

Results for the year ended 31 December 2016

| FINANCIAL HIGHLIGHTS | Year ended 31 December | | % change | % change (constant currency) |
|---|------------------------|---------|-------------------|------------------------------------|
| | 2016 | 2015 | | |
| REVENUE | £917.0m | £849.5m | +8% | -2% |
| OPERATING PROFIT | £65.8m | £72.3m | -9% | -21% |
| ADJUSTED OPERATING PROFIT ⁽¹⁾ | £85.6m | £107.8m | -21% | -28% |
| ADJUSTED OPERATING MARGIN ⁽¹⁾ | 9.3% | 12.7% | -3.4ppts | -3.4ppts |
| PROFIT BEFORE TAX | £55.5m | £63.8m | -13% | -25% |
| ADJUSTED PROFIT BEFORE TAX ⁽¹⁾ | £75.3m | £99.3m | -24% | -31% |
| BASIC EARNINGS PER SHARE | 10.84p | 11.59p | -6% | |
| ADJUSTED EARNINGS PER SHARE ⁽¹⁾ | 14.37p | 18.98p | -24% | |
| TOTAL DIVIDENDS (PAID AND PROPOSED) PER SHARE | 6.57p | 6.20p | +6% | |
| FREE CASH FLOW ⁽²⁾ | £48.5m | £51.7m | -6% | |
| NET DEBT ⁽²⁾ | £198.1m | £194.6m | £3.5m increase | |

Headlines

- Continued good organic revenue growth in large commercial aerospace
- Land vehicle and industrial markets remain subdued
- Adjusted profit before tax of £75.3m, 24% below prior year (31% decrease on a constant currency basis)
- Strong free cash flow of £48.5m after investing £52.8m in capital expenditure for further organic growth
- Full year dividend proposed to increase by 6%
- The Group is well positioned to increase market share and deliver good growth over the medium term

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

“2016 was a challenging year with revenue growth in Aerospace offset by market-led reductions in Flexonics. Despite these challenges Senior delivered strong free cash flow of £48.5m. In response to end market conditions and business opportunities in both divisions, we are streamlining parts of the Group and have implemented a further cost savings programme.

In Aerospace we expect further revenue growth in 2017 however, after allowing for costs of streamlining actions, we expect overall performance to be broadly in line with 2016. In Flexonics, whilst we anticipate that late 2017 should be an inflexion point as truck and off-highway markets recover in 2018 and investment in industrial projects increases, current trends suggest Flexonics performance to be marginally lower in 2017 compared to 2016.

Looking further ahead, Senior expects to make progress from 2018 onwards as new programmes and products enter production and margins recover as the benefits of the operational improvement initiatives and cost saving actions are delivered.”

For further information please contact:

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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 2016, 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 2016, 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 2016. Therefore, certain Notes and parts of the Directors' Report reported on are not included within this Release.

- (1) Adjusted figures are stated before a £19.8m charge for amortisation of intangible assets from acquisitions (2015 - £12.2m). In 2015, adjusted figures were also stated before goodwill impairment charge of £18.8m, impairment of assets held for sale of £1.8m, loss on sale and write-down of fixed assets of £1.5m and acquisition costs of £1.2m.
- (2) See Notes 11b and 11c for derivation of free cash flow and of net debt, respectively.

The Group's principal exchange rates for the US dollar and the Euro, applied in the translation of revenue, profit and cash flow items at average rates were \$1.36 (2015 - \$1.53) and €1.23 (2015 - €1.37), respectively. The US dollar and Euro rates applied to the balance sheet at 31 December 2016 were \$1.24 (2015 - \$1.47) and €1.17 (2015 - €1.36), respectively.

Annual Report

The full Annual Report & Accounts 2016 is now available online at www.seniorplc.com. Printed copies will be distributed on or soon after 10 March 2017.

Webcast

There will be a presentation on Monday 27 February 2017 at 11.00am GMT, with a live webcast that is accessible 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 14 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 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.

CHIEF EXECUTIVE'S STATEMENT

Overview of 2016 Results

Group revenue increased by 7.9% to £917.0m (2015 - £849.5m). This included a favourable exchange rate impact of £82.4m and a beneficial incremental impact from acquisitions of £30.7m. Underlying Group revenue from organic operations was down £45.6m (4.9%) on a constant currency basis as growth from the Aerospace Division was offset by declines in the Flexonics Division, reflecting the challenging market conditions faced by the truck and off-highway and industrial businesses.

Adjusted operating profit decreased by £22.2m (20.6%) to £85.6m (2015 - £107.8m). This included a favourable exchange rate impact of £10.7m and £3.1m of year-on-year operating profit contributed by acquisitions. Adjusted operating profit from organic operations decreased by 30.4% on a constant currency basis, primarily reflecting the market-led reductions in volume of the high margin segments of the Flexonics Division. As previously disclosed, margins in the Aerospace Division were impacted during 2016 by year-on-year volume reductions on mature programmes (A330, Global 5000/6000, G550), the delayed ramp-up of new aircraft production programmes (A320neo and CSeries) and certain supplier issues which impacted some of our US and UK operations. The previously reported price increase negotiations were concluded by the end of 2016. The Group's adjusted operating margin reduced by 3.4 percentage points to 9.3%.

In Flexonics we have continued to focus on cost reduction and efficiency improvement actions, while in Aerospace we have also focused on reducing costs, both internally and in our external supply chain, particularly on our newer programmes. This is important for margin improvement as our mix continues to change from more mature programmes to new airframe and engine products.

Adjusted profit before tax decreased to £75.3m (2015 - £99.3m), down 24.2%, or 31.0% on a constant currency basis. Adjusted earnings per share decreased by 24.3% to 14.37 pence (2015 - 18.98 pence).

The Group continues to generate healthy cash flows and delivered free cash inflow of £48.5m (2015 - £51.7m) after gross investment in capital expenditure of £52.8m (1.5x depreciation). This investment in capital equipment is essential in our business to meet increasing order levels from our Aerospace customers. The level of net debt at the end of December 2016 was £198.1m (December 2015 - £194.6m) and the ratio of net debt to EBITDA was 1.7x, comfortably below the Group's bank covenant level of 3.0x.

Recognising the underlying strength of the business and its future prospects, the Board is proposing a final dividend of 4.62 pence per share. This would bring total dividends, paid and proposed for 2016 to 6.57 pence per share, representing an increase of 6% over the prior year.

Delivery of Group Strategy

The Group's overall strategy remains unchanged and we remain committed to retaining the balance between Aerospace and Flexonics and to grow both segments of our business. We undertake regular reviews of the portfolio of the Group as we seek to increase shareholder value by leveraging our current operations, and where appropriate, acquisitions, disposals or mergers of operations will be considered.

During 2016, the Group made good progress against our six strategic priorities which were identified as key elements of our business model, driving the creation of shareholder value:

1. Enhance Senior's Autonomous and Collaborative Business Model.
2. Focus on Growth.
3. Introduce 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 2017 are noted on pages 16 and 17 of the Annual Report & Accounts 2016.

Market Conditions

Aerospace markets continue to be generally buoyant while land vehicle and industrial markets remain challenging.

The production ramp-up of new engine option large commercial aircraft means the outlook for the commercial aerospace sector is both strong and visible. Air traffic grew by 6% in 2016 and demand for new aircraft remains robust with Boeing, Airbus and independent forecasters predicting air traffic to grow in excess of 4% per annum over the next 20 years. Senior has healthy shipset content on all the key large commercial aircraft platforms and has further increased its content on the new engine versions during 2016. With significantly higher content on the new engine A320neo, 737 MAX and A330neo than the current engine versions, the Group is expected to outgrow the market, as these new engine versions come into service and production ramps up. Customer deliveries of the A320neo began in January 2016, whilst the 737 MAX and A330neo are scheduled to enter service in 2017 and 2018 respectively.

