

## Results for the year ended 31 December 2019

## Robust Full Year Results and Strong Free Cash Flow Performance

FINANCIAL HIGHLIGHTS	Year ended 31 December		change	change (constant currency) <sup>(5)</sup>
	2019	2018 <sup>(1)</sup>		
REVENUE	£1,110.7m	£1,082.1m	+3%	-1%
OPERATING PROFIT	£61.6m	£69.9m	-12%	-16%
ADJUSTED OPERATING PROFIT <sup>(2)</sup>	£89.4m	£91.6m	-2%	-6%
ADJUSTED OPERATING MARGIN <sup>(2)</sup>	8.0%	8.5%	-50bps	-50bps
PROFIT BEFORE TAX	£28.7m	£61.3m	-53%	-55%
ADJUSTED PROFIT BEFORE TAX <sup>(2)</sup>	£78.5m	£83.0m	-5%	-9%
BASIC EARNINGS PER SHARE	7.04p	12.81p	-45%	
ADJUSTED EARNINGS PER SHARE <sup>(2)</sup>	16.17p	16.08p	+1%	
TOTAL DIVIDEND (PAID AND PROPOSED) PER SHARE	7.51p	7.42p	+1%	
FREE CASH FLOW <sup>(3)</sup>	£58.3m	£45.3m	+29%	
NET DEBT post IFRS 16 <sup>(3)</sup>	£229.6m	£249.1m	-£20m decrease	Net debt / EBITDA 1.1x
ROCE post IFRS 16 <sup>(4)</sup>	11.1%	11.6%	-50bps	

## Highlights

- Sales of £1,110.7m despite facing market challenges
- Adjusted profit before tax of £78.5m
- Adjusted earnings per share of 16.17p; year-on-year increase of 1%
- Strong free cash flow of £58.3m; net debt/EBITDA of 1.1x
- Full year dividend per share proposed to increase by 1%
- Leadership rating of "A-" for the Carbon Disclosure Project ("CDP") 2019
- Prune To Grow strategy delivered three disposals in 2019

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

"Senior delivered robust full year results for 2019 with adjusted earnings per share growth and a strong free cash flow performance. This result has been achieved in a period where the business has faced challenges caused by the grounding of the Boeing 737 MAX fleet. It is clear that our performance in 2020 will continue to be affected by the 737 MAX situation and the Company is taking all necessary actions to mitigate the impact.

We are closely monitoring the development of the coronavirus (COVID-19), including the potential impact of any macroeconomic disruption on our end markets, our supply chain and those of our customers.

However, we entered 2020 with a robust balance sheet and a continued focus on cost, efficiency and cash generation. We are taking firm actions to restructure the business and have every confidence in returning to growth in 2021."

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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 2019, together with other information on Senior plc, can be found at: [www.seniorplc.com](http://www.seniorplc.com)

The information contained in this Release is an extract from the Annual Report & Accounts 2019, 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 2019. Therefore, certain Notes and parts of the Directors' Report reported on are not included within this Release.

- (1) The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice (see Note 2 and 5). The Group has also adopted IFRS 16 Leases in 2019 and as permitted the comparative figures have not been restated for this standard (see Note 2 and 16) except for net debt<sup>(3)</sup> and ROCE<sup>(4)</sup> shown in the Financial Highlights above.
- (2) Adjusted operating profit and adjusted profit before tax are stated before £13.1m amortisation of intangible assets from acquisitions (2018 - £15.4m), £12.1m restructuring (2018 - £nil), £nil charge for UK Guaranteed Minimum Pensions (2018 - £2.4m) and £2.6m costs associated with US class action lawsuits (2018 - £3.9m) see Note 4 for further detail. Adjusted profit before tax is also stated before loss on disposal of businesses of £22.0m (2018 - £nil) see Note 4 for further detail. Adjusted earnings per share is also stated before exceptional non-cash tax credit of £3.6m (2018 restated - £3.4m) see Note 2, 5 and 7 for further detail. Adjusted operating margin is the ratio of adjusted operating profit to revenue.
- (3) See Note 11b and 11c for derivation of free cash flow and of net debt, respectively.
- (4) 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). 2018 ROCE post IFRS 16 is shown for comparative purposes and it has been derived by applying the 2019 transitional and annual impact of IFRS 16 (as shown in Note 16) on the 2018 figures.
- (5) 2018 results translated using 2019 average exchange rates - constant currency.

EBITDA is defined as adjusted profit before tax, and before interest, depreciation, amortisation and profit or loss on sale of property plant and equipment. It also excludes adjusted profit or loss before tax from disposed businesses and is based on frozen GAAP (pre-IFRS 16). This measure is used for the purpose of assessing covenant compliance and is reported to the Group Executive Committee.

The Group's principal exchange rate for the US Dollar applied in the translation of income statement and cash flow items at average 2019 rates was \$1.28 (2018 - \$1.34) and applied in the translation of balance sheet items at 31 December 2019 was \$1.33 (31 December 2018 - \$1.28).

## Annual Report

The full Annual Report & Accounts 2019 is now available online at [www.seniorplc.com](http://www.seniorplc.com). Printed copies will be distributed on or soon after 13 March 2020.

## Webcast

There will be a presentation on Monday 2 March 2020 at 11.00am GMT, with a live webcast that is accessible on Senior's website at [www.seniorplc.com/investors](http://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.

# CHIEF EXECUTIVE'S STATEMENT

## Overview of 2019 Results

### *Senior delivered robust full year results and strong free cash flow performance*

Senior has delivered robust full year results for 2019 with adjusted earnings per share growth and a strong free cash flow performance. This result has been delivered in a period where the business has faced challenges caused by the grounding of the Boeing 737 MAX fleet.

