Senior plc

senior

Results for the year ended 31 December 2020

Resilient through the pandemic and positioned for recovery

FINANCIAL HIGHLIGHTS	Year ended 31 December		change	change (constant currency) [4]
	2020	2019		
REVENUE	**£733.6m**	£1,110.7m	**-34.0%**	-33.0%
OPERATING (LOSS)/PROFIT	**£(177.3)m**	£61.6m	**n/m**	n/m
ADJUSTED FOR:				
GOODWILL IMPAIRMENT AND WRITE-OFF	**£134.3m**	£nil		
RESTRUCTURING	**£39.0m**	£12.1m		
OTHER ADJUSTING ITEMS	**£7.7m**	£15.7m		
ADJUSTED OPERATING PROFIT [1]	**£3.7m**	£89.4m	**-96%**	-96%
ADJUSTED OPERATING MARGIN [1]	**0.5%**	8.0%	**-750bps**	-760bps
(LOSS)/PROFIT BEFORE TAX	**£(191.8)m**	£28.7m	**n/m**	n/m
ADJUSTED (LOSS)/PROFIT BEFORE TAX [1]	**£(6.2)m**	£78.5m	**n/m**	n/m
BASIC (LOSS)/EARNINGS PER SHARE	**(38.20)p**	7.04p	**n/m**	
ADJUSTED (LOSS)/EARNINGS PER SHARE [1]	**(0.84)p**	16.17p	**n/m**	
TOTAL DIVIDEND (PAID AND PROPOSED) PER SHARE	**nil p**	2.28p	**-100%**	
FREE CASH FLOW [2]	**£46.5m**	£58.3m	**-20%**	
NET DEBT [2]	**£205.9m**	£229.6m	**£24m decrease**	Net debt / EBITDA 2.8x
ROCE [3]	**0.5%**	11.1%	**-1060bps**	

Summary

- Results significantly impacted by Coronavirus (COVID-19) and 737 MAX
- Strong free cashflow generation of £46.5m
- Restructuring on track and delivering target savings
- Net debt/EBITDA of 2.8x: liquidity headroom of £157.1m: appropriate covenant relaxations in place through 31 December 2021
- 737 MAX returned to service
- Divestiture of Senior Aerospace Connecticut for gross proceeds of $74m (£53m)[5]
- First company worldwide in Aerospace & Defence sector to have emissions reduction targets approved by the Science Based Targets initiative (SBTi)

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

"2020 was an extraordinary year. The Coronavirus pandemic had a profound effect on our markets and customers and although there are some signs of stabilisation, the impact will be with us for some time to come. We are fortunate in having highly capable and experienced leaders in our operating businesses around the world and their leadership throughout this crisis has been inspirational. Our highest priority is always the health, welfare and safety of our employees. They have worked tirelessly and skilfully in response to the changing environment, even as we had to take some very difficult decisions across Senior with many loyal and highly valued colleagues leaving the organisation.

We quickly took action to protect our business with a relentless and effective focus on cash preservation that enabled, in the circumstances, a very strong free cash flow result to be delivered. The restructuring programme, which we launched in 2019 and extended in 2020 has progressed in line with our plans, delivering costs savings to help offset the fall in demand for our products.

We have continued to review the overall portfolio of our businesses and evaluate their strategic fit within the Group and we have announced the divestiture of our stand alone, build-to-print helicopter structures business, Senior Aerospace Connecticut with gross proceeds of £53m.

Looking forward to the rest of 2021, while there remains uncertainty, because of the unpredictable nature of the pandemic, based on our assumptions for our core markets in 2021 and prior to adjusting for the impact from the divestment of Senior Aerospace Connecticut, we would expect overall Group performance to be broadly similar to 2020.

Looking further ahead, our differentiated offering in fluid conveyance and thermal management products; our investment in low carbon and advanced manufacturing technology; our global footprint; our strong track record and commitment to the highest ESG standards; and our positioning in attractive and diverse end markets will help to ensure that we emerge strongly as the recovery starts to take shape."

Further information

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Notes

This Release represents the Company's dissemination announcement in accordance with the requirements of Rule 6.3.5 of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. The full Annual Report & Accounts 2020, together with other information on Senior plc, can be found at: www.seniorplc.com

The information contained in this Release is an extract from the Annual Report & Accounts 2020, however, some references to Notes and page numbers have been amended to reflect Notes and page numbers appropriate to this Release.

The Directors' Responsibility Statement has been prepared in connection with the full Financial Statements and Directors' Report as included in the Annual Report & Accounts 2020. Therefore, certain Notes and parts of the Directors' Report reported on are not included within this Release.

(1) Adjusted operating profit and adjusted loss/profit before tax are stated before £134.3m goodwill impairment and write-off (2019 - £nil, see Note 8 for further detail), £39.0m restructuring (2019 - £12.1m, see Note 4 for further detail), £7.7m amortisation of intangible assets from acquisitions (2019 - £13.1m), and £nil costs associated with US class action lawsuits (2019 - £2.6m). Adjusted loss/profit before tax is also stated before disposal activities of £4.6m (2019 - £22.0m, see Note 14 for further detail). Adjusted operating margin is the ratio of adjusted operating profit to revenue.

(2) See Note 11b and 11c for derivation of free cash flow and of net debt, respectively.

(3) Return on capital employed ("ROCE") is derived from annual adjusted operating profit (as defined in Note 4) divided by the average of the capital employed at the start and end of that twelve-month period, capital employed being total equity plus net debt (as derived in Note 11c).

(4) 2019 results translated using 2020 average exchange rates - constant currency.

(5) Currently assuming exchange rate for the US Dollar to Pound Sterling of $1.40 for the transaction.

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

- EBITDA is adjusted loss/profit before tax (defined in Note 4) before interest (defined below), depreciation, amortisation and profit or loss on sale of property, plant and equipment. It also excludes EBITDA from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16). EBITDA for 2020 was £47.5m.
- Net debt is defined in Note 11c. It is based on frozen GAAP (pre-IFRS 16) and as required by the covenant definition, it is restated using 12-month average exchange rates.

- Interest is finance costs and investment income before net finance income of retirement benefits. It also excludes interest from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16).

The Group's principal exchange rate for the US Dollar applied in the translation of Income Statement and cash flow items at average 2020 rates was $1.29 (2019 - $1.28) and applied in the translation of balance sheet items at 31 December 2020 was $1.37 (31 December 2019 - $1.33). Currently assuming exchange rate for the US Dollar to Pound Sterling of $1.37: £1 average for 2021.

Annual Report

The full Annual Report & Accounts 2020 is now available online at www.seniorplc.com. Printed copies will be distributed on or soon after 20 March 2021.

Webcast

There will be a presentation on Monday 8 March 2020 at 11.00am GMT accessible via a live webcast on Senior's website at www.seniorplc.com/investors. The webcast will be made available on the website for subsequent viewing.

Note to Editors

Senior is an international manufacturing Group with operations in 13 countries. It is listed on the main market of the London Stock Exchange (symbol SNR). Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide aerospace & defence, land vehicle and power & energy markets.

Cautionary Statement

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

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview of 2020 results

Senior delivered strong free cash flow in a period when the coronavirus (COVID-19) pandemic had a profound effect on our markets and customers and the business continued to be impacted by the grounding of the Boeing 737 MAX fleet. Accordingly, sales, adjusted operating profit and adjusted earnings per share all declined in the period.

In our Post-close Market Update on 14 January 2021, we reported that our fourth quarter performance was slightly ahead of the Board's previous expectations. However, the low level of activity which began in the second quarter of 2020, due to the impact of COVID-19 on some of our key end markets, persisted for the remainder of 2020. For the year, the impact was most pronounced in our civil aerospace and power & energy markets, as customers lowered production rates, re-aligned inventory and, early in the pandemic, were initially forced to temporarily close their facilities. Land vehicle end markets were down year-on-year, although our performance in this sector benefited from the partial recovery in the heavy-duty truck and passenger vehicle sectors in the fourth quarter. We are encouraged by the recent wins in Flexonics which help with the medium-term recovery in that Division.

In Aerospace, sales declined 36.6% year-on-year on a constant currency basis, with sales from civil aerospace down 50.5%, partly offset by 6.5% growth in sales from defence. On a quarterly basis, Aerospace sales declined 22% in Q1, 40% in Q2, 45% in Q3 and 39% in Q4 year-on-year. On a sequential basis, Aerospace revenue declined 20% in Q2 relative to Q1 and 18% in Q3 relative to Q2, with growth of 11% in Q4 relative to Q3. The year-on-year reduction reflected the significant cuts in programme production rates by the civil aircraft and engine original equipment manufacturers (OEMs) as many airlines cut capacity, retired older aircraft and deferred deliveries of new aircraft. Further disruption was caused by customers' temporary production closures and rebalancing of inventory throughout the supply chain.

In Flexonics, sales were 23.5% lower year-on-year on a constant currency basis. On a quarterly basis, Flexonics sales declined 23% in Q1, 33% in Q2, 25% in Q3 and 13% in Q4 year-on-year. On a sequential basis, Flexonics revenue declined 20% in Q2 relative to Q1 and 1% in Q3 relative to Q2, with growth of 10% in Q4 relative to Q3. The performance in the second half of the year benefited from improved conditions in the heavy-duty truck and passenger vehicle markets compared to the first half of the year, partly offset by ongoing weakness in the power & energy sector.

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

In response to the evolving market conditions, in 2020, we extended and broadened the scope of our restructuring programme, which is delivering the expected additional cost savings. While these are beneficial, the magnitude of the fall in sales in both Divisions, has materially impacted the Group's adjusted operating margin which decreased by 750 basis points, to 0.5% for the year.

Adjusted profit before tax decreased to a loss of £6.2m (2019 - £78.5m profit). Adjusted earnings per share decreased to a loss of 0.84 pence (2019 – adjusted earnings per share of 16.17 pence).

Reported loss before tax was £191.8m (2019 - £28.7m profit). Basic earnings per share was a loss of 38.2 pence (2019 – basic earnings per share of 7.04 pence).