In the regional jet market, the first C Series was delivered in June 2016. Senior has significant content on the C Series and is also expected to benefit from the Embraer E2-Jet which is anticipated to enter into service in 2018. Senior also has good content on the Mitsubishi MRJ and although the recently announced delay of entry into service to 2020 is disappointing, this is expected to be a good growth platform for us in the future. In the defence sector, military spending has stabilised and Senior is well positioned on the key growth platforms, particularly the Joint Strike Fighter which is now ramping up.

In the Flexonics Division, market conditions in North American truck and off-highway and oil and gas markets remain challenging. Production of North American heavy-duty diesel trucks declined 29% in 2016 and is forecast to decline further in 2017. Oil and gas related markets remain challenging in the near term due to reduced or postponed investment in the sector. However, whilst we are yet to see improvements in our order book, it is encouraging to see oil prices increasing following OPEC's agreement to cut production and rig counts are now increasing in North America as shale production starts to increase. Furthermore, we are encouraged by the potential for major investments in US infrastructure and are monitoring developments with interest.

Senior Flexonics continues to bid for and win new opportunities with existing and new customers. In order to remain competitive, reduce costs and support our global customer base, more work is being directed to cost competitive Flexonics facilities in India, the Czech Republic, Malaysia, Mexico and China. As a consequence, when the cyclical markets do pick up, Senior is expected to see strengthening performance from an ever-more lean and competitive business.

Operational Review

In response to the challenging market conditions faced by the Flexonics Division during 2016, there has been continuing focus on near-term cost management actions, as well as an acceleration of longer-term structural cost improvement initiatives.

Near-term cost management actions have included headcount reductions, reduced overtime, discretionary spend reduction and supply chain cost out activity. In Flexonics, total employee costs have reduced by 14% from end of June 2015 to end of 2016. In certain businesses most affected by the challenging market conditions, headcount has reduced by over 20%.

Longer-term structural cost improvements are centred around Senior's cost competitive country strategy. Production continues to be transferred to new facilities in India, Mexico and the Czech Republic. For example, our Flexonics Crumlin site in the UK will be established as a specialist technology, development and test centre in a smaller, less expensive facility whilst the production of legacy and new programmes has moved to India and other cost competitive locations. We have built up manufacturing capability in India and Mexico to produce common rail and cooler products, not just because of the lower cost base, but because many of the products built there are subsequently delivered to local customer facilities. Plans have also been approved to expand our existing highly efficient Flexonics plant in the Czech Republic.

On the Aerospace side, Senior's global footprint continues to provide opportunities for growth, as a result of the Group's investment in our Aerospace facilities across three continents. Our new 196,000 sq.ft. facility in Thailand was officially opened on 23 June 2016 with key customers in attendance, and we are encouraged by the opportunities for organic growth that this facility brings.

New state-of-the-art high speed and high performance equipment has been installed at many of our sites around the world in response to increasing customer demand. This new equipment gives a step function improvement in set-up times and machining speeds, which in turn reduces costs and helps our operating businesses to be highly competitive and operationally efficient.

In our October trading statement, we identified specific issues that were affecting our Aerospace Division performance. The transitioning impact of reductions in mature programmes and slower ramp-up of new programmes were in line with our expectations as 2016 concluded. However, the recently announced reductions in 777 build rate and ongoing declines in the business jet market will continue into 2017. The supplier-related issues which were referenced have largely been addressed as anticipated. Similarly, the price increase negotiations were concluded by the end of 2016.

In response to the decline in build rates of some of our more profitable mature programmes, such as the 777, cost reduction efforts are being re-doubled to improve the returns on some of our newer work packages. Whilst not materially significant to the Group, the changing mix within the Aerospace Division will mean that the margin improvement curve is likely to be shallower and longer than previously anticipated.

The integration of Steico Industries, Inc. (Steico) is now complete and has benefited from the new post-acquisition integration process. We are pleased with its positive contribution to the Group in 2016. There is a strong pipeline of new business opportunities which gives confidence that we will see good commercial and military growth from this latest addition to our aerospace business.

In response to market challenges and business opportunities, we are streamlining parts of the business where it makes sense to do so. In our Flexonics business in Chicago we have entered into a sale agreement and leaseback of a significantly reduced footprint. In our Flexonics Sao Paulo business we are reducing the footprint and headcount to reflect market conditions. We are assessing options for the future of our Aerospace Fluid Systems BWT Ilkeston site and in January 2017 started consultation with employees. In San Diego we are combining our Aerospace Structures Ketema and Jet Products businesses under one leadership team. These streamlining actions are anticipated to cost £4.0m in 2017, delivering savings of £1.0m in 2017 and annualised savings of £4.0m from 2018. We will continue to implement operational actions on a business by business basis where appropriate.

Outlook

2017 has started much as 2016 finished. Order books across our Aerospace businesses and in some Flexonics businesses are strong, though some of our Flexonics businesses continue to trade at historically low levels. In Aerospace we expect further revenue growth in 2017. Whilst we expect the first half of the year to be impacted by the transition from more mature programmes to new airframe and engine products, we anticipate improved profit in the second half of the year, driven by increasing revenues and the operational improvements as we focus on reducing costs, particularly on our newer programmes. We expect Aerospace performance in 2017 to be broadly in line with 2016 at current exchange rates and with allowance for costs of the streamlining actions now underway. Challenging market conditions in some of our Flexonics markets, including truck, off-highway and oil and gas, mean that the outlook for Flexonics remains somewhat uncertain. Whilst we anticipate that late 2017 should be an inflexion point for our Flexonics businesses as truck and off-highway markets recover in 2018 and investment in industrial projects increases, current trends suggest Flexonics performance to be marginally lower in 2017 compared to 2016.

Looking further ahead, Senior expects to make progress from 2018 onwards as new programmes and products enter production and margins recover as the benefits of the operational improvement initiatives and cost saving actions are delivered. Staying focused on customer alignment, operational excellence and investing in organisational capability and leadership talent will enable Senior to continue to grow organically over the longer-term. Furthermore, Senior's cash-generative nature and robust financial position provide a solid platform from which the Group can continue to pursue growth opportunities to complement its existing portfolio.

DAVID SQUIRES

Group Chief Executive

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 73% (2015 - 68%) of Group revenue and consists of 19 operations. These are located in North America (ten), the United Kingdom (four), continental Europe (three), Thailand and Malaysia. The Division's operating results on a constant currency basis are summarised below:

| | 2016 | 2015 ⁽¹⁾ | Change |
|---------------------------|--------------|---------------------|---------|
| | £m | £m | |
| Revenue | 665.2 | 629.9 | +5.6% |
| Adjusted operating profit | 74.8 | 83.6 | -10.5% |
| Adjusted operating margin | 11.2% | 13.3% | -2.1pts |

⁽¹⁾ 2015 translated using 2016 average exchange rates – constant currency.

Divisional revenue increased by £35.3m (5.6%) to £665.2m (2015 - £629.9m⁽¹⁾) whilst adjusted operating profit decreased by £8.8m (10.5%) to £74.8m (2015 - £83.6m⁽¹⁾). Excluding the incremental contribution of Steico, acquired in December 2015 (revenue of £26.4m; adjusted operating profit of £3.4m), organic revenue for the Division increased by £8.9m (1.4%) whilst adjusted operating profit decreased by £12.2m (14.6%) compared to 2015.

| Revenue Reconciliation | £m |
|-------------------------------|--------------|
| 2015 revenue ⁽¹⁾ | 629.9 |
| Large commercial | 34.4 |
| Regional & business jets | (7.5) |
| Military | (13.0) |
| Other | (5.0) |
| 2016 organic | 638.8 |
| Acquisition | 26.4 |
| 2016 revenue | <u>665.2</u> |

The Division's most important market is large commercial aircraft where Boeing and Airbus collectively delivered 1,436 aircraft in 2016, 2.8% more than the prior year. Senior's sales in the large commercial aircraft sector increased by 11.9%⁽¹⁾ during the year, with organic growth, excluding acquisition, being 9.3%⁽¹⁾. The Group benefited from increased production of the A350 and A320neo, which began customer deliveries in January 2016; however, these increases were partly offset by decreased production of the 747, the comparative impact of the declines in A330 build rates from last year, and the planned reduction in work share on the Trent 1000 engine.

