 £m
Their aggregate remuneration comprised:			
Wages and salaries		**198.9**	225.6
Social security costs		**22.6**	25.3
Termination benefits		**1.0**	19.1
Other pension costs – defined contribution	34a	**8.6**	9.2
Other pension costs – defined benefit	34e	**0.7**	0.9
Share based payments	33	**3.5**	3.0
Aggregate remuneration		**235.3**	283.1

The Group also incurred medical and other employee benefit expenses during the year of £20.9m (2020 – £25.0m) and received £0.3m (2020 – £9.0m) COVID-19 grant income related to government assistance schemes to compensate for furloughing of employees.

7. Investment income

	Year ended 2021 £m	Year ended 2020 £m
Interest on bank deposits	**0.1**	0.2
Net finance income of retirement benefits (Note 34e)	**0.4**	0.9
Total income	**0.5**	1.1

8. Finance costs

	Year ended 2021 £m	Year ended 2020 £m
Interest on bank overdrafts and loans	**1.0**	1.9
Interest on other loans and other finance costs	**4.9**	6.1
Interest on lease liabilities	**2.6**	3.0
Total finance costs	**8.5**	11.0

9. Adjusted operating profit and adjusted loss before tax

The presentation of adjusted operating profit and adjusted loss 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, goodwill impairment and write-off, net restructuring income/cost and the income and costs 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.

COVID-19 introduced unprecedented challenges and economic disruption. This has directly impacted the business performance of both the Aerospace and Flexonics Divisions. The Board has not changed the policy for adjusted measures to present the COVID-19 financial impact, but instead, have described the impact within the narrative sections of the Strategic Report.

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

The amortisation charge relates to prior years' acquisitions. It is charged on a straight-line basis and reflects a non-cash item for the reported year. Goodwill impairment related to the Aerostructures group of cash generating units (CGU group), reflecting the significant impact of the COVID-19 pandemic on the civil aerospace sector, where there has been a significant reduction in the short-term demand for new aircraft on existing programmes. Goodwill write-offs related to operating business closures. The Group implemented a restructuring programme in 2019 which was expanded further in 2020 and 2021 in response to the impact of COVID-19 on some of the Group's end markets. 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 gain on disposal of a business, bid defence and other costs relating to corporate activities and are exceptional in nature, being presented outside the normal operating results of the Group. None of these charges are reflective of in-year performance. They are therefore excluded by the Board and Executive Committee when measuring the performance of the businesses.

9. Adjusted operating profit and adjusted loss before tax continued

	Notes	Year ended 2021 £m	Year ended 2020 £m
Operating profit/(loss)		**10.5**	(177.3)
Amortisation of intangible assets from acquisitions		**–**	7.7
Goodwill impairment and write-off	13	**–**	134.3
Net restructuring (income)/cost		**(4.4)**	39.0
Adjusted operating profit		**6.1**	3.7
Profit/(loss) before tax		**23.7**	(191.8)
Adjustments to profit/loss before tax as above		**(4.4)**	181.0
Corporate undertakings	31	**(21.2)**	4.6
Adjusted loss before tax		**(1.9)**	(6.2)

Goodwill impairment and write-off
As previously reported, during the first half of 2020, an impairment loss of £110.5m was recognised in relation to the goodwill allocated to the Aerostructures CGU group (now within Aerospace CGU group – see Note 13 for details). This reflected the significant impact of COVID-19 on the short to medium-term outlook for Aerostructures, given the end market, which is focused on the civil aerospace sector. In the second half of 2020, write-offs of £1.6m and £22.2m were recognised in respect of the closures of Senior Aerospace Bosman and Senior Flexonics Upeca.

Net restructuring income/cost
The Group 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. At 31 December 2021, none of the Group's employees were on furlough (2020 – 7%).

The decisive actions taken on restructuring and cost management over the last couple of years has 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. Our operating businesses have also worked hard to maximise cash realised from disposal of assets where there is no alternate use.

The restructuring, which involves business closures and sale of associated assets, headcount reductions and other benefits, has resulted in net income of £4.4m (2020 – £39.0m net cost). Of this, £4.2m income (2020 – £nil) related to an aerospace manufacturing grant, £1.0m net income for closures of Senior Flexonics Upeca and Senior Aerospace Bosman (2020 – £10.5m cost), £0.4m cost related to headcount reduction (2020 – £13.5m cost) and £1.0m cost related to consultancy and other activities (2020 – £1.5m cost). For certain specific programmes, and in conjunction with the focus on restructuring, management has also identified inventory impairment reversals of £1.4m (2020 – £8.5m charge) where customer demand has increased, and further impairment provisions on property, plant and equipment in 2021 with a charge of £0.8m (2020 – £5.0m charge) to cover the risk where there are no alternative uses and in part due to customers choosing to cancel and/or significantly reduce future build rates.

Net cash outflow related to restructuring activities was £0.9m (2020 – £15.2m). At 31 December 2021, a restructuring provision of £1.3m (31 December 2020 – £8.9m) was recognised and is expected to be utilised in 2022.

Corporate undertakings
Net income associated with corporate undertakings was £21.2m in 2021, 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. In 2020, costs of £4.6m were incurred relating to employee costs and external professional fees for the potential divestment of the Aerostructures business. See Note 31 to the Financial Statements for further details on the £24.2m gain on disposal.

10. Taxation

	Year ended 2021 £m	Year ended 2020 £m
Current tax:		
Current year	**7.0**	3.1
Adjustments in respect of prior periods	**(6.0)**	(6.0)
	1.0	(2.9)
Deferred tax (Note 21):		
Current year	**(1.7)**	(31.3)
Adjustments in respect of prior periods	**0.2**	0.9
	(1.5)	(30.4)
Total tax credit	**(0.5)**	(33.3)

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 net deferred tax liabilities being increased by £2.1m with a credit of £0.6m recognised through the Income Statement and a charge of £2.7m through Other Comprehensive Income. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Taxation continued

The total charge for the year can be reconciled to the loss/profit before tax per the Consolidated Income Statement as follows:

		Year ended 2021 £m	**Year ended 2021 %**	Year ended 2020 £m	Year ended 2020 %
Profit/(Loss) before tax		**23.7**		(191.8)	
Expected tax charge/(credit) at the UK standard corporation tax rate 19%		**4.5**		(36.4)	
Non-tax deductible goodwill impairments and write-offs	a	**-**		12.7	
Effect of different statutory rates in overseas jurisdictions	b	**0.9**		(10.9)	
Tax incentives and credits	c	**(1.1)**		–	
Tax losses not recognised	d	**0.3**		3.0	
Impact of share options	e	**0.1**		0.4	
Effect of difference in treatment of financing activities between jurisdictions	f	**(0.3)**		(0.3)	
Non-tax deductible expenses and other permanent differences	g	**1.4**		2.7	
Effect of changes in UK tax rate on deferred tax items	h	**(0.6)**		0.4	
Withholding taxes	i	**0.1**		0.2	
Adjustments in respect of prior periods – current tax items	j	**(6.0)**		(6.0)	
Adjustments in respect of prior periods – deferred tax items	k	**0.2**		0.9	
Tax credit and effective tax rate for the year		**(0.5)**	**2.1%**	(33.3)	(17.4%)

a. Goodwill impairments and write-offs on which no tax relief is available or deferred tax liability was held.

b. Mainly attributable to a higher rate of tax in the US.

c. Includes a £1.0m benefit from enhanced US R&D deductions and the UK capital allowance superdeduction as well as the benefit from specific projects eligible for tax incentives. In 2020 the benefit of enhanced deductions was fully offset by losses on projects subject to tax incentives which gave rise to a permanent difference.

d. Tax losses not recognised comprise £0.5m of State tax losses in the US which have restricted use, net of tax losses utilised of £0.2m. Tax losses not recognised in 2020 mainly related to Senior Aerospace Bosman and Senior Flexonics Upeca whose trades have ceased.

e. 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.

f. Effect of different rates of tax between jurisdictions on internal financing activities.

g. Includes £1.5m in respect of non-tax deductible expenditure, the impact of minimum taxation rules in the US and a £2.0m charge in respect of uncertain tax positions. This is reduced by the benefit of non-taxable foreign exchange gains recycled to the Income Statement of £1.6m and other non-taxable gains on disposals.

h. 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 during the year.

i. Arises from irrecoverable withholding taxes.

j. Includes a credit in respect of the uncertain tax positions which have been been resolved, settled or released in accordance with IFRIC 23 principles of £5.1m as well as prior year items arising from the true up of tax accruals following the submission of local tax filings which in many cases have an equal and opposite prior year item in deferred tax.

k. Arises from the true up of tax positions following the submission of tax returns.