With a relentless and effective focus on cash preservation, the Group delivered free cash flow of £46.5m (2019 - £58.3m). Our actions on working capital management and controls over capital expenditure have benefited this year's cash result. Gross investment in capital expenditure was £26.8m (representing 0.6x depreciation, prior to the impact of IFRS 16) (2019 - £64.8m) and the Group generated £32.3m (2019 - £3.4m) cash flow from working capital. Reflecting the actions taken, the Group generated net cash flow of £23.2m (2019 - £9.7m) in the year, as free cash flow of £46.5m (2019 - £58.3m) was partly offset by £23.3m (2019 - £11.1m) cash outflows primarily from restructuring and disposal activities and £nil (2019 - £37.5m) payments for dividends and purchase of shares by the employee benefit trust.

The Group's financial position is resilient, with £157.1m of headroom on our committed borrowing facilities at 31 December 2020. The level of net debt at the end of December 2020 was £205.9m (including capitalised leases of £76.5m), a reduction of £23.7m from December 2019 after taking into account favourable currency movements of £2.4m and £1.9m increase for lease movements.

We have undertaken extensive scenario testing for 2021, based on a variety of end market assumptions, while taking account of appropriate cost reduction and cash preservation mitigating actions. The Group's lenders, both banks and US private placement investors, are supportive and we have agreed appropriate covenant relaxations in relation to the December 2020, June 2021 and December 2021 testing periods, as well as the previously discussed additional September 2021 testing period, to provide financial flexibility for the Group. Accordingly, against this set of assumptions, including a severe but plausible downside scenario, our assessment shows that the Group has sufficient liquidity headroom under its existing committed facilities and will comply with all covenant measures throughout the period assessed, being at least 12 months from the date of approval of the Financial Statements. For the testing period ended 31 December 2020, the Group's net debt to EBITDA was 2.8x and interest cover was 6.1x, both comfortably within our agreed covenant limits (which are on a frozen GAAP, pre-IFRS 16 basis).

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 5 March 2021 we announced the divestiture of our Senior Aerospace Connecticut, USA, operating business. The gross proceeds for this divestiture are $74m (£53m). As previously announced, we are also closing our Senior Aerospace Bosman operating business in the Netherlands and our small oil & gas operating business in Malaysia, Senior Flexonics Upeca.

We recognise the importance of the dividend for our shareholders. However, with COVID-19 related market uncertainties persisting the Board believes it is not appropriate to pay a final dividend in the current operating environment.

Senior's response to COVID-19 pandemic

Our highest priority is always the health, welfare and safety of our employees. Around the world, they have worked tirelessly and skillfully in response to the changing environment. All of our businesses are following best practice guidelines and national and local government instructions in the multiple jurisdictions in which we operate. We continue to pay special attention to those in our community who are most vulnerable and are pleased to see the priority being given to vaccinating this group of people in many countries.

The Coronavirus Oversight Committee, chaired by the Group Chief Executive Officer, continues to co-ordinate employee health and welfare and business continuity plans. The actions taken to incorporate appropriate working practices and, where appropriate, provide IT support to enable working from home, have proven to be effective and suitable arrangements were made to ensure we supported our customers throughout the year despite the challenges. The frequency of Board, Executive Committee and Business Review meetings were also increased as the pace of decision-making accelerated.

As it became apparent that the pandemic would lead to a prolonged contraction of some of the Group's end markets, the Board supported actions to conserve cash as the most prudent way to manage through the crisis, including curtailing capital expenditure, tight management of working capital and further cost cutting actions while ensuring investment in development programmes continues. In March 2020, we announced that the Board decided that it would not be appropriate to recommend the payment of the 2019 Final Dividend. The executive Directors, the Chairman and the non-executive Directors reduced their salaries and fees by 20% for a three-month period in 2020 and the other members of the Executive Committee and senior leaders throughout the business also took a reduction in their salaries. The Group also took the decision to furlough employees, where appropriate, in those businesses most affected by the downturn.

The restructuring programme, which commenced in the second half of 2019, was further adapted during 2020 in response to the changing end market conditions. The programme is progressing to plan and delivering the expected benefits.

Restructuring activities include the alignment of headcount to anticipated demand; further efficiency improvements leading to overhead reductions; combining the management of our Aerospace Structures and Aerospace Fluid Systems divisions to form one Aerospace Division; the closure of our Senior Aerospace Bosman operating business in the Netherlands in 2021 and transferring production to our Aerospace facilities in France; the closure of our small Flexonics Upeca business in Malaysia in Q1 2021 which serves the oil & gas sector; and the closure of Senior Aerospace AMT's South Carolina facility in early 2020. In response to the impact the pandemic has had on our end markets, customers have reduced demand and ceased orders on certain programmes. 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 where there is no alternate use. In addition, we redeployed some equipment to better utilise it elsewhere within the Group, for example for use on our growing defence work instead of civil aerospace.

In 2020, the Group recognised a restructuring charge of £39.0m (2019 - £12.1m). This comprised £13.5m (2019 - £4.4m) related to a reduction of 27% in the Group's headcount since June 2019, of which there was a 17% reduction in Flexonics and 31% reduction in Aerospace; £10.5m (2019 - £nil) related to the closures of Senior Aerospace Bosman and Senior Flexonics Upeca; write-down of excess inventory with no alternate use of £8.5m (2019 - £3.4m) and of fixed assets of £5.0m (2019 - £2.9m) primarily relating to programmes with significant reductions in volumes or that have been cancelled or ended; and £1.5m (2019 - £1.4m) for other associated costs. Total cash outflow in 2020 for these activities was £15.2m (2019 - £2.9m) with £36m of savings (2019 - £4m) delivered, mainly related to lower headcount.

With some restructuring activities continuing into 2021, a charge of £2m is anticipated to be incurred in 2021, with a cash outflow of £11m. Cumulative savings are expected to be around £45m by the end of 2021 and will increase to around £50m annualised run rate from 2022.

Market Overview

Civil Aerospace (42% of Group)

The impact of the pandemic led to a severe and unprecedented decline in global air traffic in 2020. As a result, many airlines cut capacity, retired older aircraft and looked to defer deliveries of new aircraft. This led civil aircraft and engine OEMs to announce significant cuts to production rates, impacting programmes on which Senior has content. Further disruption in 2020 was caused by COVID-19 related customers' temporary production closures and rebalancing of inventory throughout the supply chain; an activity that is continuing into 2021.

Overall, the International Air Transport Association ("IATA") reported demand for air travel in 2020 fell 66% year-on-year as a result of COVID-19. Most industry commentators expect air traffic to return to 2019 levels by 2023/2024 and production rates to recover to pre-COVID-19 levels by 2024/2025 for single-aisle aircraft with wide-body expected to take longer to recover. As demand recovers, production for new aircraft will be supported by the replacement cycle driven by the accelerated 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. Senior has good content on all the newer aircraft so is well positioned to benefit from the expected medium-term market recovery.

Single-aisle aircraft production had been expected to grow in 2020. However, the sudden and prolonged reduction in air traffic led Airbus to reduce its A320 programme production rates to 40 per month in 2020. In January 2021, Airbus announced they expect A320 production to increase to rate 43 per month in Q3 2021 and thereafter to 45 per month in Q4 2021. This compares to the pre-pandemic anticipated ramp up to rate 63 per month in 2021. Production on Boeing's 737 MAX was at a low level throughout 2020 and it is encouraging that the 737 MAX has now been recertified and returned to service. This enabled Boeing to resume deliveries of new aircraft, with 27 being delivered to airlines in December 2020. Boeing reported c. 426 finished 737 MAX aircraft in inventory at year-end and announced it expects production to gradually increase from its current low rate to 31 per month in early 2022, with further gradual increases corresponding to market demand. While there remains inventory in the supply chain to be utilised, with an order backlog around 3,200 aircraft, we expect this programme to be successful in the medium to long term.

As we entered 2020, the wide-body sector was facing over-capacity concerns on certain core long-haul routes. International travel has seen the biggest impact as a result of the pandemic so recovery in this sector is expected to take longer than domestic routes which are typically served by single-aisle aircraft. Airbus announced production of the A330neo has been reduced from a build rate of 3.5 at the start of 2020 to 2 per month and A350 deliveries are now expected to equate to a build rate of around 5 per month, compared to between 9 and 10 per month that had been previously expected. Boeing also announced production cuts to its wide-body programmes. On the 787 platform the production rate was reduced to 10 per month in the second half of 2020, down from 14 per month previously, with the company announcing a further reduction to a rate of 5 per month in March 2021. The 777/777X combined production rate is expected to reduce to 2 per month in 2021, with the latest estimate from Boeing for the first delivery of the 777X in late 2023.

In business jets, flight activity in 2020 showed this area to be somewhat more resilient than large commercial aerospace. Bombardier reported their business jet deliveries for the year were down approximately 20% year-on-year due to the pandemic compared to a decline in deliveries of over 40% in the wider large commercial aerospace market. In 2020, Bombardier recorded 35 deliveries of its Global 7500, which, in June 2020, received business aviation's first-ever Environmental Product Declaration (EPD), a third-party verification of the aircraft's life cycle environmental footprint. In regional jets, Airbus recently indicated its intention to increase its rate of production on the A220 programme from 4 to 5 aircraft per month from the end of Q1 2021. However, Mitsubishi Aircraft confirmed they had suspended the development of the M100 (redesign of the stretched MRJ70) and of the rebranded Mitsubishi Aircraft SpaceJet M90, although it will continue to work on the certification documentation. In addition, Embraer have rescheduled the start of operations of the E175-E2 jet until 2023.

Defence (22% of Group)

Senior's sales to the Defence sector represented 22% of Group revenue in 2020. The US defence market remains robust and global defence spend has not been significantly affected throughout the pandemic. Key growth programmes include the F-35 as well as new aircraft such as the USAF T-7A Red Hawk. These growth programmes will be important franchises for decades to come and Senior is well placed with good content on each one. Mature programmes such as the C-130 transport aircraft continue in series production.

Other Aerospace (8% of Group)

Sales from our Aerospace operating businesses into end markets outside of the civil aerospace and defence markets are classified under "Other Aerospace" and include sales into the space and semi-conductor equipment markets. The growing space satellite sector has created opportunities with new customers who value the high quality and on-time delivery performance of our civil aerospace businesses. The semi-conductor equipment market was expected to have a strong year in 2020 and proved to be even stronger than anticipated, with increasing Integrated Circuit demand which drives the need for additional and new technology systems to manufacture semi-conductor devices. Our proprietary products using our world class bellows technology provide excellent solutions for these applications.