The Division's sales to the regional jet market, excluding acquisition, increased by 24.1%⁽¹⁾ in the year, mainly as a result of increased production of Bombardier's CSeries, which commenced customer deliveries in June 2016, and increased non-recurring engineering revenue from the Mitsubishi Regional Jet programme, which is expected to commence deliveries to customers in 2020. Revenue derived from the business jet sector declined by 30.9%⁽¹⁾, on an organic basis, during the year due to previously announced reductions in build rates of Bombardier's Global 5000/6000 and Gulfstream's G550 programmes.

Excluding acquisition, organic revenue from the military and defence sector decreased by 10.2%⁽¹⁾ in the year, primarily due to lower Joint Strike Fighter content as a work package was dual sourced as previously noted, and the anticipated build rate reductions for Black Hawk, V-22 and Eurofighter. This was offset partially by increases in production of the C-130, A400M and P-8. Including the contribution from the acquisition of Steico, particularly on the Joint Strike Fighter, total revenue from the military and defence sector decreased by 1.3%⁽¹⁾ in the year.

Around 9% of the Aerospace Division's revenue was derived from other markets such as space, non-military helicopters, power and energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products. Excluding acquisition, revenue derived from these markets decreased by 8.1%⁽¹⁾, mainly due to weaker power and energy markets, which also adversely impacted sales of non-military helicopters.

The divisional adjusted operating margin declined by 2.1 percentage points to 11.2% (2015 - 13.3%⁽¹⁾). Margins were impacted by the year-on-year volume reductions on mature programmes such as the A330, Global 5000/6000 and G550, the ramp-up of new aircraft production programmes such as the A320neo, A350 and CSeries and certain supplier issues that impacted some of our US and UK operations. The previously reported price increase negotiations were concluded by the end of 2016. The Group remains focused on reducing costs, both internally and in our external supply chain, particularly on our newer programmes.

During 2016, Senior successfully won additional content on A320neo, 737 MAX, A330neo and A350, all of which are forecasting significant increases in production over the coming years. Customer deliveries of the A320neo began in January 2016, whilst the 737 MAX and A330neo are scheduled to enter service in 2017 and 2018 respectively. Meaningful content was also secured on the 777X, which is scheduled to enter service in 2020. The Group will also benefit from the Joint Strike Fighter, which is scheduled to ramp up significantly between now and the end of the decade.

Overall, the future prospects for the Group's Aerospace Division are visible and remain strong.

Flexonics Division

The Flexonics Division represents 27% (2015 - 32%) of Group revenue and consists of 14 operations which are located in North America (four), continental Europe (three), the United Kingdom (two), South Africa, India, Brazil, Malaysia and China where the Group also has a 49% equity stake in a land vehicle joint venture. The Division's operating results on a constant currency basis are summarised below:

| | 2016 | 2015 ⁽¹⁾ | Change |
|---------------------------|--------------|---------------------|----------|
| | £m | £m | |
| Revenue | 252.1 | 302.4 | -16.6% |
| Adjusted operating profit | 20.7 | 43.5 | -52.4% |
| Adjusted operating margin | 8.2% | 14.4% | -6.2ppts |

⁽¹⁾ 2015 results translated using 2016 average exchange rates – constant currency.

Divisional revenue decreased by £50.3m (16.6%) to £252.1m (2015 - £302.4m⁽¹⁾) and adjusted operating profit declined by £22.8m (52.4%) to £20.7m (2015 - £43.5m⁽¹⁾). Excluding the incremental contribution of Lymington Precision Engineers (LPE), acquired at the end of March 2015 (revenue of £4.3m; adjusted operating loss of £0.3m), organic revenue for the Division declined by £54.6m (18.1%) and adjusted operating profit decreased by £22.5m (51.7%).

| Revenue Reconciliation | £m |
|-------------------------------|---------------------|
| 2015 revenue | 302.4 |
| Truck and off-highway | (20.1) |
| Passenger vehicles | (5.8) |
| Industrial | (29.2) |
| Other | 0.5 |
| 2016 organic | <u>247.8</u> |
| Acquisition | 4.3 |
| 2016 revenue | <u><u>252.1</u></u> |

Group sales to truck and off-highway markets decreased by 20.3%⁽¹⁾. Senior's sales to the North American truck and off-highway market decreased by £23.4m (28.5%⁽¹⁾), primarily due to lower sales of EGR coolers for new vehicles as market production of Class 8 trucks declined 29.4% and off-highway sales were impacted by weaker demand for agricultural and mining vehicles. Sales to European truck and off-highway markets grew by £0.9m (6.4%⁽¹⁾), in line with market production. The Group also benefited by £2.4m (80.0%⁽¹⁾) increased sales from new truck and off-highway programmes in India and China.

Group sales to passenger vehicle markets decreased by 10.7%⁽¹⁾ in the year. Senior's sales to the European market decreased by £1.8m (4.4%⁽¹⁾) as growth in market production levels was offset by some programmes coming to end of life. Group sales to North American passenger vehicle markets decreased by £3.4m (60.7%⁽¹⁾) as certain programmes also came to end of life. Elsewhere, weaker market demand in Brazil was offset by growth in India from new programme launches.

In the Group's industrial markets, organic sales excluding the incremental contribution from LPE were down 20.3%⁽¹⁾. As anticipated, organic sales to petrochemical markets were down £23.4m (34.9%⁽¹⁾) due to lower demand and the non-repeat of the large industrial expansion joint orders for North American and South Korean petrochemical projects from 2015. Organic sales to power and energy markets decreased by £9.4m (22.4%⁽¹⁾) due to continued weakness in North American coal and gas fired power generation markets and the year-on-year impact of lower revenue from fuel cell dielectrics. Elsewhere, the Group benefited from higher sales to solar and other renewables markets.

The adjusted operating margin decreased to 8.2% (2015 - 14.4%⁽¹⁾). On an organic basis, excluding acquisition, the margin declined by 5.9 percentage points to 8.5% principally due to the market-led volume reductions in truck, off-highway and oil and gas markets, the high margin sectors of the Division. The Group continues to focus on cost management and efficiency initiatives.

Production of North American heavy-duty diesel trucks is forecast to decline further in 2017, largely as a result of excess truck capacity; however, market recovery is anticipated in 2018 as demand and capacity are expected to equalise towards the end of 2017. In the off-highway market, the Group anticipates benefiting from new product launches in 2017, with volumes ramping up over the coming years. Whilst there has been some stabilisation of the oil price in recent months, the pace and timing of recovery in industrial markets, particularly oil and gas related, is still somewhat uncertain as investment in new capital projects is likely to remain subdued in 2017.

Looking further ahead, global environmental legislation continues to tighten and, coupled with projected increases in global energy usage, will drive increased demand for many of the Flexonics Division's products. Senior is developing solutions for the next generation of diesel engines, as well as alternative energy applications. As a result of its global footprint, technical innovation and customer relationships, the Group remains well positioned for the future as new Flexonics programmes and products enter production.

OTHER FINANCIAL INFORMATION

Finance costs

Total finance costs, net of investment income of £0.2m (2015 - £0.3m) and including IAS 19 pension finance cost of £0.2m (2015 - £0.5m), increased to £10.3m (2015 - £8.5m) due to the adverse foreign exchange impact on the translation of interest on US dollar denominated borrowings, increased borrowings following the acquisition of LPE and Steico, and a higher blended interest rate on committed facilities during 2016.

Research and development

The Group's expenditure on research and development increased to £18.7m during 2016 (2015 - £16.3m). Expenditure was incurred mainly on designing and engineering products in accordance with individual customer specifications and developing specific manufacturing processes for their production.