Group revenue was £1,110.7m (2018 - £1,082.1m). Excluding favourable exchange rate impact of £34.8m, and the year-on-year effect of disposals of £20.9m in constant currency, Group revenue increased by £14.7m (1.4%) with revenue growth in Aerospace and lower revenue from Flexonics year-on-year. Group order intake in 2019 was encouraging with a book-to-bill of 1.05x. The revenue increase in the Aerospace Division was driven by growth in both civil aerospace and defence markets. The Group was able to mitigate some of the 737 MAX revenue impact through stronger sales on other civil and military programmes. Flexonics revenue was lower as a result of disposals and softer end markets, particularly in land vehicles and upstream oil and gas markets, offset partly by improved repair and overhaul activity in the power & energy sector.

We measure Group performance on an adjusted basis, which excludes Group items that do not impact the underlying performance (see Note 4). References below therefore focus on these adjusted measures. Adjusted operating profit decreased by £2.2m (2.4%) to £89.4m (2018 - £91.6m). Excluding the favourable exchange rate impact of £3.8m, adjusted operating profit decreased by 6.3% on a constant currency basis.

The Group's adjusted operating margin decreased by 50 basis points, to 8.0% for the full year, with some improvement in Flexonics and, as anticipated, lower margins in the Aerospace Division. Margin improvement in the Flexonics Division reflected the benefits from our continued focus on cost management and efficiency initiatives, our Prune To Grow activity and favourable mix. The operating margin in the Aerospace Division was lower as increases from operational efficiencies and learning curve improvements were more than offset by the impact of the 737 MAX production rate decrease, start-up costs in our new Malaysia facility and adverse mix between mature and new programmes. Central costs decreased by £2.0m to £13.5m (2018 - £15.5m) principally due to lower share-based payment charges, as well as our focus on cost management activities including lower consultancy costs.

Net finance costs increased by £2.3m to £10.9m (2018 - £8.6m) with an underlying decrease more than offset by a £3.5m increase related to the adoption of IFRS 16 Leases, which introduces a new accounting interest charge. Adjusted profit before tax decreased to £78.5m (2018 - £83.0m), down 5.4%, or 9.1% on a constant currency basis. The Group benefited from a one-off reduction in the effective tax rate for 2019, resulting in an adjusted tax rate of 14.5% for the year (2018 - 19.0%). Adjusted earnings per share increased by 0.6% to 16.17 pence (2018 - 16.08 pence).

Reported operating profit was £61.6m (2018 - £69.9m) and reported profit before tax was £28.7m (2018 - £61.3m). Basic earnings per share was 7.04 pence (2018 restated - 12.81 pence).

The Group has continued to focus on generating strong free cash flow and delivered free cash inflow of £58.3m (2018 - £45.3m) after gross investment in capital expenditure of £64.8m (representing 1.5x depreciation, prior to the impact of IFRS 16). Working capital as a percentage of sales was 13.3% at the end of 2019 (2018 - 14.4%), comfortably below our target ceiling of 15%.

Net debt during the course of the year reduced by £19.5m to £229.6m at the end of December 2019. The adoption of IFRS 16 from 1 January 2019 increased opening net debt by £96.1m, therefore net debt at the beginning of the year was £249.1m. The improvement in 2019 was principally due to free cash inflow of £58.3m and favourable currency movements of £7.3m with £31.2m dividend payments, £6.3m purchase of shares by the employee benefit trust, a £3.7m net outflow from disposal activity and £2.9m restructuring cash outflow. The adoption of IFRS 16 does not impact the Group's lending covenants as these are currently based on frozen GAAP and, on this basis, the ratio of net debt to EBITDA at 31 December 2019 was unchanged at 1.1x (31 December 2018 - 1.1x). The financial position of the Group remains robust.

Return on capital employed (ROCE) decreased by 50 basis points to 11.1% (2018 - 11.6%, on a post IFRS 16 basis) and was in excess of the Group's cost of capital. The decrease in ROCE was a result of the reduction in adjusted operating profit compared to prior year, with capital employed (post IFRS 16) remaining stable.

The Board is proposing to maintain a final dividend of 5.23 pence per share. This would bring total dividends, paid and proposed for 2019 to 7.51 pence per share, representing an increase of 1.2% over the prior year.

## Market Conditions

The civil aerospace market has been impacted by the grounding of the Boeing 737 MAX fleet following the Lion Air and Ethiopian Airlines tragic air accidents. As a consequence, in mid-April 2019 Boeing reduced the programme build rate from 52 airplanes per month to 42 per month. In December 2019, Boeing announced the temporary suspension of 737 MAX production beginning in January 2020, pending the certification and return to service of the airplane. Spirit AeroSystems, who manufacture the 737 MAX fuselage, also announced suspension of 737 MAX production effective January 2020. Production rates at CFM International, who manufacture the LEAP-1B engine for the 737 MAX, are also likely to be reduced.

Overall, demand for air travel in 2019 recorded another year of growth with IATA reporting an increase of 4.2% and passenger load factors registering an all-time high of 82.6%. Furthermore, the demand for new aircraft, in particular for single aisle aircraft, remains robust, with Boeing, Airbus and independent forecasters continuing to predict air traffic growth in excess of 4% per annum over the next 20 years.

As anticipated, production in 2019 of the A320neo, 767, 787, A350, A330neo, A220, Embraer 190/195-E2 and Bombardier Global 7500 ramped up and production of the classic 737, A320, A330, 777 and A380 ramped-down. The narrow-body aircraft market remains well supported by long term air traffic growth, as production ramp-up of the Airbus A320neo continues and with Airbus now saying that they see a clear path to further increase the monthly production rate by one or two aircraft in both 2022 and 2023.

In January 2020, Boeing successfully conducted the first flight of the 777X and reaffirmed their first deliveries for 2021. However, there has been some softening in demand for the wide-body platforms. Boeing announced a reduction in production rate of the 787 platform from 14 airplanes per month to 12 per month and, in early 2020, a further cut to 10 per month from early 2021. In February 2019 Airbus also announced that production of A380 would stop after fulfilment of the current order book. In February 2020, Airbus explained that they expect A330 deliveries of approximately 40 aircraft per year from 2020, which equates to a build rate of around 3.5 per month. They also clarified that the A350 build rate will stay between 9 and 10 per month.