Land Vehicle (12% of Group)

In Flexonics, Land Vehicle markets continue their recovery with Americas Commercial Transportation ("ACT") Research reporting that North American heavy-duty truck production only declined 38% year-on-year in 2020 compared to the pre-pandemic expectation of a decline of 34% at the time of our FY19 results in March 2020. ACT expects a rebound in production in 2021, upgrading their most recent forecasts to a growth of c.41% in North American heavy-duty truck production and of c.10% in North American medium-duty diesel truck market in 2021. Increasing adoption of electrification for both land vehicle and stationary power applications continues. This market is fast growing and represents a major opportunity in the medium and long term for Senior, particularly for its proprietary battery cooling technology.

Power & Energy (16% of Group)

In power generation, the International Energy Agency ("IEA") projects that global electricity demand fell by around 2% in 2020, the biggest annual decline since the mid-20th century driven by the decline in global GDP in the year. Notwithstanding this, there was some growth in renewable and nuclear generation capacity. The significant decline in air and land travel contributed to an excess of crude oil supply over demand and the mothballing of some upstream oil and gas capacity in 2020. Some operators in the oil and gas markets have cut production and are exploring new business opportunities in low carbon or carbon-neutral energy technologies. However, as economic activity recovers, demand for oil and gas is expected to increase.

We are continuously reviewing the shape of the recovery in our end markets and are ensuring our businesses are aligned appropriately.

Delivery of Group Strategy

We have continued to focus on strategy implementation in 2020, while at the same time prioritising health and safety, liquidity and cash preservation, and business continuity during the pandemic. The strategy supports a minimum pre-tax return on capital employed (ROCE) target of 13.5% over the medium-term on a post IFRS 16 basis.

The Board continuously reviews the strategy and has affirmed the importance of the six strategic priorities that underpin our business model:

1. Enhance Senior's Autonomous and Collaborative Business Model
2. Focus on Growth
3. Introduced a High Performance Operating System
4. Competitive Cost Country Strategy
5. Considered and Effective Capital Deployment
6. Talent Development

Further details including our plans for 2021 are noted on pages 24 and 25 of the Annual Report & Accounts 2020.

Technology and product design and development

Our investments in new technology and product design and development in the areas of fluid conveyance, thermal management and additive manufacturing are progressing well.

In fluid conveyance, our bellows technology can be applied to a broad range of custom solutions across a diverse range of attractive end markets. For example, semi-conductor and medical equipment as well as aerospace products. The recent investment in, and expansion of Senior Aerospace Metal Bellows, our IP-rich Fluid Systems business based in Massachusetts, USA, is enabling the Group to secure annuity business in a variety of end markets. Elsewhere, we have been awarded several fluid handling projects for electric vehicle (EV) and hybrid applications and have entered into co-development arrangements with commercial vehicle OEMs for light-weight engine exhaust components.

In thermal management our intellectual property can be used to prolong battery life, a key determinant of electric and hybrid vehicle economics. Having already commenced production of our 70kW battery cooler, our first electric vehicle application, we have numerous development projects with a variety of battery manufacturers and land vehicle OEMs. For instance, we are delivering prototypes for a high-performance electronic heat exchanger for next generation fast charging hybrid and electric vehicle platforms; we are developing a new concept, high performance next generation EGR cooler for hybrid applications with a major OEM; and prototyping the use of lighter grade materials for battery cooling for demanding performance requirements with niche OEMs. In addition to vehicle applications, we are also working with customers on future cooling solutions for stationary power storage.

In our Flexonics Division, we produce products in the energy sector specifically related to hydrogen fuel cell technology. Senior has been building on this capability for a number of years, with some products being in service for over ten years. As interest expands in hydrogen fuel cells as a power source, we have established a global team to develop and deliver solutions for this evolving market. We are working with developers of both solid oxide fuel cells (“SOFC”), which are mostly used for stationary power applications, and proton exchange membrane (“PEM”) fuel cells, which are used in stationary, mobile or automotive applications, to use our fluid conveyance and thermal management expertise to develop and produce solutions for hydrogen handling and fuel cell and electrolyser construction.

Our Advanced Additive Manufacturing Centre (“AAMC”) in Burbank, California, USA, works collaboratively across the Group and is focused on designing and manufacturing metallic additive products to reduce cost, weight, and overall cycle time. The centre is being utilised heavily by our Aerospace businesses and is generating revenue. We have a number of patents pending, have products going through customer qualification processes and have delivered the first duct manufactured using this process in 2020.

Elsewhere we are also designing and manufacturing parts using additive technology in other materials. For instance, at Senior Aerospace BWT, based in Cheshire, UK, an additive manufacturing centre was constructed within the facility in 2020. Thermoplastic additive manufacturing has continued to move forward there with parts now flying on three aircraft platforms, and a fourth larger customer programme nearing qualification completion in the first quarter of 2021, with production ramp up thereafter.

Thermoplastic composite development has continued to progress well throughout 2020, albeit at a pace aligned with the COVID-19 impacted aerospace sector. Product qualification with the launch customer is underway and expected to complete in the first quarter of 2021, with product delivery expected in March 2021 followed by production ramp up through the year.

A number of important new contracts were awarded in 2020, building on our current relationships and differentiated technology. More information on these contracts is given in the Aerospace and Flexonics Divisional Reviews.

Capital Deployment

Following several years of high capital investment to support growth, we are now past the peak investment phase and, while we retain the capacity to make appropriate investments, we expect future capital investment to be at more normal levels. We continue to follow our return on capital targets and capital deployment policy whilst ensuring our pricing discipline is firm.

The Group continuously reviews its overall portfolio of operating businesses and evaluates them in terms of their strategic fit within the Group. Last year three more non-core businesses were disposed of as part of our Prune To Grow activity. As reported in our trading update in April 2020, Senior had previously confirmed that it was reviewing strategic options for its Aerostructures business, which included a potential divestment of the Division. Although we received strong interest for the business, the Group determined that it was in the best interests of Senior and its stakeholders for the Aerostructures business to remain within the Group. With its global footprint, this business is well positioned to benefit from the expected gradual recovery in commercial aerospace markets and has opportunities for some further diversification into space and defence sectors.

On 5 March 2021, we announced the divestment of our Senior Aerospace Connecticut, USA, operating business for gross proceeds of $74m (£53m). This is the only business in the Group whose primary focus is build-to-print parts for the rotary sector and, while it is a very capable business, we feel that it is a better fit in a larger business focusing on that market. Net proceeds will be used to further strengthen Senior’s balance sheet and provide greater flexibility for the Group to operate within its capital deployment framework.

In addition, we have previously reported the planned closure of our Senior Aerospace Bosman operating business in the Netherlands in 2021, with the transfer of production to our Aerospace facilities in France, and the closure of our small Flexonics Upeca business in Malaysia in Q1 2021 which serves the oil & gas sector.

Environmental, Social and Governance ("ESG")

ESG remains a very high priority for Senior. Some of our achievements to highlight since 2015 include:

- Reduced our Lost Time Injury Rate ("LTIR") by 69% by December 2020
- Reduced our Total Recordable Injury Rate ("TRIR") by 63% by December 2020
- Reduced total Scope 1 and 2 carbon emissions by 8,115 tonnes by 2019
- Decreased carbon intensity by 33% (£M revenue per tonne CO_2e) by 2019
- Increased waste recycling from 82% to 93% in 2020
- Secured approval of our greenhouse gas emission reduction targets under the Science Based Target Initiative in June 2020
- Achieved CDP scores amongst the highest in our peer group companies in the years 2015 to 2020, with Leadership Scores in both Climate and Supplier Engagement in 2019 and 2020
- Early adopters of Hampton-Alexander Review Board and Executive gender diversity targets which we continue to meet.

Environment

Senior has set independently verified industry leading goals to reduce greenhouse gas emissions and is developing products to support a low carbon future.

Senior's sustainability commitments are aligned to a "net zero" carbon environment. Net zero means achieving a world balance between the greenhouse gases put into the atmosphere and those taken out. Senior has set ambitious "Science Based Targets", which have been independently verified, to support this goal.

In fact, we became the first company in our sector, in 2020, to have these greenhouse gas emission reduction targets verified by the Science Based Target Initiative ("SBTi"). The SBTi is a collaboration between CDP, the United Nations Global Compact, World Resources Institute ("WRI") and the World-Wide Fund for Nature ("WWF"). The SBTi defines and promotes best practice in science-based target setting and independently assesses companies' targets. Our verified targets from our operations (scope 1 and 2) are consistent with reductions required to limit climate warming to 1.5°C, the most ambitious goal of the Paris Agreement. In addition, Senior maintained a "Leadership" rating of A- in 2020 from the globally recognised Carbon Disclosure Project: the first UK Company in our sector to achieve a leadership rating.

Further details on these areas and our plans for 2021, are noted on pages 14 to 23 of the Annual Report & Accounts 2020 and a summary of ESG information is now available online at www.seniorplc.com.

Health & Safety

The Health & Safety of our employees is always Senior's highest priority. During 2020 we improved LTIR by a further 27% and TRIR by 36%. To ensure new COVID-19 Health & Safety measures were fully effective, and our staff felt secure in the implementation of the new procedures, Senior introduced a Coronavirus module into our Essential Behaviours safety programme.

Employee Engagement

Employee engagement has been even more important this year and we focused on communications using different approaches to deliver information as well as gather feedback. We ran a Group-wide employee engagement survey to gather feedback on our response to the COVID-19 crisis. Using the comprehensive survey feedback, our business leaders were able to review areas of good practice and areas for improvement with appropriate actions deployed.

Mindful, that in times of crisis, corporate governance remains of critical importance, in H1 2020 we launched our 2020 Code of Conduct training via our online training platform. A key focus was cyber security: of particular importance given the greater proportion of employees who have been working from home in the period.

Diversity & Inclusion

Senior continues to focus on Diversity and Inclusion and is an active participant in the 30% Club, which focuses on gender diversity on Boards and senior leadership teams. Women represent 43% of our Board membership and 38% of our Executive Committee. More recently, the 30% Club adopted the Parker Review recommendation to set a new 2023 target on ethnic diversity in senior teams, which our Board and Executive Committee already meet. To reinforce our focus on Diversity and Inclusion, we introduced a new module on unconscious bias to our Code of Conduct training in 2020.