Exchange rates

Around 96% of the Group's profits are generated outside the UK and, consequently, exchange rates can significantly affect the Group's results. Exchange rates used for the currencies most relevant to the Group's operations are:

| | Profit and loss - average rates | | | Balance sheet - period end rates | | |
|--------------|---------------------------------|------|----------|----------------------------------|------|----------|
| | 2016 | 2015 | £ Impact | 2016 | 2015 | £ Impact |
| £: US Dollar | 1.36 | 1.53 | +12.5% | 1.24 | 1.47 | +18.5% |
| £: Euro | 1.23 | 1.37 | +11.4% | 1.17 | 1.36 | +16.2% |

Using 2016 average exchange rates would have increased 2015 revenue by £82.4m and increased 2015 adjusted operating profit by £10.7m. A 10 cents movement in the £:\$ exchange rate is estimated to affect full-year revenue by £41m, operating profit by £4.4m and net debt by £14m. A 10 cents movement in the £:€ exchange rate is estimated to affect full-year revenue by £8m, operating profit by £0.5m and net debt by £0.4m.

Tax charge

The adjusted tax rate for the year was 20.1% (2015 - 20.0%), being a tax charge of £15.1m (2015 - £19.9m) on adjusted profit before tax of £75.3m (2015 - £99.3m). Over the medium term, our tax rate is likely to increase as the mix of our business changes and we respond to legislative changes arising from the OECD's Base Erosion Profit Shifting (BEPS) project. Cash tax paid as a percentage of adjusted profit before tax was 3.6% (2015 - 8.0%). The rate of cash tax paid is lower than our adjusted tax rate in both years due to the availability of tax losses, accelerated tax relief for capital expenditure and tax deductible items that do not affect adjusted profit. During 2016, refunds of £3.5m of tax paid in prior periods were also received. Our reported tax rate, including tax credit on items excluded from adjusted operating profit of £5.0m (2015 - £4.6m), was 18.2% (2015 - 24.0%), being a tax charge of £10.1m (2015 - £15.3m) on reported profit before tax of £55.5m (2015 - £63.8m).

Tax policy

The Group acts with integrity in all tax matters, in accordance with the Group's ethics and business conduct programme. It is the Group's obligation to pay the amount of tax legally due and to observe all applicable rules and regulations in the jurisdictions in which it operates. While meeting this obligation, the Group also has a responsibility to its shareholders to plan, manage and control tax costs. The Group seeks to achieve this by conducting business affairs in a way that is efficient from a tax perspective, including maintaining appropriate levels of debt in the countries we operate in and claiming available tax credits and incentives. The Group is committed to building constructive working relationships with the tax authorities of the countries in which it operates.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 418.8 million (2015 - 418.3 million). The increase arose principally from the vesting of shares awarded under the Group's Long-Term Incentive Plan in 2015. Adjusted earnings per share decreased by 24.3% to 14.37 pence (2015 - 18.98 pence). Basic earnings per share decreased by 6.5% to 10.84 pence (2015 - 11.59 pence). See Note 7 for details of the basis of these calculations.

Cash flow

The Group generated free cash flow of £48.5m in 2016 (2015 - £51.7m) as set out in the table below:

| | 2016 | 2015 |
|---|---------|---------|
| | £m | £m |
| Operating profit | 65.8 | 72.3 |
| Depreciation and amortisation | 54.0 | 40.0 |
| Share of joint venture | (0.7) | (0.4) |
| Working capital movement | (0.4) | (12.0) |
| Pension payments above service cost | (8.8) | (8.8) |
| Goodwill impairment | - | 18.8 |
| Other items | 3.3 | 5.5 |
| Cash generated by operations | 113.2 | 115.4 |
| Interest paid (net) | (10.0) | (7.9) |
| Income tax paid | (2.7) | (7.9) |
| Capital expenditure | (52.8) | (48.6) |
| Sale of fixed assets | 0.8 | 0.7 |
| Free cash flow | 48.5 | 51.7 |
| Dividends | (26.4) | (24.3) |
| Disposal / acquisitions | 1.3 | (103.9) |
| Debt assumed with acquisition | - | (3.7) |
| Loan to joint venture | 0.5 | (0.1) |
| Purchase of shares held by employee benefit trust | (1.1) | (0.9) |
| Foreign exchange variations | (26.3) | (8.4) |
| Opening net debt | (194.6) | (105.0) |
| Closing net debt | (198.1) | (194.6) |

Capital expenditure

Gross capital expenditure increased by 8.6% in 2016 to £52.8m (2015 - £48.6m), principally due to investment in future growth programmes and necessary replacement and compliance expenditure. The Group's operations remain well capitalised. The disposal of assets no longer required raised £0.8m (2015 - £0.7m). Similar capital expenditure is anticipated for 2017, with the extent dependent primarily upon the timing of build rate increases in the large commercial aircraft segment and the Group securing the expected new programme wins in both Divisions.

Working capital

Working capital increased by £10.6m in 2016 to £138.5m (2015 - £127.9m). The increase is primarily due to foreign currency movements.

Dividend

The Group has a long track record of dividend growth and the Board intends to continue to pay a progressive dividend reflecting earnings per share and free cash flow generation over the medium term.

A final dividend of 4.62 pence per share is proposed for 2016 (2015 - 4.36 pence), payment of which, if approved, would total £19.3m (2015 final dividend - £18.3m) and would be paid on 26 May 2017 to shareholders on the register at close of business on 28 April 2017. This would bring the total dividends paid and proposed in respect of 2016 to 6.57 pence per share, an increase of 6% over 2015. At the level recommended, the full-year dividend would be covered 2.2 times (2015 - 3.1 times) by adjusted earnings per share. The cash outflow incurred during 2016 in respect of the final dividend for 2015 and the interim dividend for 2016 was £26.4m (2015 - £24.3m).

Goodwill

The change in goodwill from £284.5m at 31 December 2015 to £318.8m at 31 December 2016 reflects an increase of £34.3m due to foreign exchange differences.

Retirement benefit obligations

Aggregate retirement benefit liabilities at 31 December 2016 were £10.4m in excess of the value of pension assets, representing a decrease in the net deficit of £2.2m from 31 December 2015. The Group's UK defined benefit pension plan reached a surplus of £4.0m (31 December 2015 - £0.6m deficit), primarily due to contributions made by the Group of £8.7m (2015 - £8.7m) offsetting adverse actuarial movements and running costs. The deficit in North America and other territories increased by £2.4m (2015 - £1.6m) to £14.4m.

Net debt

Net debt increased by £3.5m to £198.1m at 31 December 2016 (31 December 2015 - £194.6m). This increase was due to £26.3m unfavourable foreign currency movements, £26.4m dividend payments and £1.1m purchase of own shares offset by £48.5m free cash inflow, £0.5m loan repayment from the joint venture and £1.3m proceeds from the disposal of Senior Aerospace Composites.

Funding and Liquidity

As at 31 December 2016, the Group's gross borrowings excluding finance leases were £214.6m (2015 - £207.2m), with 86% of the Group's gross borrowings denominated in US dollars (31 December 2015 - 75%). Cash and bank balances were £17.5m (31 December 2015 - £14.4m).

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

| | Gross borrowings ⁽¹⁾ | Committed facilities |
|---------------------------------|---------------------------------|----------------------|
| | £m | £m |
| Within one year ⁽²⁾ | 44.9 | 44.2 |
| In the second year | 79.1 | 97.6 |
| In years three to five | 26.1 | 96.1 |
| After five years ⁽²⁾ | 64.5 | 64.5 |
| | 214.6 | 302.4 |

⁽¹⁾ Gross borrowings include the use of bank overdrafts, other loans and committed facilities, but exclude finance leases of £1.0m.

⁽²⁾ \$30m (£24.2m) private placement was repaid at its due date in January 2017 by drawing a new €28m (£23.9m) 10-year private placement.