Mitsubishi Aircraft rebranded the former MRJ90 as the SpaceJet M90 with first deliveries to commence in 2021 and expects the M100's (redesign of the stretched MRJ70) entry into service in 2023. The Bombardier Global 7500 was certified by EASA in February 2019 and the first 11 aircraft were delivered in 2019. The first Bombardier Global 6500 business jet entered into service in September 2019.

In the defence sector, the US market remains robust and global military spending continues to increase. Key growth programmes include F-35 as well as new aircraft such as the CH-53K King Stallion helicopter and the USAF T-7A Red Hawk. Mature programmes such as the C-130 transport aircraft and UH-60 Black Hawk helicopter continue in series production.

In our Flexonics Division, market production of North American heavy-duty diesel trucks increased 5.5% in 2019 compared to 2018 with growth of 22.1% in H1 2019 and a decline of 9.0% in H2 2019. Industry analysts are currently forecasting a downturn in the North American heavy-duty diesel truck market in 2020, with ACT Research forecasting a 34% decline in 2020 and Cummins forecasting a 40% decline. The North American medium-duty diesel truck market is also forecast to decline by 11% in 2020. For the upstream oil and gas market the US rig count decreased 25% in 2019 and is expected to contract further in 2020. However, international offshore is expected to grow and other power and energy sectors are forecast to be stable in 2020.

We are closely monitoring the development of the coronavirus (COVID-19), including the potential impact of any macroeconomic disruption to our end markets, our supply chain and those of our customers.

## Delivery of Group Strategy

Senior is focused on delivering improved returns for shareholders and is targeting a pre-tax ROCE in excess of 13.5% over the medium term on a post IFRS 16 basis. The Group benefits from its balance between Aerospace and Flexonics, drawing on shared technology and intellectual property in its fluid conveyance and thermal management businesses.

The Group is making good progress against our six strategic priorities which were identified as key elements of our business model, underpinning the continued delivery of improved 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 2020 are noted on pages 18 to 19 of the Annual Report & Accounts 2019.

We continue to invest in new technology and product development which will support the higher medium-term returns we are targeting. As planned, we established our Advanced Additive Manufacturing Centre in Burbank, California, USA in 2019. The Centre is focused on designing and manufacturing metallic additive products to reduce cost, weight, and overall cycle time. It collaborates across Senior with new design possibilities and opportunities for additive manufacturing to contribute to cost reduction efforts on established programs. We are already manufacturing first parts for customer specific applications and the first qualified flight worthy hardware will be delivered in 2020. Additive is a key technology initiative, particularly well placed to enhance the design and manufacture of Senior's products.

We have secured our first development contracts for electric vehicle applications and in 2020 we expect to commence series production of our 70kW battery cooler and secure source selection for our newly developed inverter chill plate.

Technology development of our composite thermoplastic aerospace ducting product, RT2i™, has progressed well over the past year as we have advanced composite and component complexity and transitioned from development to production activities. We expect product qualification of the first shipset with the launch customer during 2020, with series production ramping up thereafter.

It is Senior's policy to review its portfolio on an ongoing basis and evaluate all of its operating businesses in terms of their strategic fit within the Group. In December 2019, Senior confirmed that it has been reviewing all strategic options for its Aerostructures business, which includes an early stage assessment of a potential divestment of the division. That review continues and there can be no certainty that it will lead to a transaction.

All investment decisions Senior makes follow our disciplined capital deployment approach which focusses on creating value for our stakeholders.

The Group's Prune To Grow activities in 2019 included the disposal of three more non-core businesses:

In February 2019, the Group sold its French Flexonics land vehicle business, Senior Flexonics Blois SAS ("Blois"). Blois' main end market was European passenger vehicles.

In September 2019, the Group disposed of its Flexonics operating company in Brazil, Senior Flexonics Brasil Ltda ("São Paulo"), serving the local automotive and power & energy markets.

In October 2019, the Group sold its Aerospace business unit Senior Aerospace Absolute Manufacturing ("Absolute"), based in Washington state, USA which focused on small build-to-print precision machined components.

These transactions enable us to focus on opportunities in our core activities and to deploy capital in other parts of the Group with higher returns. These three disposed businesses represented less than 2% of Group revenue in 2019 (3% of Group revenue in 2018) and the transactions are slightly accretive to the Group's adjusted earnings for 2019. We will continue our Prune To Grow activity where appropriate, while maintaining a disciplined approach to additions into our portfolio.

## Operational Review

As noted in Market Conditions above, in mid-April 2019, Boeing reduced the 737 MAX programme build rate from 52 airplanes per month to 42 per month at a time when the supply chain had geared up for an increase to rate 57. In January 2020, Boeing suspended production of 737 MAX temporarily, pending the certification and return to service of the airplane. Spirit AeroSystems, who manufacture the 737 MAX fuselage, continued production at rate 52 through to the end of 2019 but has also announced suspension of 737 MAX production effective January 2020. Spirit does not expect to achieve a production rate of 52 shipsets per month until late 2022. CFM International, who manufacture the LEAP-1B engine for the 737 MAX, reduced production of the engine to rate 42 in the second half of 2019 and will also cut production rates for 2020. Senior currently has \$267k of shipset content on the 737 MAX.

We currently expect all of our 737 MAX customers to align around a new build rate and ramp profile over the course of 2020 and 2021 with a steady increase in rates over the next four years.