Community

Some of our manufacturing facilities have stepped up to the challenge of supporting healthcare organisations. For example, in the UK we are manufacturing and supplying tens of thousands of personal protective equipment (PPE) items to NHS trust hospitals, care homes and medical practices as well as small businesses in local communities.

Outlook

Although there are some signs of stabilisation, the Coronavirus pandemic is expected to continue to have a profound effect on some of our end markets in 2021 and beyond. In light of these ongoing challenging market conditions, Senior has undertaken mitigating actions and extended its restructuring programme.

For 2021 our current market assumptions are:

- Production volumes for civil aerospace will be lower in 2021 than 2020 based on the production rates that the aircraft and engine OEMs have announced. We also recognise that there are varying levels of inventory in different tiers of the supply chain.
- Defence markets are anticipated to remain stable.
- Based on independent industry forecasts, heavy-duty truck and passenger vehicle markets are expected to continue to recover in 2021.
- In power & energy markets, recovery in the oil & gas sector is unlikely before 2022.

While there remains uncertainty, because of the unpredictable nature of the pandemic, based on these assumptions and prior to adjusting for the impact from the divestment of Senior Aerospace Connecticut, we would expect overall Group performance to be broadly similar to 2020[(1)].

Looking further ahead, our differentiated offering in fluid conveyance and thermal management products; our investment in low carbon and advanced manufacturing technology; our global footprint; our strong track record and commitment to the highest ESG standards and our positioning in attractive and diverse end markets will help to ensure that we emerge strongly as the recovery starts to take shape.

DAVID SQUIRES
Group Chief Executive Officer

(1) Currently assuming exchange rate for the US Dollar to Pound Sterling of $1.37: £1 average for 2021.

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 72% (2019 – 75%) of Group revenue and consists of 18 operations. These are located in North America (nine), the United Kingdom (four), continental Europe (three), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby 2019 results have been translated using 2020 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 restructuring. The Division's operating results on a constant currency basis are summarised below:

	2020	2019 [(1)]	Change
	£m	£m	
Revenue	**526.2**	830.3	-36.6%
Adjusted operating profit	**5.9**	75.9	-92.2%
Adjusted operating margin	**1.1%**	9.1%	-800 bps

(1) 2019 results translated using 2020 average exchange rates - constant currency.

Divisional revenue decreased by £304.1m (36.6%) to £526.2m (2019 – £830.3m) whilst adjusted operating profit decreased by £70.0m (92.2%) to £5.9m (2019 – £75.9m).

Revenue Reconciliation	**£m**
2019 revenue	830.3
Civil aerospace	(309.8)
Defence	9.7
Other	(4.0)
2020 revenue	**526.2**

Revenue in the Aerospace Division was significantly reduced as a result of the ongoing impact of COVID-19 and the 737 MAX situation. On a quarterly basis, Aerospace revenue declined 22% in Q1, 40% in Q2, 45% in Q3 and 39% in Q4, year-on-year. On a sequential basis, Aerospace revenue declined 20% in Q2 relative to Q1 and 18% in Q3 relative to Q2, with growth of 11% in Q4 relative to Q3. The year-on-year reduction reflected the substantial cuts in programme production rates by the civil aircraft and engine OEMs as many airlines cut capacity, retired older aircraft and deferred deliveries of new aircraft. Further disruption was caused by temporary customer production closures and rebalancing of inventory throughout the supply chain.

The civil aerospace sector was the most impacted with Senior's sales decreasing by 50.5% compared to prior year. Airbus and Boeing deliveries of their single aisle aircraft, A320neo and 737 MAX were down 36% year-on-year and deliveries of their wide-body aircraft were down 54%.

Total revenue from the defence sector increased by 6.5% during the period, primarily due to the ramp-up of the Joint Strike Fighter, CH-53 K King Stallion and higher demand for other defence products including the Black Hawk helicopter.

Revenue derived from other markets such as space, non-military helicopters, power & energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products, decreased by £4.0m as growth from space and the semi-conductor equipment market was offset by weaker sales to non-military helicopter and power & energy markets.

The significant reduction in revenue materially impacted the divisional adjusted operating margin, partially mitigated by additional savings from the restructuring programme. The net impact was a decrease of 800 basis points to 1.1% (2019 – 9.1%).

In 2021, Aerospace revenue is set to be at least as challenging as 2020 given the current customer-announced production rates. While it is likely to take several years for air traffic to return to 2019 levels, the demand for air travel is expected to continue to grow in the medium and long-term. 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. A shift towards greater utilisation of single-aisle airframes over wide-body is also anticipated. With more favourable economics, single-aisle airframes are likely to experience a faster recovery than for wide-body aircraft. Senior is well positioned to take advantage of this dynamic with product on both Boeing and Airbus single-aisle programmes.

Senior also has the potential to add content on existing programmes in civil aerospace, defence and space. Our customers recognise and appreciate the global footprint, financial strength and stability of Senior. Our businesses are well capitalised with equipment that can be utilised across civil, defence and space sectors. New contracts of note that were signed in 2020 include:

- In April, the Aerospace Division secured a contract extension with MTU Aero Engines for the supply of Pratt & Whitney Geared Turbofan engines airfoils. The contract extension represents an additional ten years to the existing term and demonstrates the strong partnership Senior Aerospace has developed with MTU. This is a dual source arrangement from Senior Aerospace Thailand and Senior Aerospace Weston, UK which provides optimum risk mitigation for our customer.
- In October, Senior Aerospace Thailand announced a multi-year contract with Pratt & Whitney Canada as a supplier of precision machine parts of the PW800 engine series, commencing immediately.

Flexonics Division

The Flexonics Division represents 28% (2019 – 25%) of Group revenue and consists of 12 operations which are located in North America (four), continental Europe (two), the United Kingdom (two), South Africa, India, Malaysia and China where the Group also has a 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 2019 results have been translated using 2020 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions, goodwill write-off and restructuring. The Division's operating results on a constant currency basis are summarised below:

	2020	2019 [(1)]	Change
	£m	£m	
Revenue	**208.3**	272.3	-23.5%
Adjusted operating profit	**11.0**	26.0	-57.7%
Adjusted operating margin	**5.3%**	9.5%	-420bps

(1) 2019 results translated using 2020 average exchange rates - constant currency.

Divisional revenue decreased by £64.0m (23.5%) to £208.3m (2019 – £272.3 m) and adjusted operating profit decreased by £15.0m (57.7%) to £11.0m (2019 – £26.0m).

Revenue Reconciliation	**£m**
2019 revenue	272.3
Land vehicles	(32.0)
Power & energy	(32.0)
2020 revenue	**208.3**

Economic forecasts at the start of the year suggested that Flexonics' cyclical end markets would decline in 2020, before recovering in 2021, and Flexonics revenue was expected to be lower in 2020 compared to 2019. However, these declines were further exacerbated by the impact of COVID-19 on the land vehicle and the oil and gas markets with many of our customers temporarily shutting production facilities and reducing output once reopened. This resulted in Flexonics sales decreasing by 23.5% compared to prior year. On a quarterly basis, Flexonics sales declined 23% in Q1, 33% in Q2, 25% in Q3 and 13% in Q4, year-on-year. On a sequential basis, Flexonics revenue declined 20% in Q2 relative to Q1 and 1% in Q3 relative to Q2, with growth of 10% in Q4 relative to Q3. The performance in the second half of the year benefited from improved conditions in the heavy-duty truck and passenger vehicle markets compared to the first half of the year, partly offset by continuing weakness in the oil & gas sector.

Group sales to land vehicle markets decreased by 26.4%. Senior's sales to the North American truck and off-highway market decreased by £19.0m (28.0%), as market production of heavy-duty diesel trucks declined by 38.0%. Sales to the rest of world truck and off-highway markets decreased by £4.9m (20.4%), due to substantial declines in the truck and off-highway markets in Europe, India and China. Group sales to passenger vehicle markets decreased by £8.1m (27.6%) in the year, reflecting lower end market demand.

In the Group's power & energy markets, sales decreased by £32.0m (21.2%) in the year. Sales to oil and gas markets decreased by £20.5m (32.2%), as result of weaker demand, particularly for upstream activity. The considerable decline in land and air travel contributed to an excess of crude oil supply over demand and the mothballing of some upstream capacity. Downstream oil and gas activity was lower year-on-year as some maintenance projects were deferred by customers. Sales to power generation markets decreased by £5.8m (14.1%) as customer demand was impacted by the pandemic, partly offset by some higher sales into nuclear power in North America. Sales to other industrial markets decreased by £5.7m (12.3%) as demand was impacted by lower activity due to the pandemic.

The significant reduction in revenue materially impacted the divisional adjusted operating margin, partially mitigated by additional savings from the restructuring programme. The net impact was a decrease of 420 basis points to 5.3% (2019 – 9.5%).

Current economic forecasts suggest that land vehicle markets will continue to improve into 2021. ACT Research is forecasting a 41% increase in North American heavy-duty truck production in 2021. The North American medium-duty diesel truck market is also forecasting to increase by 10% in 2021. Oil and gas markets continue to be challenging in the near term given the low levels of drilling activity and inventory levels at our customers. We therefore anticipate modest revenue growth in Flexonics in 2021.

Looking further ahead, the truck, off-highway and passenger vehicle sectors continue to present growth opportunities for the Flexonics Division. Market penetration and growth of electric vehicles will depend on a number of factors such as vehicle type, customer acceptance and level of government support. Senior's technology solutions are applicable across a wide range of land vehicles as the transition to electric powertrains takes place. We are developing solutions for electric land vehicle applications as well as the next generation of more efficient internal combustion engines ("ICE").

Our fluid conveyance and thermal management expertise is being used to develop fluid and air handling products that extend battery life and enhance fuel cell efficiencies; our Battery Heat Exchanger technology has now entered series production for use in commercial vehicle applications; and we are currently in discussion with a number of customers to develop similar solutions for off-highway, passenger vehicle and stationary power applications.