At the year-end, the Group had committed facilities of £302.4m with a weighted average maturity of 3.5 years. These facilities comprise private placement debt of £165.3m, a term loan of £20.0m, and revolving credit facilities of £117.1m. The Group is in a strong funding position, with headroom at 31 December 2016 of £104.3m under its facilities.

In January 2017, the Group repaid a \$30m (£24.2m) private placement at its due date by drawing a new €28m (£23.9m) 10-year private placement. Following this transaction, the weighted average maturity of its committed facilities has increased to 4.3 years.

The Group has £0.7m of uncommitted borrowings which are repayable on demand.

The Group's committed borrowing facilities contain a requirement that the ratio of EBITDA (adjusted profit before interest, tax, depreciation and amortisation) to net interest costs must exceed 3.5x, and that the ratio of net debt to EBITDA must not exceed 3.0x. At 31 December 2016, the Group was operating well within these covenants as the ratio of EBITDA to net interest costs was 11.8x (31 December 2015 - 16.7x) and the ratio of net debt to EBITDA was 1.7x (31 December 2015 - 1.4x). For some covenants the ratio of net debt to EBITDA at 31 December 2016 reduces to 1.5x due to the required restatement of the 31 December 2016 net debt at average 2016 exchange rates.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors consider it possible to form 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 23 of the Annual Report & Accounts 2016.

Risks and uncertainties

The principal risks and uncertainties faced by the Group are set out in detail on pages 24 to 29 of the Annual Report & Accounts 2016.

DEREK HARDING

Group Finance Director

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

1. the Financial Statements, prepared in accordance with the relevant financial reporting framework, 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;
2. the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
3. the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By Order of the Board

David Squires
Group Chief Executive

24 February 2017

Derek Harding
Group Finance Director

24 February 2017

Consolidated Income Statement

For the year ended 31 December 2016

| | Notes | Year ended 2016 £m | Year ended 2015 £m |
|--|-------|--------------------------|--------------------------|
| Revenue | 3 | 917.0 | 849.5 |
| Trading profit before one-off items | | 65.1 | 94.0 |
| Goodwill impairment | | - | (18.8) |
| Impairment of assets held for sale | | - | (1.8) |
| Trading profit | | 65.1 | 73.4 |
| Loss on sale and write-down of fixed assets | | - | (1.5) |
| Share of joint venture profit | 13 | 0.7 | 0.4 |
| Operating profit ⁽¹⁾ | 3 | 65.8 | 72.3 |
| Investment income | | 0.2 | 0.3 |
| Finance costs | | (10.5) | (8.8) |
| Profit before tax ⁽²⁾ | | 55.5 | 63.8 |
| Tax | 5 | (10.1) | (15.3) |
| Profit for the period | | 45.4 | 48.5 |
| Attributable to: | | | |
| Equity holders of the parent | | 45.4 | 48.5 |
| Earnings per share | | | |
| Basic ⁽³⁾ | 7 | 10.84p | 11.59p |
| Diluted ⁽⁴⁾ | 7 | 10.83p | 11.47p |
| ⁽¹⁾ Adjusted operating profit | 4 | 85.6 | 107.8 |
| ⁽²⁾ Adjusted profit before tax | 4 | 75.3 | 99.3 |
| ⁽³⁾ Adjusted earnings per share | 7 | 14.37p | 18.98p |
| ⁽⁴⁾ Adjusted and diluted earnings per share | 7 | 14.36p | 18.78p |

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

| | Year ended 2016 £m | Year ended 2015 £m |
|--|--------------------------|--------------------------|
| Profit for the period | 45.4 | 48.5 |
| Other comprehensive income: | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Losses on cash flow hedges during the period | (9.8) | (5.6) |
| Reclassification adjustments for losses included in profit | 0.7 | 3.8 |
| Losses on cash flow hedges | (9.1) | (1.8) |
| Foreign exchange gain recycled to the Income Statement on disposal of business | (0.4) | - |
| Exchange differences on translation of foreign operations | 62.6 | (4.3) |
| Tax relating to items that may be reclassified | 2.1 | 0.4 |
| | 55.2 | (5.7) |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Actuarial losses on defined benefit pension schemes | (5.1) | (1.1) |
| Tax relating to items that will not be reclassified | 0.5 | 0.8 |
| | (4.6) | (0.3) |
| Other comprehensive income / (expense) for the period, net of tax | 50.6 | (6.0) |
| Total comprehensive income for the period | 96.0 | 42.5 |
| Attributable to: | | |
| Equity holders of the parent | 96.0 | 42.5 |

Consolidated Balance Sheet

As at 31 December 2016

| | Notes | Year ended 2016 £m | Year ended 2015 £m |
|--|-------|--------------------------|--------------------------|
| Non-current assets | | | |
| Goodwill | 8 | 318.8 | 284.5 |
| Other intangible assets | | 60.5 | 72.1 |
| Investment in joint venture | 13 | 1.7 | 1.1 |
| Property, plant and equipment | 9 | 254.2 | 206.6 |
| Deferred tax assets | | 6.6 | 6.7 |
| Loan to joint venture | 13 | 0.9 | 1.1 |
| Retirement benefit asset | 12 | 4.0 | - |
| Trade and other receivables | | 0.3 | 0.3 |
| Total non-current assets | | 647.0 | 572.4 |
| Current assets | | | |
| Inventories | | 154.4 | 126.9 |
| Loan to joint venture | 13 | - | 0.1 |
| Current tax receivables | | 0.7 | 5.1 |
| Trade and other receivables | | 152.5 | 140.6 |
| Cash and bank balances | 11c) | 17.5 | 14.4 |
| Assets classified as held for sale | 14 | 4.2 | 1.8 |
| Total current assets | | 329.3 | 288.9 |
| Total assets | | 976.3 | 861.3 |
| Current liabilities | | | |
| Trade and other payables | | 164.8 | 138.2 |
| Current tax liabilities | | 21.5 | 20.5 |
| Obligations under finance leases | | 0.5 | 0.8 |
| Bank overdrafts and loans | 11c) | 44.9 | 28.6 |
| Provisions | | 3.6 | 1.4 |
| Liabilities classified as held for sale | 14 | - | 1.1 |
| Total current liabilities | | 235.3 | 190.6 |
| Non-current liabilities | | | |
| Bank and other loans | 11c) | 169.7 | 178.6 |
| Retirement benefit obligations | 12 | 14.4 | 12.6 |
| Deferred tax liabilities | | 55.2 | 46.9 |
| Obligations under finance leases | | 0.5 | 1.0 |
| Others | | 0.7 | 0.7 |
| Total non-current liabilities | | 240.5 | 239.8 |
| Total liabilities | | 475.8 | 430.4 |
| Net assets | | 500.5 | 430.9 |
| Equity | | | |
| Issued share capital | 10 | 41.9 | 41.9 |
| Share premium account | | 14.8 | 14.8 |
| Equity reserve | | 3.0 | 4.5 |
| Hedging and translation reserve | | 42.3 | (12.9) |
| Retained earnings | | 400.0 | 384.7 |
| Own shares | | (1.5) | (2.1) |
| Equity attributable to equity holders of the parent | | 500.5 | 430.9 |
| Total equity | | 500.5 | 430.9 |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