Against this backdrop, Senior's operating businesses took action to mitigate the impact of these 737 MAX related production decreases in 2019, for example by switching production to alternative product where there was strong order cover. We also implemented cost-reduction plans, as detailed in the Restructuring section which follows, as well as plans to improve cash generation, with particular focus on managing capital expenditure and improving working capital. We continue to align our resources to our customers' reduced 737 MAX production schedules. As a consequence, we have increased our restructuring activity and have reviewed our capital expenditure plans in the light of our revised expectations.

Outside of our actions to address the 737 MAX challenges, we continue to invest in our operational facilities to support planned growth. In November 2019, our Aerospace Fluid Systems business, Metal Bellows, opened a facility extension in Massachusetts, USA to support the strong growth we are seeing in that business across its aerospace, defence and industrial markets. In June 2019, we opened our second Aerospace facility in Kuala Lumpur, Malaysia, which has been established in response to customer contract wins, particularly on Airbus but also for Boeing platforms. 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.

We are making solid progress as we continue to achieve cost reduction and learning curve improvements on newer programmes and are seeing improving returns in those businesses where new product introduction and industrialisation activity is near completion.

As we have previously outlined, any new work packages that we secure are expected to meet or exceed our return on capital targets and are in line with our capital deployment strategy. Similarly, when bidding for renewals of existing work we ensure our pricing discipline is firm, preferring to forego sales if the returns are not sufficient to meet our expectations. As we noted in our Trading Update on 7 November 2019, while we have successfully renewed a number of important long-term contracts in 2019, we decided not to renew certain contracts that did not meet our returns requirement.

We continue to embed the Senior Operating System across the group with all businesses now regularly undertaking kaizen events and lean activities focused on cost reduction, cycle time reduction and inventory reduction.

Environmental Social and Governance ("ESG") matters are a high priority for Senior and we have made good progress in 2019. Amongst the highlights, from an environmental perspective Senior achieved a Leadership rating of "A-" from the globally recognised Carbon Disclosure Project ("CDP"): the only UK company in our sector to achieve a Leadership rating. Furthermore, we achieved the same Leadership rating from CDP for our work on supplier engagement. The Board is committed to supporting The Paris Agreement under which the central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The Group has established stretching science-based targets for Scope 1 and 2 emissions as defined under this Agreement, with active plans in place to achieve these targets. Furthermore, the Board has committed to finalise Scope 3 emissions targets in the first half of 2020 that will support the more ambitious 1.5 degrees Celsius target.

From a safety perspective Senior improved its Lost Time Injury Illness Rate from 0.50 to 0.44 - the fourth successive year of meaningful improvement. The Board has set a stretching target of 0.30 for 2023. The improvement has come about through the implementation of a tailored behavioural safety programme which was jointly developed by Senior and the world-renowned Keil Centre.

Senior continues to focus on Diversity and Inclusion and is an active participant in The Hampton Alexander Review and 30% Club, both of which focus on gender diversity on Boards and senior leadership teams. In 2019, women represented 38% of our Board and 33% of our Executive Team.

## **Restructuring**

We are taking actions to mitigate the challenges associated with lower sales anticipated in 2020. As previously announced, we have implemented a restructuring programme across the Group, which includes:

- Aligning direct headcount to match capacity to sales demand profile.

- Further efficiency improvements resulting in overhead cost reductions.

- Transferring major work packages to South East Asia, to take advantage of our global footprint and cost competitive country strategy.

- Closure of Senior Aerospace AMT's South Carolina facility.

In our Trading Update on 7 November 2019, we noted that these activities were expected to result in a total adjusted restructuring charge of around £20m with a restructuring cash outflow of £15m to be incurred over 2019 and 2020. However, in light of Boeing's temporary halt in production of the 737 MAX and assumptions around reduced production rates and the slower ramp up, we now expect the total adjusted restructuring charge to increase to around £23m, taking into account additional headcount reductions as we match capacity to demand.

In 2019, the Group recognised an adjusted restructuring charge of £12.1m. This comprised £4.4m related to Group headcount reduction of 5% in H2 2019, with 8% reduction in Flexonics and 4% reduction in Aerospace; £3.4m for write-down of inventory primarily relating to contracts that had ended; £2.9m related to impairment and disposal of fixed assets including the closure of AMT's South Carolina facility; and £1.4m was for other associated costs including the transfer of work packages to our cost competitive site in Thailand. Total cash outflow in 2019 for these activities was £2.9m with £4m of savings delivered, mainly related to lower headcount.

A cash outflow of £12m is expected to be incurred for these restructuring activities in 2020, including additional headcount reductions particularly in Aerospace. The total adjusted charge of this restructuring programme is expected to be largely recovered in 2020 and 2021, with savings of around £20m expected to be delivered in 2020.

## **Outlook**

The outlook for the Aerospace Division remains consistent with the position set out in the market update of 31 January 2020, with Aerospace revenue in 2020 currently expected to be around 20% below 2019 levels and we expect to return to growth in 2021. Performance in 2020 will be weighted more to the second half than normal because of the 737 MAX situation.

Current economic forecasts suggest that Flexonics cyclical end markets will continue to decline in 2020, before starting to recover in 2021. We therefore expect Flexonics revenue to be lower in 2020 compared to 2019.

The impact of the anticipated sales reduction in both divisions will only be partially mitigated by savings from the restructuring programme and therefore margins in both divisions in 2020 are likely to be lower than those achieved in 2019.

We are closely monitoring the development of the coronavirus (COVID-19), including the potential impact of any macroeconomic disruption on our end markets, our supply chain and those of our customers.

However, we entered 2020 with a robust balance sheet and a continued focus on cost, efficiency and cash generation. We are taking firm actions to restructure the business and have every confidence in returning to growth in 2021.

## **DAVID SQUIRES**

Group Chief Executive

## DIVISIONAL REVIEW

### Aerospace Division

The Aerospace Division represents 75% (2018 - 70%) 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 2018 results have been translated using 2019 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions and restructuring. The Division's operating results on a constant currency basis are summarised below:

	2019	2018 <sup>(1)</sup>	Change
	£m	£m	
Revenue	835.4	788.8	+5.9%
Adjusted operating profit	76.4	83.7	-8.7%
Adjusted operating margin	9.1%	10.6%	-150bps

<sup>(1)</sup> 2018 translated using 2019 average exchange rates - constant currency.