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:

	2021 £m	2020 £m
Deferred tax:		
Items that will not be reclassified subsequently to profit and loss		
Tax on actuarial items	**(3.7)**	1.6
Effect of change in UK tax rate	**(2.7)**	–
Items that may be reclassified subsequently to profit or loss		
Tax on foreign exchange contracts – cash flow hedges	**0.8**	(0.5)
Total tax (charge)/credit recognised directly in other comprehensive income	**(5.6)**	1.1

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 2021 £m	Year ended 2020 £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)	**(5.5)**	1.1

11. Dividends

	Year ended 2021 £m	Year ended 2020 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2020 of £nil (2019 – £nil) per share	**–**	–
Interim dividend for the year ended 31 December 2021 of £nil (2020 – £nil) per share	**–**	–
	–	–
Proposed final dividend for the year ended 31 December 2021 of £nil (2020 – £nil) per share	–	–

12. Earnings/loss per share

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

Number of shares	Year ended 2021 £m	Year ended 2020 £m
Weighted average number of ordinary shares for the purposes of basic earnings/loss per share	**415.7**	414.9
Effect of dilutive potential ordinary shares:		
Share options	**6.8**	–
Weighted average number of ordinary shares for the purposes of diluted earnings/loss per share	**422.5**	414.9

		Year ended 2021		Year ended 2020	
Earnings/loss and earnings/loss per share	Notes	Earnings £m	EPS pence	Loss £m	EPS pence
Profit/(loss) for the period		**24.2**	**5.82**	(158.5)	(38.20)
Adjust:					
Amortisation of intangible assets from acquisitions net of tax of £nil (2020 – £2.0m)		**–**	**–**	5.7	1.38
Goodwill Impairment and write-off net of tax of £nil (2020 – £21.7m)	9	**–**	**–**	112.6	27.14
Net restructuring (income)/cost and tax credit of £0.2m (2020 – £6.5m)	9	**(4.6)**	**(1.11)**	32.5	7.83
Corporate undertakings net of tax of £2.9m (2020 – £0.4m)	31	**(18.3)**	**(4.40)**	4.2	1.01
Non-cash tax credit	10	**(0.6)**	**(0.14)**	–	–
Adjusted earnings/(loss) after tax		**0.7**	**0.17**	(3.5)	(0.84)
Earnings/(loss) per share					
– basic			**5.82p**		(38.20)p
– diluted			**5.73p**		(38.20)p
– adjusted			**0.17p**		(0.84)p
– adjusted and diluted			**0.17p**		(0.84)p

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

The presentation of adjusted earnings/loss per share, derived in accordance with the table above, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, goodwill impairment and write-off, net restructuring income/cost, 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/loss 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

	Year ended 2021 £m	Year ended 2020 £m
Cost		
At 1 January	**322.9**	343.9
Corporate undertakings and write-off	**(15.1)**	(23.8)
Exchange differences	**0.7**	2.8
At 31 December	**308.5**	322.9
Accumulated impairment losses		
At 1 January	**157.9**	46.8
Impairment	**–**	110.5
Exchange differences	**0.4**	0.6
At 31 December	**158.3**	157.9
Carrying amount at 31 December	**150.2**	165.0

13. Goodwill continued

In 2021, goodwill has reduced by £14.8m, of which £15.1m relates to the disposal of Senior Aerospace Connecticut, partly offset by £0.3m foreign exchange differences.

In the first half of 2020, the COVID-19 pandemic had direct impact on the Group's end markets which led to an impairment triggering event. Following a rigorous assessment, the Board concluded that Aerostructures CGU group (subsequently combined with Aerospace Fluid systems into the Aerospace CGU group) recoverable amount fell below the carrying value by £110.5m, and this impairment was recorded in the half year ended 30 June 2020. In the second half of 2020, write-offs of £1.6m and £22.2m were recognised in respect of the closures of Senior Aerospace Bosman and Senior Flexonics Upeca.

Goodwill is allocated to the group of CGUs (CGU groups) within 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 2021 £m	Year ended 2020 £m
Aerospace	**98.0**	113.3
Flexonics	**52.2**	51.7
Total	**150.2**	165.0

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 2021 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 2026 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 margins anticipated and the proportion of operating profit converted into cash flow in each year. The forecast compound annual growth rate in revenue from 2021 to 2026 was 9% (2020 – 2019 to 2025 was – 1% to 4%), reflecting some 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 2026. These estimates up to 2026, where appropriate, take account of the current economic environment as set out in the Strategic Report on pages 1 to 64.

Cash flows after 2026 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 2026. For Aerospace, the long-term market growth rate is 3.0% per annum (2020 – 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 1.4% per annum (2020 – 1.5%), 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 10.7% and 11.8% respectively (2020 – 10.5% and 12.1%; 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.

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. This did not result in the carrying amount of the CGU groups exceeding their recoverable amount.

Further to the 30 September 2021 annual impairment test, the Board considered whether there were any triggering events as at the 31 December 2021 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 2021 £m	Computer software and others Year ended 2021 £m	Total Year ended 2021 £m	Intangible assets from acquisitions Year ended 2020 £m	Computer software and others Year ended 2020 £m	Total Year ended 2020 £m
Cost						
At 1 January	**121.0**	**23.0**	**144.0**	131.0	21.8	152.8
Additions	**–**	**1.1**	**1.1**	–	1.6	1.6
Disposals	**(3.5)**	**(0.6)**	**(4.1)**	–	(0.1)	(0.1)
Restructuring impairment and disposal	**–**	**(0.6)**	**(0.6)**	(7.9)	–	(7.9)
Exchange differences	**–**	**(0.1)**	**(0.1)**	(2.1)	(0.3)	(2.4)
At 31 December	**117.5**	**22.8**	**140.3**	121.0	23.0	144.0
Amortisation						
At 1 January	**121.0**	**18.2**	**139.2**	123.5	16.4	139.9
Charge for the year	**–**	**1.5**	**1.5**	7.7	1.8	9.5
Disposals	**(3.5)**	**(0.6)**	**(4.1)**	–	(0.1)	(0.1)
Restructuring impairment and disposal	**–**	**(0.6)**	**(0.6)**	(7.9)	0.3	(7.6)
Exchange differences	**–**	**0.1**	**0.1**	(2.3)	(0.2)	(2.5)
At 31 December	**117.5**	**18.6**	**136.1**	121.0	18.2	139.2
Carrying amount at 31 December	**–**	**4.2**	**4.2**	**–**	4.8	4.8

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 £3.9m represents the Group's share of the joint venture's net assets as at 31 December 2021 (2020 – £3.6m). 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 2021 and December 2020.

	2021 £m	2020 £m
Revenue	**6.6**	5.7
Expenses	**(6.1)**	(5.2)
Profit	**0.5**	0.5
Total assets	**10.0**	9.3
Total liabilities	**(2.0)**	(1.9)
Net assets	**8.0**	7.4
Group's share of profit	**0.2**	0.2
Group's share of net assets	**3.9**	3.6

16. Property, plant and equipment

	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**	Freehold land and buildings Year ended 2020 £m	Leasehold building improve-ments Year ended 2020 £m	Plant and equipment Year ended 2020 £m	Right-of-use Land and Buildings Year ended 2020 £m	Right-of-use Plant and equipment Year ended 2020 £m	Total Year ended 2020 £m
Cost or valuation												
At 1 January	**111.7**	**4.2**	**536.7**	**86.1**	**6.2**	**744.9**	112.3	4.2	531.8	86.6	5.6	740.5
Additions	**0.3**	**0.3**	**19.6**	**0.9**	**1.1**	**22.2**	0.8	0.2	24.2	1.4	1.5	28.1
Lease Modifications	**–**	**–**	**–**	**3.7**	**(0.2)**	**3.5**	–	–	–	(0.2)	(0.8)	(1.0)
Exchange differences	**(1.1)**	**–**	**(5.0)**	**(0.5)**	**–**	**(6.6)**	(1.3)	(0.1)	(12.6)	(1.7)	(0.1)	(15.8)
Disposed on disposal activities	**(3.1)**	**–**	**(16.6)**	**–**	**–**	**(19.7)**	–	–	–	–	–	–
Disposals	**(0.1)**	**–**	**(11.0)**	**(0.4)**	**(0.2)**	**(11.7)**	(0.1)	(0.1)	(5.6)	–	–	(5.8)
Restructuring impairment and disposal	**(3.1)**	**–**	**(4.9)**	**(1.6)**	**(0.4)**	**(10.0)**	–	–	(1.1)	–	–	(1.1)
At 31 December	**104.6**	**4.5**	**518.8**	**88.2**	**6.5**	**722.6**	111.7	4.2	536.7	86.1	6.2	744.9
Accumulated depreciation and impairment												
At 1 January	**35.8**	**3.2**	**355.6**	**16.8**	**3.0**	**414.4**	32.4	3.2	325.7	8.3	1.6	371.2
Charge for the year	**2.5**	**0.3**	**34.0**	**8.1**	**1.4**	**46.3**	3.0	0.2	38.7	8.7	1.5	52.1
Lease Modifications	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**	–	–	–	–	–	–
Exchange differences	**(0.3)**	**–**	**(2.3)**	**(0.1)**	**–**	**(2.7)**	(0.2)	(0.1)	(9.1)	(0.5)	(0.2)	(10.1)
Eliminated on disposal activities	**(0.9)**	**–**	**(11.3)**	**–**	**–**	**(12.2)**	–	–	–	–	–	–
Eliminated on disposals	**(0.1)**	**–**	**(10.8)**	**(0.4)**	**(0.2)**	**(11.5)**	(0.1)	(0.1)	(5.2)	–	–	(5.4)
Restructuring impairment and disposal	**(0.7)**	**–**	**(4.3)**	**(0.8)**	**(0.4)**	**(6.2)**	0.7	–	5.5	0.3	0.1	6.6
At 31 December	**36.3**	**3.5**	**360.9**	**23.6**	**3.7**	**428.0**	35.8	3.2	355.6	16.8	3.0	414.4
Carrying amount at 31 December	**68.3**	**1.0**	**157.9**	**64.6**	**2.8**	**294.6**	75.9	1.0	181.1	69.3	3.2	330.5

In conjunction with the focus on restructuring described in Note 9, £3.8m (2020 – £7.7m) of property, plant and equipment has been impaired in 2021, of which £1.0m relates to Aerospace and £2.8m 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 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3.4m (2020 – £1.9m)

17. Inventories

	Year ended 2021 £m	Year ended 2020 £m
Raw materials	**56.5**	51.1
Work-in-progress	**60.1**	58.6
Finished goods	**28.6**	37.9
Total	**145.2**	147.6

Inventory write-downs recognised as an expense in 2021 were £2.5m (2020 – £17.3m), after write-down reversals of £1.5m (2020 – £9.3m write-downs) relating to restructuring (see Note 9).