We will continue to focus our development efforts on differentiated technology and products, applicable across a diverse range of attractive industrial markets. In 2020, new contracts of note that were signed include:

- In July, the Flexonics Division in Germany was awarded a contract with Daimler Truck AG to manufacture and supply Exhaust Gas Recirculation Bellows and Exhaust Manifolds for their new Heavy-Duty Engine Platform.
- Senior Flexonics secured new contracts with three major European passenger and commercial vehicle manufacturers for battery cooling pipes, drain tubes and turbo oil feed tubes with production starting in 2020, 2022 and 2023. The work will be performed in our cost competitive facilities in Olomouc, Czech Republic and Cape Town, South Africa.

OTHER FINANCIAL INFORMATION

Group revenue

Group revenue was £733.6 m (2019 - £1,110.7m). Excluding the adverse exchange rate impact of £8.6m, Group revenue decreased by £368.5m (33.4%), with revenue lower in both Aerospace and Flexonics year-on-year.

Operating loss/profit

Adjusted operating profit decreased by £85.7m (95.9%) to £3.7m (2019 – £89.4m). Excluding the adverse exchange rate impact of £0.6m, adjusted operating profit decreased by 95.8% on a constant currency basis. After accounting for £7.7m amortisation of intangible assets from acquisitions (2019 – £13.1m), £134.3m goodwill impairment and write-off (2019 – £nil), £39.0m restructuring (2019 – £12.1m) and £nil costs associated with the US class action lawsuits (2019 – £2.6m), reported operating loss was £177.3m (2019 – £61.6m profit).

The Group's adjusted operating margin decreased by 750 basis points, to 0.5% for the full year. The significant reduction in revenue materially impacted the adjusted operating margin, partially mitigated by savings from the restructuring programme as well as our focus on cost management activities.

The Group has participated in the job retention schemes made available in some countries as part of their coronavirus relief measures to help ease the impact COVID-19 otherwise would have had, including potential additional headcount reductions. Grant income from such schemes of £9.0m was recorded in the year and offset against the associated payroll costs.

Finance costs and investment income

Finance costs, net of investment income decreased to £9.9m (2019 – £10.9m) and comprise IFRS 16 interest charge on lease liabilities of £3.0m (2019 – £3.5m), net finance income on retirement benefits of £0.9m (2019 – £0.7m) and net interest charge of £7.8m (2019 – £8.1m). The decrease was mainly due to lower lease liabilities, higher retirement benefit asset position in the UK at the beginning of 2020 compared to the beginning of 2019, and the repayment in October 2020 of $20.0m (£14.6m) US Private Placement Note carrying a high interest rate.

Tax charge

The adjusted tax rate for the year was 43.5% credit (2019 – 14.5% charge), being a tax credit of £2.7m (2019 – £11.4m charge) on adjusted loss before tax of £6.2m (2019 – £78.5m profit). The adjusted tax rate for the year benefits from the recognition of prior year adjustment credits in the US arising from measures in the US CARES Act (Coronavirus Aid, Relief and Economic Security Act) that are effective retrospectively and resulted in amendments to our prior year tax filings.

The reported tax rate was 17.4% credit, being a tax credit of £33.3m on reported loss before tax of £191.8m. This included £30.6m tax credit against items excluded from adjusted loss before tax, of which £21.7m related to the reversal of deferred tax liabilities held against goodwill impaired in the year. The 2019 reported tax rate was 1.7% credit, being a tax credit of £0.5m on reported profit before tax of £28.7m. This included the tax credit of items excluded from adjusted profit before tax of £8.3m and an exceptional non-cash tax credit of £3.6m on recognition of a deferred tax asset related to restricted interest deductions in the US.

Cash tax paid was £3.5m (2019 – £5.3m) and is stated net of refunds received of £0.3m (2019 – £0.8m) of tax paid in prior periods. Due to the phasing of corporation tax, payments during the year largely relate to taxable profits arising in the prior year and are lower than they would otherwise have been as a result of coronavirus relief measures in some countries allowing the deferral of tax bills normally due in 2020 into 2021 of £2.3m.

Loss/earnings per share

The weighted average number of shares, for the purposes of calculating undiluted loss/earnings per share, decreased to 414.9 million (2019 – 415.0 million). The decrease arose principally due to shares purchased by the employee benefit trust during 2019. The adjusted loss per share was 0.84 pence (2019 – adjusted earnings per share of 16.17 pence). Basic loss per share was 38.20 pence (2019 – basic earnings per share of 7.04 pence). See Note 7 for details of the basis of these calculations.

Return on capital employed (ROCE)

ROCE, a key performance indicator for the Group as defined above, decreased by 1060 basis points to 0.5% (2019 – 11.1%) and was below the Group's cost of capital. The decrease in ROCE was a result of the reduction in adjusted operating profit compared to prior year, partly offset by lower average capital employed mainly due to the impairment and write-off of goodwill.

Cash flow

The Group generated strong free cash flow of £46.5m in 2020 (2019 - £58.3m) as set out in the table below:

	2020 £m	2019 £m
Operating (loss)/profit	**(177.3)**	61.6
Amortisation of intangible assets from acquisitions	**7.7**	13.1
Goodwill impairment and write-off	**134.3**	–
Restructuring	**39.0**	12.1
US class action lawsuits	**–**	2.6
Adjusted operating profit	**3.7**	89.4
Depreciation (including amortisation of software)	**53.9**	54.6
Working capital and provisions movement, net of restructuring items	**32.3**	3.4
Pension payments above service cost	**(5.0)**	(8.7)
Other items[(1)]	**2.0**	0.0
Interest paid, net	**(10.6)**	(11.0)
Income tax paid, net	**(3.5)**	(5.3)
Capital expenditure	**(26.8)**	(64.8)
Sale of plant, property and equipment	**0.5**	0.7
Free cash flow	**46.5**	58.3
Dividends paid	**–**	(31.2)
Disposal costs and net debt left in the businesses in excess of proceeds	**(4.2)**	(8.2)
Purchase of shares held by employee benefit trust	**–**	(6.3)
Restructuring cash paid	**(15.2)**	(2.9)
US Class action lawsuits	**(3.9)**	–
Net cash flow	**23.2**	9.7
Effect of foreign exchange rate changes	**2.4**	7.3
IFRS 16 non-cash additions and modifications after disposals	**(1.9)**	2.5
Change in net debt	**23.7**	19.5
Opening net debt	**(229.6)**	(249.1)
Closing net debt	**(205.9)**	(229.6)

(1) Other items comprises £3.0m share-based payment charges (2019 – £1.8m), £(0.2m) profit on share of joint venture (2019 – £(0.4m)), £(0.7m) working capital and provision currency movements before £0.5m foreign exchange loss recycled to the Income Statement on restructuring activities (2019 – £(1.4m)) and £(0.1m) profit on sale of fixed assets (2019 – £nil).

Capital expenditure

Gross capital expenditure of £26.8m (2019 – £64.8m) was 0.6 times depreciation excluding impact of IFRS 16 (2019 – 1.5 times). The disposal of plant, property and equipment raised £0.5m (2019 – £0.7m). As previously advised, following several years of high capital investment to support growth, we are now past the peak investment phase and can expect future capital investment to be at more normal levels. In the near term, as we did in 2020, we will continue to focus on conserving cash including carefully managing capital expenditure. Where possible we are redeploying equipment to better utilise it in the Group, for example for use on our growing defence and space programmes instead of civil aerospace. 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 £41.4m in 2020 to £106.0m (2019 – £147.4m) mainly due to a reduction in receivables and inventories, partly offset by a reduction in payables. This reflected our relentless and effective focus on working capital management as we aligned to reduced activity levels in some of our end markets as a result of the pandemic. We introduced a Group-wide initiative focusing on inventory reduction with identified inventory champions in each operating business, ensuring each business had the right tools to define its own inventory reduction plan and the responsibility to deliver on it.

The Group also benefited from coronavirus relief measures in some countries allowing the deferral of indirect taxes normally due in 2020 into 2021/2022 of £6.7m.

Goodwill

The reduction in goodwill from £297.1m at 31 December 2019 to £165.0m at 31 December 2020 reflects goodwill impairment and write-off of £134.3m and an increase of £2.2m due to foreign exchange differences. During the first half of 2020, an impairment of £110.5m was recognised in relation to the goodwill allocated to the Aerostructures CGU group, reflecting the significant impact of COVID-19 on the short to medium term outlook for the civil aerospace sector. The pandemic has led to a severe decline in global air traffic and as a result many airlines have cut capacity, retired older aircraft and deferred deliveries of new aircraft. Accordingly, civil aircraft and engine OEMs have announced significant cuts to programme production rates. During the second half of 2020, goodwill of £23.8m was written-off in respect of the decisions to close the Senior Aerospace Bosman and Senior Flexonics Upeca Malaysia operating businesses.

Net debt

Net debt which includes IFRS 16 lease liabilities decreased by £23.7m to £205.9m at 31 December 2020 (31 December 2019 – £229.6m). As noted in the cash flow above, the Group generated net cash flow of £23.2m (as defined in Note 11(c) of the Financial Statements) and benefited from £2.4m favourable foreign currency movements, partially offset by £1.9m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £76.5m (31 December 2019 – £83.7m) decreased by £16.5m to £129.4m at 31 December 2020 (31 December 2019 – £145.9m).

Funding and Liquidity

As at 31 December 2020, the Group's gross borrowings excluding leases and transaction costs directly attributable to borrowings were £154.4m (31 December 2019 – £163.0m), with 62% of the Group's gross borrowings denominated in US Dollars (31 December 2019 – 64%). Cash and bank balances were £23.6m (31 December 2019 – £15.8m).

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

	Gross borrowings [1] £m	Committed facilities £m
Within one year	0.4	-
In the second year	15.4	48.8
In years three to five	91.7	190.8
After five years	46.9	46.9
	154.4	286.5

(1) Gross borrowings include the use of bank overdrafts, other loans and committed facilities, but exclude leases of £76.5m and transaction costs directly attributable to borrowings of (£1.4m).

At the year-end, the Group had committed facilities of £286.5m comprising private placement debt of £132.3m and revolving credit facilities of £154.2m. The Group is in a strong funding position, with headroom at 31 December 2020 of £157.1m under its committed facilities.