All equity is attributable to equity holders of the parent

| | Issued share capital £m | Share premium account £m | Equity reserve £m | Hedging and translation reserve £m | Retained earnings £m | Own shares £m | Total equity £m |
|--|----------------------------------|-----------------------------------|-------------------------|--|----------------------------|---------------------|-----------------------|
| Balance at 1 January 2015 | 41.8 | 14.8 | 5.7 | (7.2) | 359.0 | (2.5) | 411.6 |
| Profit for the year 2015 | - | - | - | - | 48.5 | - | 48.5 |
| Losses on cash flow hedges | - | - | - | (1.8) | - | - | (1.8) |
| Exchange differences on translation of foreign operations | - | - | - | (4.3) | - | - | (4.3) |
| Actuarial losses on defined benefit pension schemes | - | - | - | - | (1.1) | - | (1.1) |
| Tax relating to components of other comprehensive income | - | - | - | 0.4 | 0.8 | - | 1.2 |
| Total comprehensive income for the period | - | - | - | (5.7) | 48.2 | - | 42.5 |
| Issue of share capital | 0.1 | - | (0.1) | - | - | - | - |
| Share-based payment charge | - | - | 2.2 | - | - | - | 2.2 |
| Tax relating to share-based payments | - | - | - | - | (0.2) | - | (0.2) |
| Purchase of shares held by employee benefit trust | - | - | - | - | - | (0.9) | (0.9) |
| Use of shares held by employee benefit trust | - | - | - | - | (1.3) | 1.3 | - |
| Transfer to retained earnings | - | - | (3.3) | - | 3.3 | - | - |
| Dividends paid | - | - | - | - | (24.3) | - | (24.3) |
| Balance at 31 December 2015 | 41.9 | 14.8 | 4.5 | (12.9) | 384.7 | (2.1) | 430.9 |
| Profit for the year 2016 | - | - | - | - | 45.4 | - | 45.4 |
| Losses on cash flow hedges | - | - | - | (9.1) | - | - | (9.1) |
| Foreign exchange gain recycled to the Income Statement on disposal of business | - | - | - | (0.4) | - | - | (0.4) |
| Exchange differences on translation of foreign operations | - | - | - | 62.6 | - | - | 62.6 |
| Actuarial losses on defined benefit pension schemes | - | - | - | - | (5.1) | - | (5.1) |
| Tax relating to components of other comprehensive income | - | - | - | 2.1 | 0.5 | - | 2.6 |
| Total comprehensive income for the period | - | - | - | 55.2 | 40.8 | - | 96.0 |
| Share-based payment charge | - | - | 1.1 | - | - | - | 1.1 |
| Purchase of shares held by employee benefit trust | - | - | - | - | - | (1.1) | (1.1) |
| Use of shares held by employee benefit trust | - | - | - | - | (1.7) | 1.7 | - |
| Transfer to retained earnings | - | - | (2.6) | - | 2.6 | - | - |
| Dividends paid | - | - | - | - | (26.4) | - | (26.4) |
| Balance at 31 December 2016 | 41.9 | 14.8 | 3.0 | 42.3 | 400.0 | (1.5) | 500.5 |

Consolidated Cash Flow Statement

For the year ended 31 December 2016

| | Notes | Year ended 2016 £m | Year ended 2015 £m |
|---|-------|--------------------------|--------------------------|
| Net cash from operating activities | 11a) | 100.3 | 99.4 |
| Investing activities | | | |
| Interest received | | 0.2 | 0.2 |
| Proceeds on disposal of property, plant and equipment | | 0.8 | 0.7 |
| Purchases of property, plant and equipment | | (50.7) | (46.4) |
| Purchases of intangible assets | | (2.1) | (2.2) |
| Proceeds on disposal of business | 14 | 1.3 | - |
| Acquisition of Steico | | - | (60.3) |
| Acquisition of LPE | | - | (43.6) |
| Loan to joint venture | 13 | 0.5 | (0.1) |
| Net cash used in investing activities | | (50.0) | (151.7) |
| Financing activities | | | |
| Dividends paid | | (26.4) | (24.3) |
| New loans raised | | 39.2 | 179.9 |
| Repayment of borrowings | | (58.7) | (98.2) |
| Repayments of obligations under finance leases | | (0.8) | (0.6) |
| Purchase of shares held by employee benefit trust | | (1.1) | (0.9) |
| Net cash (used in) / from financing activities | | (47.8) | 55.9 |
| Net increase in cash and cash equivalents | | 2.5 | 3.6 |
| Cash and cash equivalents at beginning of period | | 11.6 | 8.5 |
| Effect of foreign exchange rate changes | | 2.7 | (0.5) |
| Cash and cash equivalents at end of period | 11c) | 16.8 | 11.6 |

Notes to the above Financial Statements

For the year ended 31 December 2016

1. General information

These results for the year ended 31 December 2016 are an excerpt from the Annual Report & Accounts 2016 and do not constitute the Group's statutory accounts for 2016 or 2015. Statutory accounts for 2015 have been delivered to the Registrar of Companies, and those for 2016 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 Financial Reporting Standards (IFRS) adopted by the European Union, 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 2016 which is available at www.seniorplc.com, hard copies of which will be distributed on or soon after 10 March 2017.

During the year, no new accounting standards or amendments to existing standards became effective which had a material impact on these Financial Statements. At the date of authorisation of the Group's Financial Statements, a number of new standards and amendments to existing standards have been issued but are not yet effective and, for IFRS 16, not yet endorsed by the EU. They have not been adopted early in the Group's Financial Statements. A summary of the impact review performed on each standard is given below. None of these changes will have an effect on net cash from operating activities nor on free cash flow.

- a) IFRS 9 Financial Instruments. Effective for annual periods beginning 1 January 2018, EU endorsed in 2016. This standard covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model. It will replace IAS 39 Financial Instruments. The Group does not expect the transition to this standard to have a material impact on the Financial Statements.
- b) IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning 1 January 2018, EU endorsed in 2016. This standard requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to each of the performance obligations. Revenue is then recognised as each performance obligation is satisfied. This standard will replace IAS 11 Construction Contracts and IAS 18 Revenue.

Retrospective application in the comparative year ending 31 December 2017 is optional. The Group expects that it will not take this optional application and will apply the standard from the transitional date using the cumulative effect method. This involves calculating the relevant adjustments required for contracts not completed as at the transition date of 1 January 2018.

An initial impact assessment has been performed by reviewing all contract types across the Group. This assessment highlighted that if the standard were to be applied in 2016, the cumulative impact on adoption would not be material to either the Group's reported revenue or profit before tax. The majority of this required adjustment would relate to contracts in the Aerospace Division where customer contributions of goods may be received to facilitate the Group's fulfilment of the customer contracts. The standard requires such goods to be treated as non-cash consideration and recognised at their fair value in revenue and cost of sales when the performance obligations in the customer contracts are met. This introduces timing differences when comparing to the current recognition under IAS 18 and IAS 11. There is no impact on the timing of receipt of cash consideration, which is determined within the underlying customer contracts. The required adjustment expected at the transition date will be impacted by future changes such as customer contract renewals, terminations and modifications, as well as exchange rate fluctuations.

The process of implementation is complex, as all Divisions will be affected and may need to implement new information systems and processes to collect the required information. The Group will continue to monitor the impact until the transition date, providing further quantitative and qualitative measures as progress is made on implementation planning.

2. Significant accounting policies continued

- c) IFRS 16 Leases. Effective for annual periods beginning 1 January 2019, subject to EU endorsement. This standard, which will replace IAS 17, requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset is low value. As at 31 December 2016, the Group holds a significant number of operating leases which currently, under IAS 17, are expensed on a straight-line basis over the lease term.

Retrospective application in the comparative year ending 31 December 2018 is optional. The Group expects that it will not take this optional application and will apply the standard from the transitional date using the modified retrospective approach, adjusting opening retained earnings and not restating comparatives. This involves calculating the right of use asset and lease liability based on the present value of remaining lease payments on all applicable lease contracts as at the transition date.

The Group has initiated a process to collect operating lease information across all the Divisions in order to assess the cumulative adjustment on transition. Based on an initial analysis, were the new requirements adopted in 2016, profit before tax would decrease by an immaterial amount, whilst lease liabilities and property, plant and equipment are estimated to increase between £50m and £70m. This is expected to result in an increase of Group's principal lending covenant, the ratio of net debt to EBITDA by 0.2x to 0.5x, except where it is determined at constant accounting standards. The ranges disclosed reflect the sensitivity of the adjustment to a +/-3 percentage point movement in the discount rate used to calculate the present value of the future cash flow commitments. The discount rate, the renewal of and changes to the lease portfolio and exchange rates on translation of financial statements of non-Sterling operations are all subject to change in future years, which will impact the actual transitional adjustment as at the expected transition date.