18. Trade and other receivables

Trade and other receivables at 31 December comprise the following:

	Year ended 2021 £m	Year ended 2020 £m
Non-current assets		
Other receivables	**0.1**	0.1
	0.1	0.1
Current assets		
Trade receivables	**85.2**	71.5
Value added tax	**1.9**	1.6
Foreign exchange contracts	**0.8**	2.9
Prepayments	**10.0**	8.8
Other receivables	**0.1**	0.5
	98.0	85.3
Total trade and other receivables	**98.1**	85.4

Other receivables includes £nil (2020 – £0.3m) of deferred consideration, £nil (2020 – £0.3m) as a current asset and £nil (2020 – £nil) as a non-current asset.

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 52 days (2020 – 52 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £2.0m (2020 – £1.6m). 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 2021, the carrying amount of the receivable from the Group's most significant customer was £6.7m (2020 – £8.3m 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.

Expected credit loss

	Year ended 2021 £m	Year ended 2020 £m
Movements in loss allowance:		
At 1 January	**1.6**	1.5
Provision for impairment	**0.6**	0.7
Disposal activities	**–**	–
Amounts written off as uncollectible	**(0.2)**	(0.2)
Amounts recovered	**–**	(0.3)
Exchange differences	**–**	(0.1)
At 31 December	**2.0**	1.6
Ageing analysis of past due, net of loss allowance:		
Up to 30 days past due	**9.3**	8.9
31 to 60 days past due	**3.2**	1.4
61 to 90 days past due	**0.9**	0.7
91 to 180 days past due	**1.6**	0.4
Total past due, net of loss allowance	**15.0**	11.4
Not past due	**70.2**	60.1
Total current trade receivables	**85.2**	71.5

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 2021 £m	Year ended 2020 £m
Bank overdrafts	–	0.4
Bank loans	(0.5)	20.9
Other loans	131.5	131.7
	131.0	153.0
The borrowings are repayable as follows:		
On demand or within one year	14.8	0.4
In the second year	–	15.4
In the third to fifth years inclusive	70.7	90.6
After five years	45.5	46.6
	131.0	153.0
Less: amount due for settlement within 12 months (shown under current liabilities)	(14.8)	(0.4)
Amount due for settlement after 12 months	116.2	152.6

At 31 December 2021, bank loans are undrawn and there are £0.5m of capitalised revolving credit facility transaction costs. At 31 December 2020, bank loans of £21.7m were drawn, offset by £0.8m of capitalised transaction costs.

Analysis of borrowings by currency

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

31 December 2020	Total £m	Pound Sterling £m	Euros £m	US Dollars £m
Bank overdrafts	0.4	–	0.4	–
Bank loans	20.9	3.7	1.8	15.4
Other loans	131.7	26.9	24.9	79.9
	153.0	30.6	27.1	95.3

The weighted average interest rates paid were as follows:

	Year ended 2021 %	Year ended 2020 %
Bank loans and overdrafts	1.51	1.66
Other loans	3.10	3.08

Bank loans and overdrafts of £nil (2020 – £21.3m) 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 2020 or 2021.

19. Bank overdrafts and loans continued

The Directors estimate the fair value of the Group's borrowings to be as follows:

	Year ended 2021 £m	Year ended 2020 £m
Bank loans and overdrafts	**(0.5)**	21.3
Other loans	**133.8**	131.9
	133.3	153.2

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 are determined based on appropriate LIBOR and SONIA rates plus applicable margins.

The Group's main loans are unsecured guaranteed loan notes in the US private placement market and revolving credit facilities.

a) Loan notes of €28m, 2021 £23.5m (2020 – £25.0m) were taken out in January 2017, carry interest at the rate of 1.51% and mature on 1 February 2027.

b) Loan notes of $20m, 2021 £14.8m (2020 – £14.6m) were taken out in October 2015 and are due for repayment in October 2022. The loan notes carry interest at the rate of 3.42% per annum.

c) Loan notes of $60m, 2021 £44.5m (2020 – £43.8m) 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.

d) 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.

e) Loan notes of $30m, 2021 £22.2m (2020 – £21.9m) 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 £0.5m, directly attributable to the GBP notes (£0.1m), the Euro notes (£0.1m) and the US Dollar notes (£0.3m), have been deducted from their carrying value.

The Group also has two revolving credit facilities.

A committed multi-currency revolving credit facility in the UK of £120m (2020 – £120m) which matures in February 2024. At 31 December 2020, £20.9m was outstanding under the £120m facility, comprising £4.5m, $20m (£14.6m) and €2.0m (£1.8m). At 31 December 2021, £nil was drawn under the £120m facility.

A committed $50m single bank (£37.0m) loans and letter of credit facility was amended in April 2021 and matures in June 2023. There were $nil (£nil) loans drawn under the facility on 31 December 2021 and $1.1m (£0.8m) loans drawn on 31 December 2020 and there were letters of outstanding credit of $1.5m (£1.1m) (2020 – £2.3m).

As at 31 December 2021, the Group had available £155.9m (2020 – £132.5m) 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 3.0 years (2020 – 3.8 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 2021 was 19% (2020 – 33%).

All of the Group's external borrowing facilities at 31 December 2021 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). The adoption of 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 existing covenants ("Existing Covenants") for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. The Group's lenders, both banks and US private placement investors, have been supportive and we agreed covenant relaxations ("New Covenants") in relation to the June 2020, December 2020, June 2021 and December 2021 testing periods and agreed an additional September 2021 testing period to provide financial flexibility for the Group through this unprecedented period.

For the testing period ended 31 December 2021, the New Covenants required the Group's net debt to EBITDA must not exceed 4.5x, interest cover must be higher than 3.5x and liquidity headroom must be higher than £40.0m. At 31 December 2021, the Group's net debt to EBITDA was 1.9x (31 December 2020 – 2.8x) and interest cover was 7.3x (31 December 2020 – 6.1x), both comfortably within the Existing (and New) Covenants limits. The Group's liquidity headroom at £208.0m (31 December 2020 – £157.1m) was also comfortably within covenant limits.

20. Financial instruments continued

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 85% of its revenue from businesses outside the United Kingdom, with 60% 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 loss/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) 2021 Group adjusted operating profit by £1.9m (£1.0m of which would have been due to the US Dollar movement) and would have increased (or decreased) equity by £26.7m (£15.1m 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 layer in hedges within policy guardrails up 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 after hedging in existence at 31 December 2021 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 £7.7m, £1.6m 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 2021, the percentage of debt at fixed interest was 100% (2020 – 90%), excluding IFRS 16 lease liabilities from debt.

The following sensitivity analysis of the Group's exposure to interest rate risk in 2021 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 £2.5m. 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 five leases in the UK, three of which arose on the disposal of a former Group-owned subsidiary. 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 a low-cost financing arrangement. The Group participates in reverse factoring schemes as a way of reducing credit risk. The trade receivables reverse factored at 31 December 2021 were £16.8m (2020 – £17.6m). The net impact of reverse factoring on 2021 was a cash outflow in working capital of £0.9m (2020 – £13.3m outflow) and the discount interest presented within other finance costs is a charge of £0.2m in 2021 (2020 – £0.2m).

20. Financial instruments continued

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 60 to 63, the Group is currently in a well-funded position, with supportive lenders and has significant headroom under its committed borrowing facilities.

Categories of financial instruments

	Year ended 2021 £m	Year ended 2020 £m
Carrying value of financial assets:		
Cash and cash equivalents	**51.1**	23.6
Trade receivables	**85.2**	71.5
Other receivables	**0.2**	0.6
Financial assets at amortised cost	**136.5**	95.7
Foreign exchange contracts – cash flow hedges	**0.7**	2.7
Foreign exchange contracts – held for trading	**0.1**	0.2
Total financial assets	**137.3**	98.6
Carrying value of financial liabilities:		
Bank overdrafts and loans	**131.0**	153.0
Lease liabilities	**73.2**	76.5
Trade payables	**68.3**	57.8
Other payables	**54.6**	49.1
Financial liabilities at amortised cost	**327.1**	336.4
Foreign exchange contracts – cash flow hedges	**3.6**	1.9
Foreign exchange contracts – held for trading	**–**	0.5
Total financial liabilities	**330.7**	338.8
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	**152.3**	121.1
In the second to fifth years inclusive	**118.8**	125.8
After five years	**108.7**	144.8
	379.8	391.7
Less: future finance charges	**(52.7)**	(55.3)
Financial liabilities at amortised cost	**327.1**	336.4

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.