In July 2020, the Group refinanced its US revolving credit facility of $50.0m (£36.5m) and extended the maturity to June 2022. In October 2020, the Group repaid its $20.0m (£14.6m) US Private Placement Note on maturity.

The weighted average maturity of the Group's committed facilities at 31 December 2020 was 3.8 years.

The Group has £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 Highlights) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest (defined in the Notes to the Financial Highlights) 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 2020, the New Covenants required the Group's net debt to EBITDA must not exceed 6.0x, interest cover must be higher than 2.0x and liquidity headroom must be higher than £40.0m. At 31 December 2020, the Group's net debt to EBITDA was 2.8x and interest cover was 6.1x, both within the Existing Covenants and comfortably within the New Covenants limits. The Group's liquidity headroom at £157.1m was also comfortably within covenant limits.

UK withdrawal from the European Union

The Group's Brexit Committee undertook detailed reviews 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. While we do not anticipate a significant direct impact from Brexit on the Group's activities, we remain alert to any longer-term impact of Brexit on macroeconomic conditions. Our assessment is that any direct or indirect impact from Brexit will be limited given the Group's global positioning.

Going concern and viability

In accordance with provisions 30 and 31 of the 2018 UK Corporate Governance Code, the Directors have concluded that there is a reasonable expectation as to the Group's longer-term viability and have continued to adopt the going concern basis in preparing the Financial Statements. The full viability statement can be found on page 46 of the Annual Report & Accounts 2020.

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

In forming their conclusion, the Board has undertaken a rigorous assessment of the financial forecasts, key uncertainties, sensitivities, and has reviewed a number of severe but plausible downside scenarios, which have included potential impacts of COVID-19.

The projections assessed are borne out of extensive scenario testing and based on a variety of end market assumptions, while taking account of appropriate cost reduction and cash preservation mitigating actions, all under the direct control of the Company and successfully implemented in 2020, in response to the pandemic.

Risks and uncertainties

The principal risks and uncertainties faced by the Group are set out in detail on pages 32 to 37 of the Annual Report & Accounts 2020.

BINDI FOYLE

Group Finance Director

Responsibility statement of the Directors in respect of the Annual Report & Accounts 2020

We confirm that to the best of our knowledge:

1. the Financial Statements, as included in the Annual Report & Accounts 2020, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. the Strategic Report, set out in the Annual Report & Accounts 2020, includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report & Accounts 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By Order of the Board

David Squires
Group Chief Executive Officer

5 March 2021

Bindi Foyle
Group Finance Director

5 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	Year ended 2020 £m	Year ended 2019 £m
Revenue	3	733.6	1,110.7
Trading (loss)/profit		(177.5)	61.2
Share of joint venture profit	13	0.2	0.4
Operating (loss)/profit [1]	3	(177.3)	61.6
Investment income		1.1	0.9
Finance costs		(11.0)	(11.8)
Disposal activities	14	(4.6)	(22.0)
(Loss)/profit before tax [2]		(191.8)	28.7
Tax credit	5	33.3	0.5
(Loss)/profit for the period		(158.5)	29.2
Attributable to:			
Equity holders of the parent		(158.5)	29.2
(Loss)/earnings per share			
Basic [3]	7	(38.20)p	7.04p
Diluted [4]	7	(38.20)p	7.01p

[1] Adjusted operating profit	4	3.7	89.4
[2] Adjusted (loss)/profit before tax	4	(6.2)	78.5
[3] Adjusted (loss)/earnings per share	7	(0.84)p	16.17p
[4] Adjusted and diluted (loss)/earnings per share	7	(0.84)p	16.10p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Year ended 2020	Year ended 2019
	£m	£m
(Loss)/profit for the period	(158.5)	29.2
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Gains on foreign exchange contracts - cash flow hedges during the period	2.0	7.2
Reclassification adjustments for losses/(profits) included in profit	0.6	(1.0)
Gains on foreign exchange contracts - cash flow hedges	2.6	6.2
Foreign exchange loss/(gain) recycled to the Income Statement on restructuring (business closures) and disposal activities	0.5	(3.0)
Exchange differences on translation of overseas operations	(3.6)	(11.5)
Tax relating to items that may be reclassified	(0.5)	(1.2)
	(1.0)	(9.5)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on defined benefit pension schemes	(11.4)	11.1
Tax relating to items that will not be reclassified	1.6	(2.1)
	(9.8)	9.0
Other comprehensive (expense)/income for the period, net of tax	(10.8)	(0.5)
Total comprehensive (expense)/income for the period	(169.3)	28.7
Attributable to:		
Equity holders of the parent	(169.3)	28.7

Consolidated Balance Sheet

As at 31 December 2020

	Notes	Year ended 2020 £m	Year ended 2019 £m
Non-current assets			
Goodwill	8	165.0	297.1
Other intangible assets		4.8	12.9
Investment in joint venture	13	3.6	3.3
Property, plant and equipment	9	330.5	369.3
Deferred tax assets		4.7	1.7
Retirement benefits	12	46.5	48.9
Trade and other receivables		0.1	0.5
Total non-current assets		555.2	733.7
Current assets			
Inventories		147.6	169.3
Current tax receivables		3.0	3.5
Trade and other receivables		85.3	133.6
Cash and bank balances	11c)	23.6	15.8
Total current assets		259.5	322.2
Total assets		814.7	1,055.9
Current liabilities			
Trade and other payables		126.1	157.3
Current tax liabilities		19.8	26.6
Lease liabilities		0.5	0.2
Bank overdrafts and loans	11c)	0.4	15.7
Provisions		23.5	19.9
Total current liabilities		170.3	219.7
Non-current liabilities			
Bank and other loans	11c)	152.6	146.0
Retirement benefits	12	10.9	7.8
Deferred tax liabilities		5.5	32.8
Lease liabilities		76.0	83.5
Provisions		2.3	1.6
Others		3.8	4.9
Total non-current liabilities		251.1	276.6
Total liabilities		421.4	496.3
Net assets		393.3	559.6
Equity			
Issued share capital	10	41.9	41.9
Share premium account		14.8	14.8
Equity reserve		5.1	5.5
Hedging and translation reserve		37.9	38.9
Retained earnings		305.1	472.5
Own shares		(11.5)	(14.0)
Equity attributable to equity holders of the parent		393.3	559.6
Total equity		393.3	559.6

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

All equity is attributable to equity holders of the parent

	Issued share capital	Share premium account	Equity reserve	Hedging reserve	Trans-lation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2019	41.9	14.8	5.7	(46.7)	95.1	469.0	(8.0)	571.8
Profit for the year 2019	-	-	-	-	-	29.2	-	29.2
Gains on foreign exchange contracts - cash flow hedges	-	-	-	6.2	-	-	-	6.2
Foreign exchange loss/(gain) recycled to the Income Statement on disposal activities	-	-	-	1.5	(4.5)	-	-	(3.0)
Exchange differences on translation of overseas operations	-	-	-	-	(11.5)	-	-	(11.5)
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	11.1	-	11.1
Tax relating to components of other comprehensive income	-	-	-	(1.2)	-	(2.1)	-	(3.3)
Total comprehensive income for the period	-	-	-	6.5	(16.0)	38.2	-	28.7
IFRIC 23 Opening balance adjustment	-	-	-	-	-	(4.8)	-	(4.8)
Share-based payment charge	-	-	1.8	-	-	-	-	1.8
Tax relating to share-based payments	-	-	-	-	-	(0.4)	-	(0.4)
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	(6.3)	(6.3)
Use of shares held by employee benefit trust	-	-	-	-	-	(0.3)	0.3	-
Transfer to retained earnings	-	-	(2.0)	-	-	2.0	-	-
Dividends paid	-	-	-	-	-	(31.2)	-	(31.2)
Balance at 31 December 2019	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	-	-	-	2.6	-	-	-	2.6
Foreign exchange loss/(gain) recycled to the Income Statement on restructuring (business closures)	-	-	-	0.9	(0.4)	-	-	0.5
Exchange differences on translation of overseas operations	-	-	-	-	(3.6)	-	-	(3.6)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(11.4)	-	(11.4)
Tax relating to components of other comprehensive income	-	-	-	(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	-	-	3.0	-	-	-	-	3.0
Tax relating to share-based payments	-	-	-	-	-	-	-	-
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	-	-
Use of shares held by employee benefit trust	-	-	-	-	-	(2.5)	2.5	-
Transfer to retained earnings	-	-	(3.4)	-	-	3.4	-	-
Dividends paid	-	-	-	-	-	-	-	-
Balance at 31 December 2020	41.9	14.8	5.1	(37.2)	75.1	305.1	(11.5)	393.3

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Notes	Year ended 2020 £m	Year ended 2019 £m
Net cash from operating activities	11a)	48.9	115.9
Investing activities			
Interest received		0.2	0.2
Proceeds on disposal of property, plant and equipment		0.5	0.7
Purchases of property, plant and equipment		(25.2)	(63.0)
Purchases of intangible assets		(1.6)	(1.8)
Proceeds on disposal activities net of cash balances	14	0.4	(4.8)
Net cash used in investing activities		(25.7)	(68.7)
Financing activities			
Dividends paid		-	(31.2)
New loans		135.6	62.4
Repayment of borrowings		(142.8)	(65.6)
Repayment of lease liabilities		(7.9)	(7.8)
Purchase of shares held by employee benefit trust		-	(6.3)
Net cash used in financing activities		(15.1)	(48.5)
Net increase/(decrease) in cash and cash equivalents		8.1	(1.3)
Cash and cash equivalents at beginning of period		15.1	17.0
Effect of foreign exchange rate changes		-	(0.6)
Cash and cash equivalents at end of period	11c)	23.2	15.1

Notes to the above Financial Statements

For the year ended 31 December 2020

1. General information

These results for the year ended 31 December 2020 are an excerpt from the Annual Report & Accounts 2020 and do not constitute the Group's statutory accounts for 2020 or 2019. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 will be delivered following the Company's Annual General Meeting. The Auditor has reported on both those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

2. Significant accounting policies

Whilst the financial information included in this Annual Results Release has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. Full Financial Statements that comply with IFRS are included in the Annual Report & Accounts 2020 which is available online at www.seniorplc.com. Printed copies will be distributed on or soon after 20 March 2021.