Divisional revenue increased by £46.6m (5.9%) to £835.4m (2018 - £788.8m) whilst adjusted operating profit decreased by £7.3m (8.7%) to £76.4m (2018 - £83.7m).

Revenue Reconciliation	£m
2018 revenue	788.8
Civil aerospace	34.7
Military	19.1
Other	(5.4)
Disposal of business	(1.8)
2019 revenue	835.4

The revenue increase in the Aerospace Division was driven by growth in both civil aerospace and defence markets. The Group was able to mitigate some of the 737 MAX revenue impact through stronger sales on other civil and military programmes. The Aerospace Division was impacted by the grounding of the Boeing 737 MAX fleet. Multiple Senior businesses supply product on this programme to various customers including Boeing, Spirit and the Leap 1B engine companies. At the point at which the fleet was grounded in April 2019, the whole supply chain was poised to increase rates from 52 shipsets per month to 57. Following the grounding, Boeing reduced the build rate to 42 per month. In December 2019, Boeing announced it would temporarily halt production from January 2020 and asked its suppliers including Senior to also pause production. In late January 2020, Boeing announced its working assumption of the return to service of the 737 MAX from mid-year 2020, with production restarting ahead of that date at reduced rates and with a slower ramp-up, taking into consideration the 400 completed but undelivered aircraft that Boeing has stored. Senior is working with its customers to support the resumption of production and rate ramp, which may vary by individual customer and Senior business as they work through their stored inventory.

Senior's sales in the civil aerospace sector increased by 6.0% during the year with the Group benefiting from increased production of the A320neo, 767, 787, A350, A330neo, A220, Embraer 190/195-E2 and Bombardier Global 7500. However, these increases were partly offset by the anticipated decline in build rates of the 777, A330, A380 and the current engine versions of the 737, A320 and ERJ 190/195. As noted above, the Group's sales onto the 737 MAX programme were impacted by the production rate decrease from mid-April 2019 and customers managing their inventory into year end. We were able to mitigate some of this revenue impact at businesses that had strong order cover on other programmes.

Total revenue from the military and defence sector increased by 14.7% 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.

Revenue 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, decreased by £5.4m.



As anticipated, the divisional adjusted operating margin decreased by 150 basis points to 9.1% (2018 - 10.6%) as increases from operational efficiencies, learning curve improvements and restructuring savings were more than offset by the impact of the 737 MAX production rate decrease, start-up costs in our new Malaysia facility and adverse mix between mature and new programmes.

As previously stated, in October 2019, the Group completed the sale of Senior Aerospace Absolute Manufacturing (“Absolute”), part of our Aerostructures sub-division, focused on small build-to-print precision machined components. This reflected our continued Prune To Grow strategy.

### **Flexonics Division**

The Flexonics Division represents 25% (2018 - 30%) 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 is on a constant currency basis, whereby 2018 results have been translated using 2019 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions and restructuring. The Division’s operating results on a constant currency basis are summarised below:

	<b>2019</b>	2018 <sup>(1)</sup>	Change
	<b>£m</b>	£m	
Revenue	<b>275.8</b>	329.3	-16.2%
Adjusted operating profit	<b>26.1</b>	26.7	-2.2%
Adjusted operating margin	<b>9.5%</b>	8.1%	+140bps

<sup>(1)</sup> 2018 results translated using 2019 average exchange rates - constant currency.

Divisional revenue decreased by £53.5m (16.2%) to £275.8m (2018 - £329.3m) and adjusted operating profit decreased by £0.6m (2.2%) to £26.1m (2018 - £26.7m).

<b>Revenue Reconciliation</b>	<b>£m</b>
2018 revenue	329.3
Land vehicles	(30.7)
Power & energy	(3.1)
Disposal of businesses	(19.7)
2019 revenue	<u>275.8</u>

As previously stated, we sold the Flexonics operating business in France, Senior Flexonics Blois SAS (“Blois”), on 15 February 2019. Blois’ main end market was European passenger vehicles. In September 2019, the Group disposed of its Flexonics operating company in Brazil, Senior Flexonics Brasil Ltda (“São Paulo”), serving the local automotive and power & energy markets. These disposals reflect our Prune To Grow strategy and enable us to have greater focus on our core activities and to deploy capital in other parts of the Group that have higher returns.

Group sales to land vehicle markets decreased by 20.4%. Senior’s sales to the North American truck and off-highway market decreased by £22.4m (24.7%), primarily due to lower off-highway market production and the second half reduction in truck production. Sales to the rest of world truck and off-highway markets decreased by £3.1m (11.8%), due to the softening of the truck and off-highway markets in Europe and China. Group sales to passenger vehicle markets decreased by £5.2m (15.5%) in the period, reflecting lower end market demand in Europe and India.

In the Group’s power & energy markets, sales decreased by £3.1m (2.0%) in the year. Sales to oil and gas markets decreased by £4.1m (6.0%), primarily due to weakness in the North American fracking market in upstream oil and gas, while downstream oil and gas benefitted from increased repair and overhaul activity. Sales to power generation markets increased by £0.9m (2.2%) due to higher sales into nuclear power in North America.

The adjusted operating margin increased by 140 basis points to 9.5% (2018 - 8.1%) reflecting the benefits from our continued focus on cost management and efficiency initiatives, our Prune To Grow activity, with the disposals of Blois and São Paulo, and favourable mix with higher revenue from downstream oil and gas repair and overhaul activity.

The Group has two operations in China, a wholly owned facility in Tianjin and a joint venture in Wuhan. These operations represent less than 1% of Group revenue. We are following official advice regarding operational procedures to manage the impact of the Coronavirus outbreak. Safeguarding the welfare of our employees is our first priority.