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 2021 £m	Year ended 2020 £m
Notional amounts:		
Foreign exchange contracts – cash flow hedges	**128.9**	118.8
Foreign exchange contracts – held for trading	**4.1**	9.4
Total	**133.0**	128.2
Less: amounts maturing within 12 months	**(79.1)**	(75.0)
Amounts maturing after 12 months	**53.9**	53.2
Contractual maturity:		
Cash flow hedges balances due within one year:		
Outflow	**(76.8)**	(64.6)
Inflow	**75.2**	66.2
Cash flow hedges balances due between one and two years:		
Outflow	**(22.4)**	(28.1)
Inflow	**22.0**	27.3
Cash flow hedges balances due between two and five years:		
Outflow	**(32.1)**	(25.7)
Inflow	**32.1**	25.9
Held for trading balances due within one year:		
Outflow	**(4.0)**	(9.4)
Inflow	**4.1**	9.1

Fair values:		
Foreign exchange contracts – cash flow hedges	**(2.9)**	0.8
Foreign exchange contracts – held for trading	**0.1**	(0.3)
Total (liability)/asset	**(2.8)**	0.5

These fair values are based on market values of equivalent instruments at the Balance Sheet date, comprising £0.8m (2020 – £2.9m) assets included in trade and other receivables and £3.6m (2020 – £2.4m) liabilities included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to £2.6m loss (2020 – £0.8m gain) 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).

20. Financial instruments continued

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.

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				
Foreign exchange contracts – cash flow hedges	–	**3.6**	–	**3.6**
Foreign exchange contracts – held for trading	–	–	–	–
Total liabilities	–	**3.6**	–	**3.6**

31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Foreign exchange contracts – cash flow hedges	–	2.7	–	2.7
Foreign exchange contracts – held for trading	–	0.2	–	0.2
Total assets	–	2.9	–	2.9
Liabilities				
Foreign exchange contracts – cash flow hedges	–	1.9	–	1.9
Foreign exchange contracts – held for trading	–	0.5	–	0.5
Total liabilities	–	2.4	–	2.4

An amount of £0.1m (2020 – £nil) has been transferred to the Consolidated Income Statement, and is included within operating loss/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 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 remain at 31 December 2021 are presented in the balance sheet as held for trading assets.

21. Tax balance sheet

Current tax

The current tax receivable of £2.6m (2020 – £3.0m) 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 £14.6m (2020 – £19.8m) includes £1.3m (2020 – £1.4m) tax due on profits of the current and prior years as well as £16.7m (2020 – £19.5m) 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 £3.4m (2020 – £1.1m) 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 £8.6m (2020 – £8.0m). 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.

21. Tax balance sheet continued

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 2020	19.4	(0.4)	25.6	7.2	(1.9)	(0.2)	(18.6)	31.1
(Credit)/charge to Consolidated Income Statement	(2.3)	0.5	(18.5)	0.5	(4.4)	(3.2)	(3.0)	(30.4)
Charge/(credit) to other comprehensive income	–	0.5	–	(1.6)	–	–	–	(1.1)
Balances acquired/disposed	–	–	–	–	–	–	–	–
Exchange differences	(0.4)	0.1	0.4	0.3	0.3	–	0.5	1.2
At 1 January 2021	**16.7**	**0.7**	**7.5**	**6.4**	**(6.0)**	**(3.4)**	**(21.1)**	**0.8**
(Credit)/charge 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**	**–**	**–**
Liability/(asset) at 31 December 2021	**13.2**	**(0.4)**	**5.6**	**15.6**	**(5.8)**	**(4.6)**	**(18.8)**	**4.8**

Other temporary differences include assets in the US of £13.6m (2020 – £16.1m) in respect of inventory provisions, accruals and other expenses where tax relief is only available when items are realised or paid. Also included are assets held in respect of IFRS 16 of £1.5m (2020 – £1.1m) and share based compensation (£1.1m) (2020 – £0.3m).

The deferred tax liability in respect of Retirement benefits relates primarily to the Senior plc UK defined benefit pension plan £18.0m (2020 – £8.8m), 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 by £2.1m in the year with a £0.6m credit in the Income Statement and a £2.7m charge through Other Comprehensive Income.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances, after offset:

	Year ended 2021 £m	Year ended 2020 £m
Deferred tax liabilities	**10.5**	5.5
Deferred tax assets	**(5.7)**	(4.7)
	4.8	0.8

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 £4.6m (2020 – £3.4m), including £3.2m (2020 – £2.4m) recognised against deferred tax liabilities and £1.4m (2020 – £1.0m) recognised based on anticipated profits in the Group's five year forecast to 2026 as approved by the Board.

Due to uncertainty as to the availability of future profits against which tax losses may be utilised, £23.6m (2020 – £25.8m) of losses have not been recognised. Included in unrecognised tax losses are losses of £13.8m (2020 – £9.6m) that will expire over a period of one to nine years. Other losses may be carried forward indefinitely.

At the Balance Sheet date, a deferred tax liability of £0.2m (2020 – £0.1m) 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 £34.5m (2020 – £38.7m) 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 (2020 – £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 (2020 – £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.

Undiscounted contractual maturity of lease liabilities:	**Year ended 2021 £m**	Year ended 2020 £m
Amounts payable:		
On demand or within one year	**10.8**	10.3
In the second to fifth years inclusive	**35.6**	30.9
After five years	**60.9**	67.3
	107.3	108.5
Less: future finance charges	**(34.1)**	(32.0)
Lease liabilities	**73.2**	76.5

Amounts recognised in the Consolidated Income Statement:	**Year ended 2021 £m**	Year ended 2020 £m
Interest on lease liabilities	**2.6**	3.0
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	**–**	–
	2.6	3.0

Amounts recognised in the Consolidated Cash Flow Statement	**Year ended 2021 £m**	Year ended 2020 £m
Cash outflow for leases	**11.0**	10.9

23. Trade and other payables

Trade and other payables at 31 December comprise the following:

	Year ended 2021 £m	Year ended 2020 £m
Current liabilities		
Trade payables	**68.3**	57.8
Social security and PAYE	**5.7**	7.9
Value added tax	**1.6**	2.4
Foreign exchange contracts	**3.6**	2.4
Accrued expenses	**63.8**	55.6
Total trade and other payables	**143.0**	126.1

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The average credit period taken for trade purchases is 56 days (2020 – 55 days).

24. Provisions

	Warranty £m	Restructuring £m	Legal claims and contractual matters £m	Total £m
At 1 January 2020	6.0	2.9	12.6	21.5
Additional provision in the year	1.9	21.2	3.1	26.2
Utilisation of provision	(1.1)	(15.2)	(5.5)	(21.8)
Release of unused amounts	(0.1)	–	–	(0.1)
Exchange differences	(0.1)	–	0.1	–
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 31 December 2021	**6.9**	**1.3**	**7.8**	**16.0**
Included in current liabilities	**4.9**	**1.3**	**7.6**	**13.8**

24. Provisions continued

Warranty

Provisions for warranty costs are based on an assessment of future claims with reference to past experience. £4.9m of costs are expected to settle within the next 12 months.

Restructuring

The Group continued to implement further restructuring in 2021, discussed in further detail in Note 9. The amount recorded is expected to be fully utilised in 2022.

Legal claims and contractual matters

During the year ended 31 December 2021, £2.3m settlement payments were paid relating to costs associated with class action lawsuits claiming Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located, comprising £2.4m provision at 1 January 2021 and £0.1m of exchange differences. Other provisions at 31 December 2021 comprise £7.8m (2020 – £7.9m) 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 2021 £m	Year ended 2020 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	**41.9**	41.9

No shares were issued during 2021 and 2020.

The Company has one class of ordinary shares which carry no right to fixed income.

26. Share premium account

	Year ended 2021 £m	Year ended 2020 £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 2021 £m	Year ended 2020 £m
Balance at 1 January	**5.1**	5.5
Transfer to retained earnings reserve	**(2.8)**	(3.4)
Movement in year	**3.5**	3.0
Balance at 31 December	**5.8**	5.1

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 £3.5m (2020 – £3.0m) is in respect of the share-based payment charge for the year.

28. Hedging and translation reserves

	Hedging reserve Year ended 2021 £m	**Translation reserve Year ended 2021 £m**	**Total Year ended 2021 £m**	Hedging reserve Year ended 2020 £m	Translation reserve Year ended 2020 £m	Total Year ended 2020 £m
Balance at 1 January	**(37.2)**	**75.1**	**37.9**	(40.2)	79.1	38.9
Exchange differences on translation of overseas operations	**–**	**(3.8)**	**(3.8)**	–	(3.6)	(3.6)
Foreign exchange losses/(gains) recycled to the Income Statement on disposal	**2.6**	**(5.5)**	**(2.9)**	0.9	(0.4)	0.5
Change in fair value of hedging derivatives	**(3.4)**	**–**	**(3.4)**	2.6	–	2.6
Tax on foreign exchange contracts- cash flow hedges	**0.8**	**–**	**0.8**	(0.5)	–	(0.5)
Balance at 31 December	**(37.2)**	**65.8**	**28.6**	(37.2)	75.1	37.9

Hedging Reserve

At 31 December 2021, the hedging reserve comprises net investment hedging losses of £35.2m (2020 – £37.8m), foreign exchange contracts – cash flow hedge losses of £2.6m (2020 – £0.8m gains) and related tax gains of £0.6m (2020 – £0.2m losses).