The Group will continue to monitor the impact until the transition date, providing further quantitative and qualitative measures as progress is made on implementation planning.

- d) None of the amendments to existing standards are expected to have a significant impact on the Financial Statements when they are adopted.

3. Segment information

The Group reports its segment information as two operating Divisions according to the market segments they serve, Aerospace and Flexonics. For management purposes, the Aerospace Division is managed as two sub-divisions, Aerostructures and Fluid Systems, in order to enhance management oversight; however, these are aggregated as one reporting segment as they service similar markets and customers in accordance with IFRS 8. The Flexonics Division is managed as a single division.

3. Segment information continued

Segment information for revenue, operating profit and a reconciliation to entity net profit is presented below:

| | 2016 | | | | 2015 | | | |
|---|-----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------------|-----------------------|
| | Aerospace | Flexonics | Elimination / central costs | Total | Aerospace | Flexonics | Elimination / central costs | Total |
| | Year ended 2016 £m | Year ended 2016 £m | Year ended 2016 £m | Year ended 2016 £m | Year ended 2015 £m | Year ended 2015 £m | Year ended 2015 £m | Year ended 2015 £m |
| External revenue | 665.1 | 251.9 | - | 917.0 | 574.9 | 274.6 | - | 849.5 |
| Inter-segment revenue | 0.1 | 0.2 | (0.3) | - | 0.1 | 0.3 | (0.4) | - |
| Total revenue | 665.2 | 252.1 | (0.3) | 917.0 | 575.0 | 274.9 | (0.4) | 849.5 |
| Adjusted trading profit | 74.8 | 20.7 | (10.6) | 84.9 | 76.8 | 39.4 | (8.8) | 107.4 |
| Share of joint venture profit | - | 0.7 | - | 0.7 | - | 0.4 | - | 0.4 |
| Adjusted operating profit | 74.8 | 21.4 | (10.6) | 85.6 | 76.8 | 39.8 | (8.8) | 107.8 |
| Amortisation of intangible assets from acquisitions | (11.3) | (8.5) | - | (19.8) | (5.3) | (6.9) | - | (12.2) |
| Goodwill impairment | - | - | - | - | - | (18.8) | - | (18.8) |
| Impairment of assets held for sale | - | - | - | - | (1.8) | - | - | (1.8) |
| Loss on sale and write-down of fixed assets | - | - | - | - | (1.1) | (0.4) | - | (1.5) |
| Acquisition costs | - | - | - | - | (0.4) | (0.8) | - | (1.2) |
| Operating profit | 63.5 | 12.9 | (10.6) | 65.8 | 68.2 | 12.9 | (8.8) | 72.3 |
| Investment income | | | | 0.2 | | | | 0.3 |
| Finance costs | | | | (10.5) | | | | (8.8) |
| Profit before tax | | | | 55.5 | | | | 63.8 |
| Tax | | | | (10.1) | | | | (15.3) |
| Profit after tax | | | | 45.4 | | | | 48.5 |
| Adjusted operating profit (Note 4) | | | | 85.6 | | | | 107.8 |

3. Segment information continued

Segment information for assets and liabilities is presented below:

| Assets | Year ended 2016 £m | Year ended 2015 £m |
|---|--------------------------|--------------------------|
| Aerospace | 422.2 | 346.6 |
| Flexonics | 146.2 | 128.9 |
| Segment assets for reportable segments | 568.4 | 475.5 |
| Unallocated | | |
| Central | 3.8 | 4.4 |
| Goodwill | 318.8 | 284.5 |
| Intangible assets from acquisitions | 54.7 | 67.9 |
| Cash | 17.5 | 14.4 |
| Deferred and current tax | 7.3 | 11.8 |
| Retirement benefit asset | 4.0 | - |
| Others | 1.8 | 2.8 |
| Total assets per balance sheet | 976.3 | 861.3 |
| | | |
| Liabilities | Year ended 2016 £m | Year ended 2015 £m |
| Aerospace | 117.4 | 91.3 |
| Flexonics | 41.6 | 37.8 |
| Segment liabilities for reportable segments | 159.0 | 129.1 |
| Unallocated | | |
| Central | 6.8 | 9.4 |
| Debt | 214.6 | 207.2 |
| Finance leases | 1.0 | 1.8 |
| Deferred and current tax | 76.7 | 67.4 |
| Retirement benefit obligations | 14.4 | 12.6 |
| Others | 3.3 | 2.9 |
| Total liabilities per balance sheet | 475.8 | 430.4 |

4. Adjusted operating profit and adjusted profit before tax

The provision of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions. In the year ended 31 December 2015, goodwill impairment, impairment of assets held for sale, loss on sale and write-down of fixed assets and acquisition costs were also included.

These items have been excluded from the adjusted measures in order to show the underlying current business performance of the Group in a consistent manner. This also reflects how the business is managed on a day-to-day basis.

| | Year ended 2016 £m | Year ended 2015 £m |
|---|--------------------------|--------------------------|
| Operating profit | 65.8 | 72.3 |
| Amortisation of intangible assets from acquisitions | 19.8 | 12.2 |
| Goodwill impairment | - | 18.8 |
| Impairment of assets held for sale | - | 1.8 |
| Loss on sale and write-down of fixed assets | - | 1.5 |
| Acquisition costs | - | 1.2 |
| Adjustments to operating profit | 19.8 | 35.5 |
| Adjusted operating profit | 85.6 | 107.8 |
| Profit before tax | 55.5 | 63.8 |
| Adjustments to profit as above before tax | 19.8 | 35.5 |
| Adjusted profit before tax | 75.3 | 99.3 |

5. Taxation

| | Year ended 2016 £m | Year ended 2015 £m |
|---|--------------------------|--------------------------|
| Current tax: | | |
| Current year | 10.8 | 11.3 |
| Adjustments in respect of prior periods | (4.2) | (1.0) |
| | <u>6.6</u> | <u>10.3</u> |
| Deferred tax: | | |
| Current year | 3.8 | 5.4 |
| Adjustments in respect of prior periods | (0.3) | (0.4) |
| | <u>3.5</u> | <u>5.0</u> |
| Total tax charge | <u>10.1</u> | <u>15.3</u> |

UK Corporation Tax is calculated at an effective rate of 20.0% (2015 – 20.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The prior year adjustment to current tax of £4.2m has resulted primarily from adjustments recorded due to the expiration of statutes of limitations and closure of tax authority audits.

6. Dividends

| | Year ended 2016 £m | Year ended 2015 £m |
|---|--------------------------|--------------------------|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the year ended 31 December 2015 of 4.36p (2014 - 3.96p) per share | 18.3 | 16.6 |
| Interim dividend for the year ended 31 December 2016 of 1.95p (2015 - 1.84p) per share | 8.1 | 7.7 |
| | <u>26.4</u> | <u>24.3</u> |
| Proposed final dividend for the year ended 31 December 2016 of 4.62p (2015 – 4.36p) per share | <u>19.3</u> | <u>18.3</u> |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting for 2016 on 21 April 2017 and has not been included as a liability in the Financial Statements.

7. Earnings per share

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

| Number of shares | Year ended 2016 million | Year ended 2015 million |
|---|-------------------------------|-------------------------------|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 418.8 | 418.3 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 0.5 | 4.4 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | <u>419.3</u> | <u>422.7</u> |

| Earnings and earnings per share | Year ended 2016 | | Year ended 2015 | |
|--|-----------------|--------------|-----------------|--------------|
| | Earnings £m | EPS pence | Earnings £m | EPS pence |
| Profit for the period | 45.4 | 10.84 | 48.5 | 11.59 |
| Adjust: | | | | |
| Amortisation of intangible assets from acquisitions net of tax of £5.0m (2015 - £2.2m) | 14.8 | 3.53 | 10.0 | 2.39 |
| Goodwill impairment net of tax of £nil (2015 - £1.0m) | - | - | 17.8 | 4.25 |
| Impairment of assets held for sale net of tax of £nil (2015 - £0.7m) | - | - | 1.1 | 0.26 |
| Loss on sale and write-down of fixed assets net of tax of £nil (2015 - £0.6m) | - | - | 0.9 | 0.22 |
| Acquisition costs net of tax of £nil (2015 - £0.1m) | - | - | 1.1 | 0.27 |
| Adjusted earnings after tax | <u>60.2</u> | <u>14.37</u> | <u>79.4</u> | <u>18.98</u> |
| Earnings per share | | | | |
| - basic | | 10.84p | | 11.59p |
| - diluted | | 10.83p | | 11.47p |
| - adjusted | | 14.37p | | 18.98p |
| - adjusted and diluted | | 14.36p | | 18.78p |

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2015 - £nil).