At the date of authorisation of the Group's Financial Statements, there are no relevant and material new standards, amendments to standards or interpretations which are effective for the year ended 31 December 2020.

3. Segment information

The Group reports its segment information as two operating Divisions according to the market segments they serve, Aerospace and Flexonics, which is consistent with the oversight employed by the Executive Committee. The chief operating decision maker, as defined by IFRS 8, is the Executive Committee. Prior to combining Aerospace Structures and Aerospace Fluid Systems sub-divisions, for management purposes, the Aerospace Division was managed as two sub-divisions, namely Aerostructures and Fluid Systems; however, these were aggregated as one reporting segment in accordance with IFRS 8 as they serve similar markets and customers. Following the combination, the two sub-divisions are managed as one Division, being Aerospace. The Flexonics Division has always been managed as a single division.

Segment information for revenue, operating loss/profit and a reconciliation to entity and profit after tax is presented below:

	Aerospace	Flexonics	Eliminations / central costs	Total	Aerospace	Flexonics	Eliminations / central costs	Total
	Year ended 2020 £m	Year ended 2020 £m	Year ended 2020 £m	Year ended 2020 £m	Year ended 2019 £m	Year ended 2019 £m	Year ended 2019 £m	Year ended 2019 £m
External revenue	525.4	208.2	-	733.6	835.2	275.5	-	1,110.7
Inter-segment revenue	0.8	0.1	(0.9)	-	0.2	0.3	(0.5)	-
Total revenue	526.2	208.3	(0.9)	733.6	835.4	275.8	(0.5)	1,110.7
Adjusted trading profit	5.9	11.0	(13.4)	3.5	76.4	26.1	(13.5)	89.0
Share of joint venture profit	-	0.2	-	0.2	-	0.4	-	0.4
Adjusted operating profit (Note 4)	5.9	11.2	(13.4)	3.7	76.4	26.5	(13.5)	89.4
Amortisation of intangible assets from acquisitions	(6.3)	(1.4)	-	(7.7)	(7.1)	(6.0)	-	(13.1)
Goodwill impairment and write-off	(112.1)	(22.2)	-	(134.3)	-	-	-	-
Restructuring (Note 4)	(32.5)	(6.5)	-	(39.0)	(5.6)	(6.5)	-	(12.1)
US class action lawsuits	-	-	-	-	-	-	(2.6)	(2.6)
Operating (loss)/ profit	(145.0)	(18.9)	(13.4)	(177.3)	63.7	14.0	(16.1)	61.6
Investment income				1.1				0.9
Finance costs				(11.0)				(11.8)
Disposal activities (Note 14)				(4.6)				(22.0)
(Loss)/profit before tax				(191.8)				28.7
Tax (Note 5)				33.3				0.5
(Loss)/profit after tax				(158.5)				29.2

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

3. Segment information (continued)

Segment information for assets and liabilities is presented below:

Assets	Year ended 2020 £m	Year ended 2019 £m
Aerospace	563.3	764.3
Flexonics	170.4	215.3
Segment assets for reportable segments	733.7	979.6
Unallocated		
Central	2.9	5.7
Cash	23.6	15.8
Deferred and current tax	7.7	5.2
Retirement benefits	46.5	48.9
Others	0.3	0.7
Total assets per Consolidated Balance Sheet	814.7	1,055.9

Liabilities	Year ended 2020 £m	Year ended 2019 £m
Aerospace	153.9	185.8
Flexonics	55.7	56.1
Segment liabilities for reportable segments	209.6	241.9
Unallocated		
Central	14.1	16.2
Debt	153.0	161.7
Deferred and current tax	25.3	59.4
Retirement benefits	10.9	7.8
Others	8.5	9.3
Total liabilities per Consolidated Balance Sheet	421.4	496.3

3. Segment information (continued)

Total revenue is disaggregated by market sectors as follows:

	Year ended 2020	Year ended 2019
	£m	£m
Civil Aerospace	304.2	618.0
Defence	158.5	149.7
Other	63.5	67.7
Aerospace	526.2	835.4
Land Vehicles	89.2	123.4
Power & Energy	119.1	152.4
Flexonics	208.3	275.8
Eliminations	(0.9)	(0.5)
Total revenue	733.6	1,110.7

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

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

The presentation of adjusted operating profit and adjusted loss/profit before tax measures, derived in accordance with the table below, have been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, goodwill impairment and write-off, restructuring, the costs associated with the US class action lawsuits and disposal activities. 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 has 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 relates 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 relate to operating business closures. The Group implemented a restructuring programme in 2019 which was expanded further in 2020 in response to the impact of COVID-19 on some of the Group's end markets. The US class action lawsuits relate to historic legal matters. None of these charges, including the disposal activities, are reflective of in-year performance. They are therefore excluded by the Board and Executive Committee when measuring the performance of the businesses.

	Year ended 2020 £m	Year ended 2019 £m
Operating (loss)/profit	(177.3)	61.6
Amortisation of intangible assets from acquisitions	7.7	13.1
Goodwill impairment and write-off	134.3	-
Restructuring	39.0	12.1
US class action lawsuits	-	2.6
Adjusted operating profit	3.7	89.4
(Loss)/profit before tax	(191.8)	28.7
Adjustments to loss/profit before tax as above	181.0	27.8
Disposal activities	4.6	22.0
Adjusted (loss)/profit before tax	(6.2)	78.5

Goodwill impairment and write-off

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 8 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.

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

Restructuring

The Group continues to focus on taking actions to conserve cash to manage through the unprecedented crisis that the pandemic introduced in 2020, including curtailing capital expenditure, tightly managing working capital and implementing further cost cutting actions. At 31 December 2020, 7% of the Group's employees were on furlough (2019 – nil). The restructuring activities, which commenced in the second half of 2019, have been further adapted to the changing end market conditions in some of the Flexonics and Aerospace markets and to further manage the business through the pandemic. In addition, in response to the lowering of future orders and build rates, the Group has continued to review inventory levels and any exposures to programmes that have been reduced, cancelled or where the Group will no longer participate.

The restructuring, which involves business closures, headcount reductions and other efficiency improvements, has resulted in a charge of £39.0m for the year ended 31 December 2020 (2019 - £12.1m) in the Consolidated Income Statement, of which £5.9m relates to the closure of Senior Aerospace Bosman (£4.5m headcount reductions and other net charges, £1.1m property plant and equipment impairment, £0.3m inventory impairment) and £4.6m relates to the closure of Senior Flexonics Upeca in Malaysia (£1.0m headcount reduction, £1.6m property plant and equipment impairment, £0.3m software impairment, £0.5m inventory impairment, £1.2m consultancy and other costs). This is presented as an adjusted item given the size and nature of the costs incurred.

The remaining £28.5m charge comprises £13.5m (2019 - £4.4m) headcount reductions and £1.5m (2019 - £1.4m) consultancy and other costs. For certain specific programmes, and in conjunction with the focus on restructuring, Management has also identified further inventory and property, plant and equipment that have been impaired in 2020 with a total charge of £8.5m and £5.0m respectively (2019 - £3.4m and £2.9m). These relate to programmes where there are no alternative uses for the inventory or assets and is in part due to the impact COVID-19 has had on the Group's end markets, with customers choosing to cancel and/or significantly reduce future build rates on existing programmes. Senior has responded by further extending and broadening the scope of the restructuring plans, and with provisions recorded to cover the risks arising. Total cash outflow related to restructuring activities in the year ended 31 December 2020 is £15.2m (2019 - £2.9m); see Note 11. At 31 December 2020, a restructuring provision of £8.9m (31 December 2019 - £2.9m) is held on the Consolidated Balance Sheet in current liabilities, which is expected to be utilised in 2021.

US class action lawsuits

As previously reported, in February 2020 the Company agreed settlement and related costs as co-defendant in a putative class action lawsuit and a related lawsuit alleging property damage filed against Ametek, Inc, in the USA, resulting in a £2.6m charge to the Consolidated Income Statement in 2019. The charge was reported as an adjusted item in 2019 given its nature and materiality and the fact that it is related to prior years and not reflective of 2019 performance. At 31 December 2020, the carrying amount is a provision of £2.4m (2019 - £2.5m) after a £0.1m favourable exchange effect. Court approval of the settlements has been further delayed due to the COVID-19 pandemic and a final court approval date is expected in the first half of 2021.

Disposal activities

In the year ended 31 December 2020, costs associated with the potential divestments, primarily related to the Aerostructures business, were £4.6m (2019 - loss on disposal was £22.0m); see Note 14.

5. Taxation

	Year ended 2020 £m	Year ended 2019 £m
Current tax:		
Current year	3.1	11.1
Adjustments in respect of prior periods	(6.0)	(4.1)
	(2.9)	7.0
Deferred tax:		
Current year	(31.3)	(5.4)
Adjustments in respect of prior periods	0.9	(2.1)
	(30.4)	(7.5)
Total tax credit	(33.3)	(0.5)

The adjusted tax rate for the year was 43.5% (2019 – 14.5%), being a tax credit of £2.7m (2019 – £11.4m charge) on adjusted loss before tax of £6.2m (2019 - £78.5m profit). The adjusted tax rate for the year benefits from the recognition of prior year adjustment credits in the US arising from measures in the US CARES Act (Coronavirus Aid, Relief and Economic Security Act) that are effective retrospectively and resulted in amendments to our prior year tax filings.

The reported tax rate was 17.4% credit (2019 - 1.7% credit), being a tax credit of £33.3m (2019 - £0.5m credit) on the reported loss before tax of £191.8m (2019 - £28.7m profit). This included £30.6m tax credit against items excluded from adjusted loss before tax, of which £21.7m related to the reversal of deferred tax liabilities held against goodwill impaired in the year. The 2019 reported tax credit of £0.5m included the tax credit of items excluded from adjusted profit before tax of £8.3m and an exceptional non-cash tax credit of £3.6m on recognition of a deferred tax asset related to restricted interest deductions in the US.

Cash tax paid was £3.5m (2019 – £5.3m) and is stated net of refunds received of £0.3m (2019 – £0.8m) of tax paid in prior periods. Due to the phasing of corporation tax, payments during the year largely relate to taxable profits arising in the prior year and are lower than they would otherwise have been as a result of coronavirus relief measures in some countries allowing the deferral of tax bills normally due in 2020 into 2021 of £2.3m.