28. Hedging and translation reserves continued

Movement in fair value of foreign exchange contracts – cash flow hedges:

	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**	Derivatives at fair value through Hedging Reserve Year ended 2020 £m	Derivatives at fair value through Income Statement Year ended 2020 £m	Total Year ended 2020 £m
Balance at 1 January	**0.8**	**(0.3)**	**0.5**	(1.8)	(0.3)	(2.1)
Fair value movement recognised in Hedging reserve	**(2.1)**	**–**	**(2.1)**	2.0	–	2.0
Fair value movement recognised in Income Statement	**–**	**(1.2)**	**(1.2)**	–	0.6	0.6
Fair value movement recognised in Hedging reserve and Income Statement	**(1.3)**	**1.3**	**–**	0.6	(0.6)	–
Balance at 31 December	**(2.6)**	**(0.2)**	**(2.8)**	0.8	(0.3)	0.5

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 2021 £m	Year ended 2020 £m
Balance at 1 January	**305.1**	472.5
Dividends paid	**–**	–
Profit/(loss) for the year	**24.2**	(158.5)
Pension actuarial gain/(loss)	**19.7**	(11.4)
Transfer from equity reserve	**2.8**	3.4
Transfer from own share reserve	**(2.3)**	(2.5)
Tax on deductible temporary differences	**(6.3)**	1.6
Balance at 31 December	**343.2**	305.1

30. Own shares

	Year ended 2021 £m	Year ended 2020 £m
Balance at 1 January	**(11.5)**	(14.0)
Transfer to retained earnings reserve	**2.3**	2.5
Purchase of new shares	**–**	–
Balance at 31 December	**(9.2)**	(11.5)

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 2021, the number of own shares held by the Senior Plc Employee Benefit Trust is 3,463,455 (2020 – 4,336,043).

31. Disposal activities

On 22nd April 2021, the Group sold its stand alone, build-to-print helicopter structures operating business, Senior Aerospace Connecticut, based in the USA. The decision to sell was based on its primary focus on build-to-print parts for the rotary sector, with proceeds from the sale strengthening the Group's balance sheet and providing greater flexibility for the Group to operate within its capital deployment framework. For the year ended 31 December 2021, Senior Aerospace Connecticut external revenue was £8.1m (at 2021 exchange rate; 2020 – £36.2m at 2020 exchange rate) and operating profit was £0.8m (2020 – £5.1m).

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

In 2021, the Group received £0.2m (2020 – £0.4m) 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/loss to net cash from operating activities

	Year ended 2021 £m	Year ended 2020 £m
Operating profit/ (loss)	**10.5**	(177.3)
Adjustments for:		
Depreciation of property, plant and equipment	**46.3**	52.1
Amortisation of intangible assets	**1.5**	9.5
Profit on sale of fixed assets	**–**	(0.1)
Share-based payment charges	**3.5**	3.0
Pension payments in excess of service cost	**(5.1)**	(5.0)
Corporate undertaking costs	**(4.8)**	(4.6)
Share of joint venture	**(0.2)**	(0.2)
(Increase)/decrease in inventories	**(7.2)**	19.6
(Increase)/decrease in receivables	**(16.1)**	48.1
Increase/(decrease) in payables and provisions	**11.6**	(20.1)
Goodwill impairment	**–**	134.3
Restructuring impairment of property, plant and equipment and software	**3.8**	8.0
US class action lawsuits	**(2.3)**	(3.9)
Working capital and provisions currency movements	**(1.1)**	(0.2)
Cash generated by operations	**40.4**	63.2
Income taxes paid	**(5.3)**	(3.5)
Interest paid	**(8.1)**	(10.8)
Net cash from operating activities	**27.0**	48.9

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 2021 £m	Year ended 2020 £m
Net cash from operating activities		**27.0**	48.9
Corporate undertaking costs	9	**4.8**	4.6
Net Restructuring cash paid	24	**0.9**	15.2
US class action lawsuits	24	**2.3**	3.9
Interest received		**0.1**	0.2
Proceeds on disposal of property, plant and equipment		**0.2**	0.5
Purchases of property, plant and equipment		**(20.2)**	(25.2)
Purchase of intangible assets		**(1.1)**	(1.6)
Free cash flow		**14.0**	46.5

C) Analysis of net debt

	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

	Notes	At 1 January 2020 £m	Net Cash flow £m	Non Cash £m	Exchange movement £m	Other Lease Movements £m	At 31 December 2020 £m
Cash and bank balances		15.8	7.9	–	(0.1)	–	23.6
Overdrafts		(0.7)	0.2	–	0.1	–	(0.4)
Cash and cash equivalents		15.1	8.1	–	–	–	23.2
Debt due within one year		(15.0)	15.7	–	(0.7)	–	–
Debt due after one year		(146.0)	(8.5)	--	1.9	–	(152.6)
Lease liabilities	22	(83.7)	7.9	–	1.2	(1.9)	(76.5)
Liabilities arising from financing activities		(244.7)	15.1	–	2.4	(1.9)	(229.1)
Total		(229.6)	23.2	–	2.4	(1.9)	(205.9)

Other lease movements include lease additions and modifications of £1.9m.

	Year ended 2021 £m	Year ended 2020 £m
Cash and cash equivalents comprise:		
Cash and bank balances	**51.1**	23.6
Overdrafts	**–**	(0.4)
Total	**51.1**	23.2

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 2021 £m	Year ended 2020 £m
Inventories	**145.2**	147.6
Trade and other receivables	**98.0**	85.3
Trade and other payables	**(143.0)**	(126.1)
Working capital, including derivatives	**100.2**	106.8
Items excluded:		
Foreign exchange contracts	**2.8**	(0.5)
Deferred consideration relating to disposals – current	**–**	(0.3)
Total	**103.0**	106.0

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

	Year ended 2021 £m	Year ended 2020 £m
(Increase)/decrease in inventories	**(7.2)**	19.6
(Increase)/decrease in receivables	**(16.1)**	48.1
Increase/(decrease) in payables and provisions	**11.6**	(20.1)
Working capital and provisions movement, excluding currency effects	**(11.7)**	47.6
Items excluded:		
Decrease/(increase) in restructuring related inventory impairment	**1.5**	(9.3)
Decrease/(increase) in net restructuring provision and other receivables	**7.6**	(6.0)
Total	**(2.6)**	32.3

33. Share-based payments

The Group recognised total expenses of £3.8m (2020 – £3.0m) related to share-based payments, of which £3.5m (2020 – £3.0m) related to equity-settled share-based payments, and £0.3m (2020 – £nil) related to social security costs on share-based payments. As at 31 December 2021, the Group had a liability of £0.3m (2020 – £0.1m) arising from share-based payments relating to social security costs.

A) 2005 Long-Term Incentive Plan

Equity-settled Long-Term Incentive Plans

On 12 March 2021, 4,396,538 shares were awarded under the 2005 Long-Term Incentive Plan. Awards made under this plan prior to 2021 have a three-year vesting period, subject to earnings per share (EPS) and total shareholder return (TSR) performance conditions being met. Half the awards have an attaching performance target for EPS growth over the three-year performance period of at least 4% per annum above RPI. The other half of the awards begin to vest if the Group's TSR falls in the top half of a comparator group at the end of the three-year performance period. For awards made in 2021 Adjusted EPS and TSR metrics have been retained and ROCE added as a third performance measure, with each metric having an equal weighting of one third. The EPS target is now expressed as an absolute number rather than a growth percentage. 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 conditions is 112.80p, 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 94.80p per share reflecting an adjustment of 16% 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 92.50p and 77.70p reflecting the two year retention period.

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 (112.80p for the main award), expected volatility of 54% 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 2021 and 2020:

	Year ended 2021 Number of shares	Year ended 2020 Number of shares
Outstanding at 1 January	**7,089,567**	6,370,205
Granted	**4,455,281**	3,576,238
Exercised	**(58,743)**	(663,104)
Forfeited	**(2,051,864)**	(2,193,772)
Outstanding at 31 December	**9,434,241**	7,089,567

B) Enhanced SMIS Deferred Share Award

On 12 March 2021, 694,536 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 112.80p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2021 and 2020:

	Year ended 2021 Number of shares	Year ended 2020 Number of shares
Outstanding at 1 January	**1,734,683**	1,187,669
Granted	**758,551**	794,715
Exercised	**(425,422)**	(247,701)
Forfeited	**(64,121)**	–
Outstanding at 31 December	**2,003,691**	1,734,683

33. Share-based payments continued

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 2021 and 2020:

	Year ended 2021		Year ended 2020	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**1,944,121**	**217.67p**	4,390,225	215.95p
Granted	**3,247,159**	**118.40p**	–	–
Exercised	**–**	**–**	–	–
Forfeited	**(676,596)**	**204.63p**	(1,880,038)	212.34p
Expired	**(261,180)**	**207.20p**	(566,066)	222.00p
Outstanding at 31 December	**4,253,504**	**144.61p**	1,944,121	217.67p
Exercisable at 31 December	**–**	**–**	261,180	207.20p

No shares were exercised in 2021 and 2020. 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. The options outstanding at 31 December 2020 had exercise prices of 219.30p and 207.20p per share, and a weighted average remaining contractual life of 1.7 years.

D) Restricted Share Awards

On 12 March 2021, 110,000 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 112.80p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2021 and 2020:

	Year ended 2021 Number of shares	Year ended 2020 Number of shares
Outstanding at 1 January	**2,208,538**	170,000
Granted	**110,000**	2,073,538
Exercised	**(388,423)**	(25,000)
Forfeited	**–**	(10,000)
Outstanding at 31 December	**1,930,115**	2,208,538

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 2019 and, for the purposes of accounting under IAS19, this valuation has been rolled forward to 31 December 2021.