Current economic forecasts suggest that our Flexonics cyclical end markets will continue to decline in 2020, before starting to recover in 2021. Industry analysts are forecasting a downturn in the North American heavy-duty diesel truck market in 2020, with ACT Research forecasting a 34% decline in 2020 and Cummins forecasting a 40% decline. The North American medium-duty diesel truck market is also forecasting to decline by 11% in 2020. For the upstream oil and gas market, North America onshore is expected to see a double digit decrease in 2020; however, international offshore is expected to grow. Downstream oil and gas activity is forecast to be stable in 2020.

Looking further ahead, the truck, off-highway and passenger vehicle sectors continue to present growth opportunities for the Flexonics Division. Senior is 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 such as coolant tubes for electric motors and batteries and exhaust bellows for hybrids, plug in hybrids and for ICEs where they are used as a range extender for battery powered electric vehicles.

We have secured the first contract for our Battery Heat Exchanger technology which will enter series production this year and is being developed with several customers for off-highway, passenger vehicle and stationary power applications. We have also developed industry leading Electronic Heat Exchangers: copper and aluminium chill plates for use in hybrid vehicles and electric power charging stations.

Our newly developed radial fin exhaust gas recirculation cooler products currently exceed or match commercial vehicle industry benchmarks for CO<sub>2</sub> reduction, efficiency and durability and we are working with multiple OEMs for diesel, natural gas and hybrid applications. We expect to launch the first production for highly demanding applications in 2024.

## OTHER FINANCIAL INFORMATION

### Finance costs and investment income

Total finance costs, net of investment income of £0.9m (2018 - £0.6m) increased to £10.9m (2018 - £8.6m) mainly due to £3.5m (2018 - £nil) interest charge on IFRS 16 lease liabilities partly offset by IAS 19 pension finance credit of £0.7m (2018 - £0.2m), favourable foreign exchange impact on the translation of interest charges on US Dollar denominated borrowings, and new issuances of loan notes in 2018 which carry lower interest rates than the loan notes that matured in October 2018. IFRS 16 does not require the comparative statements to be restated for interest charges on the associated lease liabilities.

### Tax charge

The adjusted tax rate for the year was 14.5% (2018 - 19.0%), being a tax charge of £11.4m (2018 - £15.8m) on adjusted profit before tax of £78.5m (2018 - £83.0m). The reduction in rate is attributed to the recognition of prior year adjustments in the US as the impact on the Group of US Tax reform following the enactment of the US Tax Cuts and Jobs Act in December 2017 becomes clearer; as well as clarification as to the treatment for tax purposes of historical profits in our Malaysian aerospace business.

The reported tax rate was 1.7% credit, being a tax credit of £0.5m on reported profit before tax of £28.7m. The reported tax credit for the year included the tax credit of items excluded from adjusted operating profit of £8.3m and an exceptional non-cash tax credit of £3.6m to recognise a deferred tax asset, following a recent change in accepted practice in terms of the tax treatment related to restricted interest deductions in the US.

This recent change in accepted practice in terms of the tax treatment related to restricted interest deductions in the US has led to the comparative figures for 2018 being restated to reflect the recognition of a non-cash deferred tax asset of £3.4m. Therefore the reported tax charge for 2018 has reduced from the originally stated £11.2m to £7.8m. See Note 2. The 2018 restated reported tax rate was 12.7%, being a tax charge of £7.8m on reported profit before tax of £61.3m. This included the tax credit of items excluded from adjusted operating profit of £4.6m and an exceptional non-cash deferred tax credit, as noted above, of £3.4m.

Cash tax paid was £5.3m (2018 - £6.0m) and is stated net of refunds received of £0.8m (2018 - £2.0m) of tax paid in prior periods. The rate of cash tax paid is lower than our adjusted tax rate in both years due to accelerated tax relief for capital expenditure in the US and tax deductible items that do not affect adjusted profit.

The adoption of IFRIC 23 has resulted in the recognition of tax liabilities and interest thereon of £4.8m which have been recognised through opening reserves.

### Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, decreased to 415.0 million (2018 - 417.8 million). The decrease arose principally from shares purchased by the employee benefit trust. Adjusted earnings per share increased by 0.6% to 16.17 pence (2018 - 16.08 pence). Basic earnings per share decreased by 45.0% to 7.04 pence (2018 restated - 12.81 pence). See Note 7 for details of the basis of these calculations.

### Research and design

The Group's expenditure on research and design was £28.1m during 2019 (2018 - £29.7m). Expenditure was incurred mainly on funded and unfunded work, which relates to designing and engineering products in accordance with individual customer specifications and investigating specific manufacturing processes for their production. The Group also incurs costs on general manufacturing improvement processes which are similarly expensed. Unfunded costs in the year have been expensed, consistent with the prior year, as they did not meet the strict criteria required for capitalisation.

### Exchange rates

A proportion of the Group's operating profit in 2019 was generated outside the UK and consequently, foreign exchange rates, principally the US Dollar against Sterling, can affect the Group's results.

The 2019 average exchange rate for the US Dollar applied in the translation of income statement and cash flow items was \$1.28 (2018 - \$1.34). The exchange rate for the US Dollar applied to the translation of Balance Sheet items at 31 December 2019 was \$1.33 (31 December 2018 - \$1.28).

Using 2019 average exchange rates would have increased 2018 revenue by £34.8m and increased 2018 adjusted operating profit by £3.8m. A 10 cents movement in the £:\$ exchange rate is estimated to affect full-year revenue by £55m, adjusted operating profit by £5m and net debt by £10m.