6. Dividends

	Year ended 2020 £m	Year ended 2019 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2019 of £nil (2018 – 5.23p) per share	-	21.7
Interim dividend for the year ended 31 December 2020 of £nil (2019 - 2.28p) per share	-	9.5
	-	31.2
Proposed final dividend for the year ended 31 December 2020 of £nil (2019 - £nil) per share	-	-

7. Loss/earnings per share

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

Number of shares	Year ended 2020 million	Year ended 2019 million
Weighted average number of ordinary shares for the purposes of basic loss/earnings per share	414.9	415.0
Effect of dilutive potential ordinary shares:		
Share options	-	1.8
Weighted average number of ordinary shares for the purposes of diluted loss/earnings per share	414.9	416.8

	Year ended 2020		Year ended 2019	
Loss/earnings and loss/earnings per share	Loss	EPS	Earnings	EPS
	£m	pence	£m	pence
(Loss)/profit for the period	(158.5)	(38.20)	29.2	7.04
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £2.0m (2019 - £2.9m)	5.7	1.38	10.2	2.45
Goodwill impairment and write-off net of tax of £21.7m (2019 - £nil)	112.6	27.14	-	-
Restructuring net of tax of £6.5m (2019 - £3.0m)	32.5	7.83	9.1	2.20
US class action lawsuits net of tax of £nil - (2019 - £0.7m)	-	-	1.9	0.46
Disposal activities net of tax of £0.4m (2019 - £1.7m)	4.2	1.01	20.3	4.89
Non-cash deferred tax credit of £nil (2019 - £3.6m)	-	-	(3.6)	(0.87)
Adjusted (loss)/earnings after tax	(3.5)	(0.84)	67.1	16.17
(Loss)/earnings per share				
- basic		(38.20)p		7.04p
- diluted		(38.20)p		7.01p
- adjusted		(0.84)p		16.17p
- adjusted and diluted		(0.84)p		16.10p

The effect of dilutive shares on the loss/earnings for the purposes of diluted loss/earnings per share is £nil (2019 - £nil). The denominators used for all basic, diluted and adjusted loss/earnings per share are as detailed in the table above.

The presentation of adjusted loss/earnings per share, derived in accordance with the table above, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, goodwill impairment and write-off, restructuring, the costs associated with the US class action lawsuits, disposal activities and non-cash deferred tax credit. The Board has adopted a policy to separately disclose those items, where significant in size, that it considers are outside the loss/earnings for the particular year under review and against which the Board measures and assesses the performance of the business. See Note 4 for further details.

8. Goodwill

Goodwill decreased by £132.1m during the year to £165.0m (2019 - £297.1m) due to goodwill £110.5m impairment of the Aerostructures CGU group, £23.8m goodwill write-off in respect of the closures of Senior Aerospace Bosman and Senior Flexonics Upeca, offset against exchange translation differences of £2.2m.

As part of the restructuring plans in the second half of 2020, Aerospace Structures and Aerospace Fluid Systems sub-divisions were combined into a single Aerospace division. Accordingly, the goodwill relating to the two sub-division CGU groups was combined into the Aerospace CGU group, reflecting the lowest level at which Management exercises oversight and monitors the Group's performance.

9. Property, plant and equipment

During the period, the Group spent £25.2m (2019 - £63.0m) on the acquisition of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying value of £0.4m (2019 - £0.7m) for proceeds of £0.5m (2019 - £0.7m). At 31 December 2020, right-of-use assets were £72.5m (2019 - £82.3m).

10. Share capital

Share capital as at 31 December 2020 amounted to £41.9m. No shares were issued during 2019 and 2020.

11. Notes to the Consolidated Cash Flow statement

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

	Year ended 2020 £m	Year ended 2019 £m
Operating (loss)/profit	(177.3)	61.6
Adjustments for:		
Depreciation of property, plant and equipment	52.1	52.5
Amortisation of intangible assets	9.5	15.2
Profit on sale of fixed assets	(0.1)	-
Share-based payment charges	3.0	1.8
Pension payments in excess of service cost	(5.0)	(8.7)
Costs on disposal activities	(4.6)	(3.4)
Share of joint venture	(0.2)	(0.4)
Decrease/(Increase) in inventories	19.6	(1.9)
Decrease in receivables	48.1	24.5
Decrease in payables and provisions	(20.1)	(12.9)
Goodwill impairment and write-off	134.3	-
Restructuring impairment of property, plant and equipment and software	8.0	2.9
US class action lawsuits	(3.9)	2.6
Working capital and provisions currency movements	(0.2)	(1.4)
Cash generated by operations	63.2	132.4
Income taxes paid	(3.5)	(5.3)
Interest paid	(10.8)	(11.2)
Net cash from operating activities	48.9	115.9

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

b) Free cash flow

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

	Year ended 2020 £m	Year ended 2019 £m
Net cash from operating activities	48.9	115.9
Costs on disposal activities	4.6	3.4
Restructuring cash paid	15.2	2.9
US class action lawsuits	3.9	-
Interest received	0.2	0.2
Proceeds on disposal of property, plant and equipment	0.5	0.7
Purchases of property, plant and equipment	(25.2)	(63.0)
Purchases of intangible assets	(1.6)	(1.8)
Free cash flow	46.5	58.3

c) Analysis of net debt

	At 1 January 2020	Net Cash flow	Exchange movement	Other movements [1]	At 31 December 2020
	£m	£m	£m	£m	£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	(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)

[1] Other movements include lease additions and modifications of £1.9m.

	Year ended 2020 £m	Year ended 2019 £m
Cash and cash equivalents comprise:		
Cash and bank balances	23.6	15.8
Overdrafts	(0.4)	(0.7)
Total	23.2	15.1

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

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

d) Analysis of working capital and provisions

Working capital comprises the following:

	Year ended 2020 £m	Year ended 2019 £m
Inventories	147.6	169.3
Trade and other receivables	85.3	133.6
Trade and other payables	(126.1)	(157.3)
Working capital, including derivatives	106.8	145.6
Items excluded:		
Foreign exchange contracts	(0.5)	2.1
Deferred consideration relating to disposals - current	(0.3)	(0.3)
Total	106.0	147.4

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

	Year ended 2020 £m	Year ended 2019 £m
Decrease/(increase) in inventories	19.6	(1.9)
Decrease in receivables	48.1	24.5
Decrease in payables and provisions	(20.1)	(12.9)
Working capital and provisions movement, excluding currency effects	47.6	9.7
Items excluded:		
Increase in restructuring related inventory impairment	(9.3)	(3.4)
Increase in restructuring provision	(6.0)	(2.9)
Total	32.3	3.4

12. Retirement benefit schemes

At 31 December 2020, aggregate retirement benefit liabilities of £10.9m (2019 - £7.8m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £4.7m (2019 - £2.0m) and other unfunded schemes, with a deficit of £6.2m (2019 - £5.8m). The retirement benefit surplus of £46.5m (2019 - £48.9m) comprises the Group's UK defined benefit pension funded scheme.

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

13. Investment in joint venture

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China which was set up in 2012. The Group's investment of £3.6m represents the Group's share of the joint venture's net assets as at 31 December 2020 (2019 - £3.3m).

14. Disposals

In the year ended 31 December 2020, employee related and external professional costs associated with the potential divestments, primarily related to the Aerostructures business, were £4.6m and the Group received £0.4m deferred consideration relating to the disposal of its Aerospace business Senior Aerospace Absolute Manufacturing ("Absolute").

In 2019, the Group sold Senior Flexonics Blois SAS and Absolute and disposed Senior Flexonics Brasil Ltda, to enable management to have greater focus on opportunities in its core activities and to deploy capital in other parts of the Group with higher returns.

15. Provisions

Provisions include warranty costs of £6.6m (2019 - £6.0m), restructuring of £8.9m (2019 - £2.9m), costs associated with Ametek class action lawsuits of £2.4m (2019 - £2.5m, of which £0.1m was paid in 2020) and legal claims and contractual matters that have arisen in the ordinary course of business of £7.9m (2019 - £6.4m). During the year ended 31 December 2020, £3.8m was paid relating to the wage and hour class action lawsuit in the US, comprising £3.7m provision at 1 January 2020 and £0.1m of exchange differences.

16. Contingent liabilities

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for product delivery, performance and reliability. Various Group undertakings are parties to legal actions or claims which arise in the ordinary course of business, some of which could be for substantial amounts. 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 2020 (see Note 15). For all other matters, the Board has concluded that it is not more likely than not that there will be an economic outflow of benefits. While the eventual outcome of these matters cannot always be precisely measured, the Directors do not expect any of these arrangements, legal actions or claims, which are considered remote likelihood and after allowing for provisions already made where appropriate, to result in significant loss to the Group.

17. Subsequent events

On 5 March 2021, the Group announced an agreement to sell its stand alone, build-to-print helicopter structures operating business, Senior Aerospace Connecticut, based in the USA. Considered and effective capital deployment is a strategic priority for the Group and, in line with this, the Group continually reviews the overall portfolio of its businesses and evaluates their strategic fit. The decision to sell Senior Aerospace Connecticut was based on its primary focus on build-to-print parts for the rotary sector. Net proceeds from the sale will be used to further strengthen Senior's balance sheet and provide greater flexibility for the Group to operate within its capital deployment framework. For the financial year ended 31 December 2020, Senior Aerospace Connecticut's external revenue was £36.2m and its adjusted operating profit was £5.1m.

The transaction is expected to close in the first half of 2021. The net cash proceeds, after working capital adjustments and disposal costs, are expected to be £48m before tax. The gain on disposal before tax is estimated to be in the range of £23m to £26m, after taking into account the net cash proceeds, the fair value of net assets disposed, including allocated goodwill, and previously recorded foreign exchange gains that will be recycled to the Consolidated Income Statement. The net cash proceeds after working capital adjustments and disposal costs, and the gain on disposal before tax are subject to change from these estimates, due to the actual US Dollar exchange rate at the closing date, customary completion adjustments, and the actual disposal costs incurred. The gain on disposal will be presented separately as an adjusting item in the Consolidated Income Statement for the year ending 31 December 2021.