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 three 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 15 years and benefits are expected to be paid for the next 60 to 70 years. These cash flow payments are expected to reach a peak around 2029, 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 primary investment objective is implemented by setting strategic asset allocations using a "linear de-risking" approach. Under this approach, the Plan's current asset strategy of 77% invested in low-risk matching assets, such as 'liability driven investments' (LDI) and bonds, and 23% in higher-risk return seeking assets, such as equities, is expected to be linearly moved into 100% matching assets over the period from April 2021 to April 2036. 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 has also implemented a switching mechanism to secure any outperformances of equities relative to bonds, by selling equities to buy bonds.

While the UK Plan was in a deficit position of £10.2m as at 5 April 2019 when measured on the Trustee's funding basis, the UK Plan is in a surplus position of £72.2m as at 31 December 2021 (2020 – £46.5m 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.

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 2019 and were based on a forecast deficit at that time, as part of the 2019 triennial funding valuation. The Company has agreed with the Trustee of the UK Plan to make scheduled deficit reduction contributions over the three year period from April 2019 to March 2022. Annual cash funding contributions of £5.5m are expected over this period, subject to review and amendment as appropriate, at the next funding valuation in 2022. The estimated contributions expected to be paid during 2022 in the US funded plans is £2.2m.

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.

34. Retirement benefit schemes continued

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 £8.6m (2020 – £9.2m).

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 2021				31 December 2020			
	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	**(294.9)**	**(56.2)**	**(5.7)**	**(356.8)**	(317.7)	(58.8)	(6.2)	(382.7)
Fair value of plan assets	**367.1**	**50.9**	**–**	**418.0**	364.2	54.1	–	418.3
Plan surplus/(deficit) per Consolidated Balance Sheet	**72.2**	**(5.3)**	**(5.7)**	**61.2**	46.5	(4.7)	(6.2)	35.6

c) Movements in the present value of defined benefit obligations were as follows:

	31 December 2021				31 December 2020			
	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	**317.7**	**58.8**	**6.2**	**382.7**	285.8	54.6	6.9	347.3
Current service cost	**–**	**0.4**	**0.3**	**0.7**	–	0.4	0.5	0.9
Past service cost	**–**	**–**	**–**	**–**	0.2	–	–	0.2
Interest cost	**3.8**	**1.5**	**–**	**5.3**	5.7	1.8	0.1	7.6
Experience on benefit obligations	**2.5**	**–**	**–**	**2.5**	(1.2)	1.1	–	(0.1)
Actuarial (gains)/losses – financial	**(15.8)**	**(1.8)**	**–**	**(17.6)**	35.4	6.0	–	41.4
Actuarial (gains)/losses- demographic	**(0.3)**	**0.2**	**–**	**(0.1)**	3.8	(0.4)	–	3.4
Benefits paid	**(13.0)**	**(3.7)**	**(0.4)**	**(17.1)**	(12.0)	(2.7)	(1.6)	(16.3)
Disposal activities	**–**	**–**	**–**	**–**	–	–	–	–
Exchange differences	**–**	**0.8**	**(0.4)**	**0.4**	–	(2.0)	0.3	(1.7)
At 31 December	**294.9**	**56.2**	**5.7**	**356.8**	317.7	58.8	6.2	382.7

d) Movements in the fair value of plan assets were as follows:

	31 December 2021				31 December 2020			
	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	**364.2**	**54.1**	**–**	**418.3**	334.7	52.6	1.1	388.4
Interest on plan assets	**4.4**	**1.3**	**–**	**5.7**	6.8	1.7	–	8.5
Actual return on plan assets less interest	**6.1**	**(1.6)**	**–**	**4.5**	29.6	3.7	–	33.3
Contributions from employer	**6.0**	**–**	**–**	**6.0**	5.6	0.6	–	6.2
Benefits paid	**(13.0)**	**(3.7)**	**–**	**(16.7)**	(12.0)	(2.7)	(1.1)	(15.8)
Running costs	**(0.6)**	**–**	**–**	**(0.6)**	(0.5)	(0.1)	–	(0.6)
Exchange differences	**–**	**0.8**	**–**	**0.8**	–	(1.7)	–	(1.7)
At 31 December	**367.1**	**50.9**	**–**	**418.0**	364.2	54.1	–	418.3

e) Amounts recognised in the Consolidated Income Statement in respect of these defined benefit schemes are as follows:

	31 December 2021				31 December 2020			
	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 loss/profit	**–**	**0.4**	**0.3**	**0.7**	–	0.4	0.5	0.9
Running costs	**0.6**	**–**	**–**	**0.6**	0.5	0.1	–	0.6
Past service cost	**–**	**–**	**–**	**–**	0.2	–	–	0.2
Charge included within operating profit/loss	**0.6**	**0.4**	**0.3**	**1.3**	0.7	0.5	0.5	1.7
Included within finance (income)/costs	**(0.6)**	**0.2**	**–**	**(0.4)**	(1.1)	0.1	0.1	(0.9)
Amount recognised in the Income Statement	**–**	**0.6**	**0.3**	**0.9**	(0.4)	0.6	0.6	0.8

34. Retirement benefit schemes continued

f) Amounts recognised in other comprehensive income are as follows:

	31 December 2021				31 December 2020			
	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 gain/(losses) in the year due to:								
– Change in financial assumptions	**15.8**	**1.8**	**–**	**17.6**	(35.4)	(6.0)	–	(41.4)
– Change in demographic assumptions	**0.3**	**(0.2)**	**–**	**0.1**	(3.8)	0.4	–	(3.4)
– Experience adjustments on benefit obligations	**(2.5)**	**–**	**–**	**(2.5)**	1.2	(1.1)	–	0.1
Actual return on plan assets less interest on benefit obligations	**6.1**	**(1.6)**	**–**	**4.5**	29.6	3.7	–	33.3
Gains/(losses) recognised in other comprehensive income	**19.7**	**–**	**–**	**19.7**	(8.4)	(3.0)	–	(11.4)

Actuarial gains of £19.7m (2020 – losses of £11.4m) 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 2021 is £23.0m (2020 – £42.7m).

g) Assets and assumptions in funded plans

	UK plans funded		US plans funded	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Fair value of plan assets				
Equities	**28.6**	32.9	**–**	–
Bonds	**126.6**	127.5	**50.9**	54.1
Gilts	**157.9**	156.7	**–**	–
Diversified growth fund	**37.7**	41.2	**–**	–
Cash and net current assets	**16.3**	5.9	**–**	–
Total	**367.1**	364.2	**50.9**	54.1
Actual return on plan assets	**10.5**	36.4	**(0.3)**	5.4

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 £4.7m (2020 – £5.5m). 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 equities are split between UK and overseas companies, with a larger allocation to the overseas market. The UK equities are passively invested in line with the FTSE All-Share Index and the overseas equities are passively invested in line with the FTSE World ex-UK GBP Hedged Index. Therefore, the Plan is exposed to a typical breakdown of industries within those equity indices. 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 diversified growth fund is an investment in Pyrford's absolute return fund. This fund is composed of positions in a range of assets, including bonds and equities. These positions vary over time according to Pyrford's views. The fund looks to generate equity-like returns, with reduced volatility, whilst also providing diversification benefits to the Plan's other investments.

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	
	2021	2020	**2021**	2020
Major assumptions (per annum %)				
Inflation	**3.50%**	3.00%	**N/A**	N/A
Increase in salaries	**N/A**	N/A	**N/A**	N/A
Increase in pensions	**3.30%**	2.90%	**0.00%**	0.00%
Increase in deferred pensions	**3.50%**	3.00%	**0.00%**	0.00%
Rate used to discount plan liabilities	**1.90%**	1.20%	**2.76%**	2.51%
Life expectancy of a male aged 65 at the year-end	**20.8**	20.8	**19.6**	19.5
Life expectancy of a male aged 65, 20 years after the year-end	**22.2**	22.2	**21.2**	21.1

34. Retirement benefit schemes continued

g) Assets and assumptions in funded plans continued

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 standard mortality tables with an allowance for future improvements in line with the CMI 2020 enhanced projections, with a long-term annual rate of improvement of 1.25% for males and for females, and currently with no explicit adjustment for the potential long-term impact of Covid-19. The methodology used for determining the discount rate, in measuring the UK retirement benefit scheme, has been updated in 2021 following actuarial advice to ensure that the discount rate remains robust to changes in the bond yields, which has increased the discount rate by 0.1%.