## Cash flow

The Group generated strong free cash flow of £58.3m in 2019 (2018 - £45.3m) as set out in the table below:

	2019	2018
	£m	£m
Operating profit	61.6	69.9
Amortisation of intangible assets from acquisitions	13.1	15.4
Restructuring	12.1	-
US class action lawsuits	2.6	3.9
UK Guaranteed Minimum Pension	-	2.4
Adjusted operating profit	89.4	91.6
Depreciation (including amortisation of software)	54.6	41.5
Working capital and provisions movement, net of restructuring items	3.4	(11.1)
Pension payments above service cost	(8.7)	(10.3)
Other items <sup>(1)</sup>	0.0	4.3
Interest paid, net	(11.0)	(8.9)
Income tax paid, net	(5.3)	(6.0)
Capital expenditure	(64.8)	(56.3)
Sale of plant, property and equipment	0.7	0.5
Free cash flow	58.3	45.3
Dividends paid	(31.2)	(29.6)
Disposal costs and net debt left in the businesses in excess of proceeds	(3.7)	-
Loan repayment by joint venture	-	0.5
Purchase of shares held by employee benefit trust	(6.3)	(7.2)
Restructuring cash paid	(2.9)	-
Foreign exchange variations	7.3	(6.7)
IFRS 16 non-cash additions and modifications before disposals	(2.0)	-
Change in net debt	19.5	2.3
Opening net debt (2019 stated after IFRS 16 lease liabilities)	(249.1)	(155.3)
Closing net debt (2019 stated after IFRS 16 lease liabilities)	(229.6)	(153.0)

<sup>(1)</sup> Other items comprises £1.8m share-based payment charges (2018 - £3.4m), (£0.4m) share of joint venture (2018 - (£0.6m)), (£1.4m) working capital and provision currency movements (2018 - £1.7m), £nil loss on sale of fixed assets (2018 - £0.4m), £nil pension curtailment gain (2018 - (£0.4m)), and £nil US class action lawsuits payments (2018 - £0.2m).

## Capital expenditure

Capital expenditure of £64.8m (2018 - £56.3m) was 1.5 times depreciation (excluding impact of IFRS 16) (2018 - 1.4 times), with the majority of investment related to growth programmes in the Aerospace Division including our second facility in Malaysia, the expansion of our Metal Bellows facility in Massachusetts and our technology investment in our Advanced Additive Manufacturing Centre. The disposal of plant, property and equipment raised £0.7m (2018 - £0.5m). 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.

## **Working capital**

Working capital decreased by £8.7m in 2019 to £147.4m (2018 - £156.1m) mainly due to a reduction in inventories as changes in receivables and payables broadly offset each other. Working capital as a percentage of revenue decreased by 110 basis points from 14.4% at 31 December 2018 to 13.3% at 31 December 2019 due to 100 basis points decrease from exchange and other differences and 10 basis points decrease from receivables in excess of payables.

## **Dividend**

The Group has a long and stable track record of dividend growth and the Board follows a progressive dividend policy reflecting earnings per share, free cash flow generation and dividend cover over the medium term.

A final dividend of 5.23 pence per share is proposed for 2019 (2018 - 5.23 pence per share), payment of which, if approved, would total £21.7m (2018 final dividend - £21.7m) and would be paid on 29 May 2020 to shareholders on the register at close of business on 1 May 2020. This would deliver total dividends paid and proposed in respect of 2019 of 7.51 pence per share, an increase of 1.2% over 2018. At the level recommended, the full-year dividend would be covered 2.2 times (2018 - 2.2 times) by adjusted earnings per share. The cash outflow incurred during 2019 in respect of the final dividend for 2018 and the interim dividend for 2019 was £31.2m (2018 - £29.6m).

## **Goodwill**

The change in goodwill from £312.9 at 31 December 2018 to £297.1m at 31 December 2019 is due to foreign exchange differences on translation of £7.7m and the removal of goodwill of disposed businesses of £8.1m.

## **Retirement benefit schemes**

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan ("the UK Plan") increased by £18.0m to £48.9m (31 December 2018 - £30.9m) due to £6.9m cash contributions by the Group, in excess of running costs; £10.1m net actuarial gains; and £1.0m net interest income. Retirement benefit deficits in respect of the US and other territories decreased by £4.6m to £7.8m (31 December 2018 - £12.4m), principally due to the disposal of Blois whose retirement benefit liability was £1.7m and cash contributions in excess of running and service costs made by the Group of £1.8m.

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

## **Net debt**

Net debt which includes IFRS 16 lease liabilities decreased by £19.5m to £229.6m at 31 December 2019 (1 January 2019 - £249.1m). This decrease was due to £58.3m of strong free cash inflow and £7.3m favourable foreign currency movements, partially offset by £31.2m dividend payments, £6.3m purchase of own shares held by the employee benefit trust, £3.7m net outflows from disposals (costs and cash left in the businesses net of proceeds), £2.9m restructuring cash paid, and £2.0m non-cash changes in lease liabilities due to additions and modifications.

## **Funding and Liquidity**

As at 31 December 2019, the Group's gross borrowings excluding leases and transaction costs directly attributable to borrowings were £163.0m (31 December 2018 - £170.8m), with 64% of the Group's gross borrowings denominated in US Dollars (31 December 2018 - 68%). Cash and bank balances were £15.8m (31 December 2018 - £17.2m).

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

	Gross borrowings <sup>(1)</sup>	Committed facilities
	£m	£m
Within one year	15.7	15.0
In the second year	6.8	36.5
In years three to five	22.0	135.0
After five years	118.5	118.5
	163.0	305.0

(1) Gross borrowings include the use of bank overdrafts, other loans and committed facilities, but exclude leases of £83.7m and transaction costs directly attributable to borrowings of (£1.3m).

At the year-end, the Group had committed facilities of £305.0m comprising private placement debt of £148.5m and revolving credit facilities of £156.5m. The Group is in a strong funding position, with headroom at 31 December 2019 of £159.1m under its committed facilities.

In February 2019, the Group refinanced its main UK revolving credit facilities of £80.0m by increasing the committed facilities to £120.0m and extended the maturity to February 2024.