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

The provision of adjusted earnings per share, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions. In the year ended 31 December 2015, goodwill impairment, impairment of assets held for sale, loss on sale and write-down of fixed assets and acquisition costs were also included.

These items have been excluded from the adjusted measures in order to show the underlying current business performance of the Group in a consistent manner. This also reflects how the business is managed on a day-to-day basis.

8. Goodwill

Goodwill increased by £34.3m during the year to £318.8m (2015 - £284.5m) due to exchange translation differences.

9. Property, plant and equipment

During the period, the Group spent £50.7m (2015 - £46.4m) on the acquisition of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying value of £0.8m (2015 - £2.2m) for proceeds of £0.8m (2015 - £0.7m).

10. Share capital

Share capital as at 31 December 2016 amounted to £41.9m. No shares were issued during 2016.

11. Notes to the cash flow statement

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

| | Year ended 2016 £m | Year ended 2015 £m |
|--|--------------------------|--------------------------|
| Operating profit | 65.8 | 72.3 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 32.5 | 26.5 |
| Amortisation of intangible assets | 21.5 | 13.5 |
| Loss on sale and write-down of fixed assets | - | 1.5 |
| Goodwill impairment | - | 18.8 |
| Impairment of assets held for sale | - | 1.8 |
| Share options | 1.1 | 2.3 |
| Pension payments in excess of service cost | (8.8) | (8.8) |
| Costs on disposal of business | (0.3) | - |
| Pension curtailment gain | (1.0) | - |
| Share of joint venture | (0.7) | (0.4) |
| Operating cash flows before movements in working capital | 110.1 | 127.5 |
| (Increase) / decrease in inventories | (6.4) | 3.6 |
| Decrease in receivables | 7.3 | 5.3 |
| Decrease in payables and provisions | (1.3) | (20.9) |
| Working capital currency movements | 3.5 | (0.1) |
| Cash generated by operations | 113.2 | 115.4 |
| Income taxes paid | (2.7) | (7.9) |
| Interest paid | (10.2) | (8.1) |
| Net cash from operating activities | 100.3 | 99.4 |

11. Notes to the 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, disposals, financing and transactions with shareholders. It is derived as follows:

| | Year ended 2016 £m | Year ended 2015 £m |
|---|--------------------------|--------------------------|
| Net cash from operating activities | 100.3 | 99.4 |
| Interest received | 0.2 | 0.2 |
| Proceeds on disposal of property, plant and equipment | 0.8 | 0.7 |
| Purchases of property, plant and equipment | (50.7) | (46.4) |
| Purchases of intangible assets | (2.1) | (2.2) |
| Free cash flow | <u>48.5</u> | <u>51.7</u> |

c) Analysis of net debt

| | At 1 Jan 2016 £m | Cash flow £m | Non-cash items £m | Exchange movement £m | At 31 Dec 2016 £m |
|---------------------------|---------------------------|-----------------|-------------------------|----------------------------|----------------------------|
| Cash | 14.4 | 0.3 | - | 2.8 | 17.5 |
| Overdrafts | (2.8) | 2.2 | - | (0.1) | (0.7) |
| Cash and cash equivalents | 11.6 | 2.5 | - | 2.7 | 16.8 |
| Debt due within one year | (25.8) | 5.9 | (20.4) | (3.9) | (44.2) |
| Debt due after one year | (178.6) | 13.6 | 20.4 | (25.1) | (169.7) |
| Finance leases | (1.8) | 0.8 | - | - | (1.0) |
| Total | <u>(194.6)</u> | <u>22.8</u> | <u>-</u> | <u>(26.3)</u> | <u>(198.1)</u> |

| | Year ended 2016 £m | Year ended 2015 £m |
|-------------------------------------|--------------------------|--------------------------|
| Cash and cash equivalents comprise: | | |
| Cash | 17.5 | 14.4 |
| Bank overdrafts | (0.7) | (2.8) |
| Total | <u>16.8</u> | <u>11.6</u> |

Cash and cash equivalents (which are presented as a single class of assets on the face of the Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

12. Retirement benefit schemes

Defined Benefit Schemes

Aggregate retirement benefit liabilities are £14.4m and aggregate retirement benefit assets are £4.0m (2015 - £12.6m liabilities, £nil assets). The primary components of these liabilities and assets are the Group's UK and US defined benefit pension schemes, with a surplus of £4.0m (2015 – deficit of £0.6m) and deficit of £7.4m (2015 - £6.5m) respectively, and a liability on unfunded schemes of £7.0m (2015 - £5.5m). These values have been assessed by independent actuaries using current market values and discount rates.

The improvement in the UK pension scheme from a deficit of £0.6m at 31 December 2015 to a surplus of £4.0m at 31 December 2016 is principally due to the positive impact of £8.7m cash contributions, an increase in the inflation assumptions and decrease in discount rate, asset returns during the year and revised demographic and mortality assumptions following the 2016 triennial valuation.

The increase in deficit and liability of the US funded and other unfunded pension schemes from £12.0m at 31 December 2015 to £14.4m at 31 December 2016 is principally due to unfavourable exchange differences, an increase in the life expectancy assumptions in the US and decrease in discount rate, partially offset by higher asset returns and a curtailment gain in the US during the year.

13. Investment in joint venture

During 2012, the Group set up and has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China. The Group's investment of £1.7m represents the Group's share of the joint venture's net assets as at 31 December 2016.

At the year end the Group had provided loans of £0.9m (2015 - £1.2m) to the joint venture, £nil (2015 - £0.1m) is reported as a current asset and £0.9m (2015 - £1.1m) as a non-current asset.

During the year, £0.5m of the loans were repaid (2015 - £0.1m issued), offset by £0.2m of foreign exchange gains.

14. Assets held for sale

On 14 November 2016, the Group entered into a sale agreement to dispose of a property (land and building) in the Senior Flexonics Bartlett operation, which is based in Illinois, USA and is included in the Flexonics Division. The sale will enable Senior Flexonics Bartlett to consolidate the use of its facilities.

The property has been classified as held for sale and presented separately in the Balance Sheet.

On 21 December 2015, the Group entered into a sale agreement to dispose of its Senior Aerospace Composites operation which is based in Wichita, Kansas, USA and was included in the Aerospace Division. The sale, which was completed on 16 February 2016, enabled management to place greater focus on opportunities in its core activities in the Aerospace and Flexonics Divisions. During the year ended 31 December 2016, a loss of £nil (2015 - £nil) arose on disposal after taking into account the fair value of net assets disposed after exit costs of £1.7m offset by a net cash consideration of £1.3m and the previously recorded foreign exchange gain that has been recycled to the Income Statement of £0.4m.

The major categories of assets and liabilities classified as held for sale are as follows:

| | Year ended 2016 £m | Year ended 2015 £m |
|--|--------------------------|--------------------------|
| Property, plant and equipment | 4.2 | 0.6 |
| Inventories | - | 0.6 |
| Trade and other receivables | - | 0.6 |
| Total assets classified as held for sale | 4.2 | 1.8 |
| Trade and other payables | - | 1.1 |
| Total liabilities classified as held for sale | - | 1.1 |
| Net assets classified as held for sale | 4.2 | 0.7 |