For the UK Plan, the estimated impact on the plan surplus at 31 December 2021 for changes in assumptions is as follows:

	Decrease in plan surplus £m
0.5% decrease in the discount rate	20.7
One-year increase in life expectancy	(14.0)
0.5% increase in inflation	(13.2)

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 2021. 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 £3.3m (2020 – £3.7m), unfunded closed pension and post-retirement healthcare plans in the US of £0.3m (2020 – £0.3m), a provision for post-retirement payments in France of £1.4m (2020 – £1.5m) and £0.7m for post-retirement payments in Thailand (2020 – £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 2.8% (2020 – 2.5%). No participants were eligible for medical benefits under the healthcare plan in 2021. The German plan has been subject to formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 1.1%, salary growth 0.0% and pension increase 1.8% (2020 – 1.0%, 0.0% and 1.5%). 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% (2020 – 2.2%, 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 2021 (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 2021

	Notes	**Year ended 2021 £m**	Year ended 2020 £m
Non-current assets			
Investment in subsidiaries	38	**259.9**	259.9
Property, plant and equipment	39	**1.3**	1.5
Other intangible assets	37	**0.1**	0.1
Other receivables	40	**25.7**	27.2
Retirement benefits	50	**72.2**	46.5
Total non-current assets		**359.2**	335.2
Current assets			
Other receivables	40	**65.4**	78.6
Cash and bank balances	47	**4.7**	0.7
Current tax receivables	49	**–**	–
Total current assets		**70.1**	79.3
Total assets		**429.3**	414.5
Current liabilities			
Trade and other payables	42	**70.1**	91.8
Bank overdrafts and loans	41	**14.8**	–
Total current liabilities		**84.9**	91.8
Non-current liabilities			
Bank and other loans	41	**94.1**	128.3
Lease liabilities	48	**1.2**	1.4
Deferred tax liabilities	49	**14.2**	6.9
Total non-current liabilities		**109.5**	136.6
Total liabilities		**194.4**	228.4
Net assets		**234.9**	186.1
Equity			
Issued share capital	43	**41.9**	41.9
Share premium account		**14.8**	14.8
Equity reserve		**5.8**	5.1
Hedging and translation reserve	44	**–**	–
Retained earnings	45	**181.6**	135.8
Own shares	46	**(9.2)**	(11.5)
Total equity		**234.9**	186.1

The Profit for the Company for the year ended 31 December 2021 was £31.9m (2020 – £13.7m Loss).

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 25 February 2022. 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 2021

	Notes	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Retained earnings £m	Own shares £m	Total equity £m
		All equity is attributable to equity holders of the Company						
Balance at 1 January 2020		41.9	14.8	5.5	(0.3)	156.5	(14.0)	204.4
Loss for the year 2020		–	–	–	–	(13.7)	–	(13.7)
Actuarial losses on defined benefit pension schemes		–	–	–	–	(8.4)	–	(8.4)
Exchange differences recycled to income statement		–	–	–	0.3	–	–	0.3
Tax relating to components of other comprehensive income		–	–	–	–	0.5	–	0.5
Total comprehensive income/(expense) for the period		–	–	–	0.3	(21.6)	–	(21.3)
Share-based payment charge		–	–	3.0	–	–	–	3.0
Tax relating to share-based payments		–	–	–	–	–	–	–
Purchase of shares held by employee benefit trust	46	–	–	–	–	–	–	–
Use of shares held by employee benefit trust	46	–	–	–	–	(2.5)	2.5	–
Transfer to retained earnings	45	–	–	(3.4)	–	3.4	–	–
Dividends paid	11	–	–	–	–	–	–	–
Balance at 31 December 2020		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**
Exchange differences recycled to income statement		**–**	**–**	**–**	**–**	**–**	**–**	**–**
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**
Purchase of shares held by employee benefit trust	46	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Use of shares held by employee benefit trust	46	**–**	**–**	**–**	**–**	**(2.3)**	**2.3**	**–**
Transfer to retained earnings	45	**–**	**–**	**(2.8)**	**–**	**2.8**	**–**	**–**
Dividends paid	11	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2021		**41.9**	**14.8**	**5.8**	**–**	**181.6**	**(9.2)**	**234.9**

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 2021 Computer software £m	Year ended 2020 Computer software £m
Cost		
At 1 January	**1.0**	0.9
Additions	**–**	0.1
At 31 December	**1.0**	1.0
Amortisation		
At 1 January	**0.9**	0.7
Charge for the year	**–**	0.2
At 31 December	**0.9**	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 164 to 165.

	Year ended 2021 £m	Year ended 2020 £m
At 1 January and 31 December	**259.9**	259.9

39. Property, plant and equipment

	Year ended 2021 Plant and equipment £m	Year ended 2020 Plant and equipment £m
Cost		
At 1 January	**2.4**	2.4
Additions	**–**	–
Disposals	**–**	–
At 31 December	**2.4**	2.4
Accumulated depreciation		
At 1 January	**0.9**	0.7
Charge for the year	**0.2**	0.2
Eliminated on Disposals	**–**	–
At 31 December	**1.1**	0.9
Carrying amount at 31 December	**1.3**	1.5

The carrying amount includes £1.1m of right-of-use assets (2020 – £1.3m)

40. Other receivables

Other receivables comprise the following:

	Year ended 2021 £m	Year ended 2020 £m
Other receivables: amounts due more than one year		
Due from subsidiaries	**25.7**	27.2
	25.7	27.2
Other receivables: amounts due within one year		
Value added tax	**0.2**	0.1
Prepayments and accrued income	**1.0**	0.6
Due from subsidiaries	**64.2**	77.9
	65.4	78.6
Total other receivables	**91.1**	105.8

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 (2020 – immaterial).

As at 31 December 2021, other receivables due in more than one year consist of £2.2m (2020 – £2.2m) due in accordance with the vesting periods of share-based payments and £23.5m (2020 – £25.0m) of loans to subsidiaries at market rates of interest.

41. Bank overdrafts and loans

	Year ended 2021 £m	Year ended 2020 £m
Bank overdrafts	**–**	–
Bank loans	**(0.5)**	18.3
Other loans	**109.4**	110.0
Total	**108.9**	128.3
The borrowings are repayable as follows:		
On demand or within one year	**14.8**	–
In the second year	**–**	14.6
In the third to fifth years inclusive	**70.7**	88.8
After five years	**23.4**	24.9
	108.9	128.3
Less: amount due for settlement within 12 months (shown under current liabilities)	**(14.8)**	–
Amount due for settlement after 12 months	**94.1**	128.3

At 31 December 2021, bank loans are undrawn and there are £0.5m of capitalised revolving credit facility transaction costs. At 31 December 2020, bank loans of £19.1m were drawn, offset by £0.8m of capitalised transaction costs.

Analysis of borrowings by currency

31 December 2021	**Pound Sterling £m**	**Euros £m**	**US Dollars £m**	**Total £m**
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**

31 December 2020	Pound Sterling £m	Euros £m	US Dollars £m	Total £m
Bank overdrafts	–	–	–	–
Bank loans	3.7	–	14.6	18.3
Other loans	26.9	24.9	58.2	110.0
	30.6	24.9	72.8	128.3

41. Bank overdrafts and loans continued

Analysis of borrowings by currency continued

The weighted average interest rates paid were as follows:

	Year ended 2021 %	Year ended 2020 %
Bank loans and overdrafts	**1.26**	1.57
Other loans	**2.88**	2.86

Bank loans of £nil (2020 – £19.1m) 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 2020 or 2021. Transaction costs of £0.5m (2020 – £0.8m) have been deducted from the bank loans carrying value. 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 the carrying value of Other loans.

The Directors estimate the fair value of the Company's borrowings to be as follows:

	Year ended 2021 £m	Year ended 2020 £m
Bank loans and overdrafts	**(0.5)**	18.3
Other loans	**110.4**	109.4
	109.9	127.7

42. Trade and other payables

Trade and other payables comprise the following:

	Year ended 2021 £m	Year ended 2020 £m
Trade and other payables: amounts falling due within one year		
Trade payables	**0.9**	0.6
Social security and PAYE	**0.2**	0.2
Other payables and accruals	**6.8**	4.6
Due to subsidiaries	**62.2**	86.4
Total trade and other payables	**70.1**	91.8

The Directors consider that the carrying amount of trade payables approximates to their fair value.

43. Issued share capital

	Year ended 2021 £m	Year ended 2020 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	**41.9**	41.9

No shares were issued during 2020 and 2021.

The Company has one class of ordinary shares, which carry no right to fixed income.

44. Hedging and translation reserves

	Hedging reserve Year ended 2021 £m	**Translation reserve Year ended 2021 £m**	**Total Year ended 2021 £m**	Hedging reserve Year ended 2020 £m	Translation reserve Year ended 2020 £m	Total Year ended 2020 £m
Balance at 1 January	**–**	**–**	**–**	–	(0.3)	(0.3)
Exchange differences recycled to Income Statement	**–**	**–**	**–**	–	0.3	0.3
Balance at 31 December	**–**	**–**	**–**	–	–	–

45. Retained earnings

	Year ended 2021 £m	Year ended 2020 £m
Balance at 1 January	**135.8**	156.5
Dividends paid	**–**	–
Profit/(loss) for the year	**31.9**	(13.7)
Pension actuarial gain/(loss)	**19.7**	(8.4)
Transfer from equity reserve	**2.8**	3.4
Transfer from own share reserve	**(2.3)**	(2.5)
Tax on deductible temporary differences	**(6.3)**	0.5
Balance at 31 December	**181.6**	135.8

£7.5m (2020 – £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.

46. Own shares

	Year ended 2021 £m	Year ended 2020 £m
Balance at 1 January	**(11.5)**	(14.0)
Transfer to retained earnings	**2.3**	2.5
Purchase of new shares	**–**	–
Balance at 31 December	**(9.2)**	(11.5)

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 (2020 – £0.1). The total number of treasury shares at 31 December 2021 is 3,463,455 (2020 – 4,336,043).

47. Cash and bank balances

	Year ended 2021 £m	Year ended 2020 £m
Cash and cash equivalents comprise:		
Cash	**4.7**	0.7

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.

48. Lease liabilities

When measuring lease liabilities, the Company discounts lease payments using incremental borrowing rates, determined on a lease portfolio basis.

Undiscounted contractual maturity of lease liabilities:	Year ended 2021 £m	Year ended 2020 £m
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**	0.4
	1.3	1.5
Less: future finance charges	**(0.1)**	(0.1)
Lease liabilities	**1.2**	1.4

In 2021, the Company recognised income of £0.1m (2020 – £0.1m) in the Company Income Statement from sub-leasing right-of-use assets and had lease cash outflow of £0.2m (2020 – £0.2m).

As at the date of approving the accounts, the Company has guaranteed £0.5m (2020 – £0.5m) of annual lease commitments of certain current and previous subsidiary entities.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

49. Tax balance sheet

Current tax

The current tax receivable is £nil (2020 – £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 2020	(0.1)	8.2	(0.1)	–	8.0
Credit to income	(0.1)	1.0	–	(1.5)	(0.6)
Charge to equity	–	–	–	–	–
Credit to other comprehensive income	–	(0.5)	–	–	(0.5)
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	**–**	**–**	**–**	**–**	**–**
As at 31 December 2021	**(0.3)**	**18.0**	**(0.4)**	**(3.1)**	**14.2**

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 2021 £m	Year ended 2020 £m
Deferred tax liabilities	**14.2**	6.9

At the Balance Sheet date, the Company has unused capital losses of £15.6m (2020 – £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.

50. Retirement benefit scheme

The Company's defined benefit scheme is shown in Note 34 in the "UK plans funded" column.

51. 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 87 to 107. In 2021, the Company recognised share-based payment expense of £0.7m (2020 – £0.5m) 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

Bloom Energy Corporation is a related party of the Group as Susan Brennan, an independent non-executive Director of the Group, was its Executive Vice-President and Chief Operations Officer until resignation date of 5 August 2021.

In 2021, the Group sold £2.7m (2020 – £2.2m) of components to Bloom Energy Corporation. The gross receivable position as at 31 December 2021 was £0.4m (2020 – £0.4m).

52. Share-based payments

The Company has a number of share-based payment arrangements that existed during 2021, the details of which can be found in Note 33.

For the savings-related share option plan, no shares were exercised in 2021 or 2020. 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. The options outstanding at 31 December 2020 had exercise prices of 219.30p and 207.20p per share, and a weighted average remaining contractual life of 1.7 years.

Share-based payment costs relating to subsidiaries are recharged from the Company.

FIVE-YEAR SUMMARY

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Group income statement					
Revenue					
Continuing operations	**658.7**	733.6	1,110.7	1,082.1	1,023.4
Adjusted operating profit					
Continuing operations	**6.1**	3.7	89.4	91.6	82.6
Amortisation of intangible assets from acquisitions	**–**	(7.7)	(13.1)	(15.4)	(17.1)
Goodwill impairment and write-off	**–**	(134.3)	–	–	–
Net restructuring income/(cost)	**4.4**	(39.0)	(12.1)	–	–
US class action lawsuits	**–**	–	(2.6)	(3.9)	–
Operating profit/(loss)	**10.5**	(177.3)	61.6	72.3	65.5
Investment income/finance costs, net (excluding lease liabilities)	**(5.8)**	(7.8)	(8.1)	(8.8)	(9.3)
Interest on lease liabilities	**(2.6)**	(3.0)	(3.5)	–	–
Net finance income/(cost) of retirement benefits	**0.4**	0.9	0.7	0.2	(0.2)
Corporate undertakings	**21.2**	(4.6)	(22.0)	–	(3.8)
Profit/(loss) before tax	**23.7**	(191.8)	28.7	63.7	52.2
Tax	**0.5**	33.3	0.5	(7.8)	8.1
Profit/(loss) for the year	**24.2**	(158.5)	29.2	55.9	60.3
Depreciation and amortisation of intangibles excluding right-of-use assets	**38.3**	51.4	57.5	56.9	57.9
Depreciation on right-of-use assets	**9.5**	10.2	10.2	–	–
Gross capital expenditure	**21.3**	26.8	64.8	56.3	54.8
Basic earnings/(loss) per share	**5.82p**	(38.20)p	7.04p	12.81p	14.39p
Diluted earnings/(loss) per share	**5.73p**	(38.20)p	7.01p	12.63p	14.30p
Adjusted earnings/(loss) per share	**0.17p**	(0.84)p	16.17p	16.08p	14.39p
Dividends in respect of years – per share	**0.0p**	0.0p	2.28p	7.42p	6.95p
– value	**–**	–	9.5	30.9	29.0
Group Balance Sheet					
Non-current assets excluding right-of-use assets	**463.5**	482.7	651.4	662.0	624.3
Right-of-use assets IFRS 16	**67.4**	72.5	82.3	–	–
Non-current assets	**530.9**	555.2	733.7	662.0	624.3
Net current assets	**110.3**	89.2	102.5	131.0	66.0
Non-current liabilities	**(216.1)**	(251.1)	(276.6)	(221.2)	(158.7)
Net assets	**425.1**	393.3	559.6	571.8	531.6
Net debt pre IFRS 16	**(79.9)**	(129.4)	(145.9)	(153.0)	(155.3)
Lease liabilities IFRS16	**(73.2)**	(76.5)	(83.7)	–	–
Net debt	**(153.1)**	(205.9)	(229.6)	(153.0)	(155.3)
Group cash flow					
Net cash from operating activities	**27.0**	48.9	115.9	100.7	110.9
Corporate undertaking costs	**4.8**	4.6	3.4	–	–
Net Restructuring cash paid	**0.9**	15.2	2.9	–	–
US class action lawsuits	**2.3**	3.9	–	–	–
Interest received	**0.1**	0.2	0.2	0.4	0.4
Proceeds from disposal of property, plant and equipment	**0.2**	0.5	0.7	0.5	1.8
Purchase of property, plant and equipment – cash	**(20.2)**	(25.2)	(63.0)	(54.6)	(52.3)
Purchase of intangible assets	**(1.1)**	(1.6)	(1.8)	(1.7)	(2.5)
Free cash flow	**14.0**	46.5	58.3	45.3	58.3
Dividends paid	**–**	–	(31.2)	(29.6)	(27.9)
Disposal proceeds	**51.7**	0.4	2.9	–	0.4
Corporate undertaking costs	**(4.8)**	(4.6)	(3.4)	–	–
Net Restructuring cash paid	**(0.9)**	(15.2)	(2.9)	–	–
US class action lawsuits	**(2.3)**	(3.9)	–	–	–
Loan to joint venture	**–**	–	–	0.5	0.3
Purchase of shares held by employee benefit trust	**–**	–	(6.3)	(7.2)	(0.1)
Decrease in loans	**(21.1)**	(7.2)	(3.2)	(2.4)	(37.1)
Decrease in lease liabilities	**(8.4)**	(7.9)	(7.8)	(0.3)	(0.5)
Increase/(decrease) in cash and cash equivalents	**28.2**	8.1	6.4	6.3	(6.6)

ADDITIONAL INFORMATION

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, Hertordshire, 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, Hertordshire, 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 Aerospace Bosman B.V.	Senior Aerospace Bosman	Rotterdam, Netherlands	Netherlands	Bergen 6, 2993 LR Barendrecht, Netherlands
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 & Maine, Delaware		
Steico Industries, Inc.	Senior Aerospace Steico Industries	Oceanside, California	USA	818 West Seventh St., Ste. 930, Los Angeles, CA 90017
Senior Aerospace (Thailand) Limited	Senior Aerospace Thailand	Chonburi, Thailand	Thailand	789/115-116 Moo1, Pinthong Industrial Estate, Sainhongkor-Lamchabang Road, Tambol Nhongkham, 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
Flexonics Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Lymington Precision Engineering (LPE) Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Aerospace Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK

GROUP UNDERTAKINGS CONTINUED

Operating Companies	Business Units	Locations		Country of Incorporation
Senior Americas One Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Americas Two Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Automotive Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Atlas Composites Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Engineering Investments Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Five Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Finance Four Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Finance Six Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Finance Seven Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Flexonics Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, WD3 1RH, UK
Senior Trustee Limited			England & Wales	59/61 High Street, Rickmansworth, Hertordshire, 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
Senior Holdings LLC			USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
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 US Holdings Inc			USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Upeca Technologies Sdn Bhd			Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia

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 2021

	Shareholders Number	Shareholders %	Issued Shares Millons	Issued Shares %
By category				
Corporate bodies	**556**	**24.53**	**410.70**	**97.92**
Other shareholders	**1,711**	**75.47**	**8.72**	**2.08**
	2,267	**100.00**	**419.42**	**100.00**

	Shareholders Number	Shareholders %	Issued Shares Millons	Issued Shares %
By range of holdings				
1 – 24,999	**1,947**	**85.88**	**7.02**	**1.68**
25,000 – 49,999	**83**	**3.66**	**2.80**	**0.67**
50,000 – 249,999	**109**	**4.81**	**12.96**	**3.09**
250,000 – 499,999	**38**	**1.68**	**13.80**	**3.29**
500,000 – 999,999	**31**	**1.37**	**22.04**	**5.25**
1,000,000 – and over	**59**	**2.60**	**360.80**	**86.02**
Operating (loss)/profit	**2,267**	**100.00**	**419.42**	**100.00**

Trading profit and adjusted trading profit is operating loss/profit and adjusted operating profit respectively before share of joint venture profit. See Note 9 for the derivation of adjusted operating profit. The number of shares in issue at 31 December 2021 was 419,418,082.

Share Registrars

All shareholder records are maintained by Equinti and all correspondence should be addressed to the Registrar, Senior plc at the Equniti 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 2022 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 2022 AGM Notice of Meeting and Form of Proxy.

OFFICERS AND ADVISERS

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Secretary and registered office
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Registered in England and Wales No. 00282772

Registrars
Equiniti
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.

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