The weighted average maturity of the Group's committed facilities is currently 4.4 years.

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

The Group's committed borrowing facilities at 31 December 2019 contain a requirement that the ratio of EBITDA (as defined above) to net interest costs must exceed 3.5x, and that the ratio of net debt (restated at average exchange rates for the financial year, and before IFRS 16 lease liabilities) to EBITDA must not exceed 3.0x. At 31 December 2019, the Group was operating well within these covenants as the ratio of EBITDA to net interest costs was 16.9x (31 December 2018 - 15.2x) and the ratio of net debt to EBITDA was 1.1x (31 December 2018 - 1.1x).

### IFRS 16 Leases

Effective for annual periods beginning 1 January 2019, IFRS 16 Leases has replaced IAS 17 Leases and requires lessees to recognise right of use assets and lease liabilities for all leases (be they operating or financing in classification under IAS 17), with optional application for those leases with a term of 12 months or less and where the underlying asset is low value. As at 31 December 2018, the Group held a significant number of operating leases which under IAS 17 were expensed on a straight-line basis over the lease term.

On transition to IFRS 16 on 1 January 2019, the Group recognised right-of-use assets of £96.7m, lease liabilities of £96.3m, with working capital and non-current liabilities decreasing by £0.4m in total. Right-of-use assets were initially measured equal to the lease liabilities, adjusted by prepaid or accrued lease payments.

The adoption of IFRS 16 from 1 January 2019 resulted in £10.2m increase in depreciation, £11.3m reduction in lease expenses and £3.5m increase in finance costs recognised in the Consolidated Income Statement during the year ended 31 December 2019; and £82.3m right-of-use assets and £83.7m lease liabilities recognised in the Consolidated Balance Sheet at 31 December 2019.

In the Consolidated Cash Flow Statement during the year ended 31 December 2019, cash generated by operations and free cash flow (as defined in Note 11b) has increased by £11.3m and £7.8m, respectively, as a result of IFRS 16; while capital repayments of lease liabilities are classified to net cash used in financing activities, resulting in a neutral effect on the movement in cash and cash equivalents. The adoption of IFRS 16 does not impact the Group's lending covenants, as these are currently based on frozen GAAP.

### UK withdrawal from the European Union

While we do not anticipate a significant direct impact from Brexit on the Group's activities, we remain alert to the impact any final post transition period deal will have on macroeconomic conditions. Our assessment is that any direct or indirect impact from Brexit will be limited given the Group's global positioning.

**Viability statement**

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 39 of the Annual Report & Accounts 2019.

**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 2019.

**BINDI FOYLE**

Group Finance Director

## **Responsibility Statement of the Directors in Respect of the Annual Report & Accounts 2019**

We confirm that to the best of our knowledge:

1. the Financial Statements, as included in the Annual Report & Accounts 2019, 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 2019, 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 2019, 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

28 February 2020

Bindi Foyle  
Group Finance Director

28 February 2020



# Consolidated Income Statement

For the year ended 31 December 2019

	Notes	Year ended 2019 £m	Year ended 2018 (restated) £m
<b>Revenue</b>	3	1,110.7	1,082.1
Trading profit		61.2	69.3
Share of joint venture profit	13	0.4	0.6
Operating profit <sup>(1)</sup>	3	61.6	69.9
Investment income		0.9	0.6
Finance costs		(11.8)	(9.2)
Loss on disposal of businesses	14	(22.0)	-
Profit before tax <sup>(2)</sup>		28.7	61.3
Tax credit/(charge)	5	0.5	(7.8)
<b>Profit for the period</b>		<u>29.2</u>	<u>53.5</u>
Attributable to:			
Equity holders of the parent		<u>29.2</u>	<u>53.5</u>
Earnings per share			
Basic <sup>(3)</sup>	7	<u>7.04p</u>	<u>12.81p</u>
Diluted <sup>(4)</sup>	7	<u>7.01p</u>	<u>12.63p</u>
<sup>(1)</sup> Adjusted operating profit	4	89.4	91.6
<sup>(2)</sup> Adjusted profit before tax	4	78.5	83.0
<sup>(3)</sup> Adjusted earnings per share	7	16.17p	16.08p
<sup>(4)</sup> Adjusted and diluted earnings per share	7	16.10p	15.87p

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice - see Note 2 and 5.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Year ended 2019	Year ended 2018 (restated)
	£m	£m
Profit for the period	29.2	53.5
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on foreign exchange contracts - cash flow hedges during the period	7.2	(8.0)
Reclassification adjustments for (profits)/losses included in profit	(1.0)	1.3
Gains/(losses) on foreign exchange contracts - cash flow hedges	6.2	(6.7)
Foreign exchange gain recycled to the Income Statement on disposal of businesses	(3.0)	-
Exchange differences on translation of overseas operations	(11.5)	20.5
Tax relating to items that may be reclassified	(1.2)	1.3
	(9.5)	15.1
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit pension schemes	11.1	5.8
Tax relating to items that will not be reclassified	(2.1)	(0.8)
	9.0	5.0
Other comprehensive (expense)/income for the period, net of tax	(0.5)	20.1
<b>Total comprehensive income for the period</b>	<b>28.7</b>	<b>73.6</b>
Attributable to:		
Equity holders of the parent	28.7	73.6

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice - see Note 2 and 5.

# Consolidated Balance Sheet

As at 31 December 2019

	Notes	Year ended 2019 £m	Year ended 2018 (restated) £m
<b>Non-current assets</b>			
Goodwill	8	297.1	312.9
Other intangible assets		12.9	26.7
Investment in joint venture	13	3.3	3.0
Property, plant and equipment	9	369.3	285.6
Deferred tax assets		1.7	2.4
Retirement benefits	12	48.9	30.9
Trade and other receivables		0.5	0.5
<b>Total non-current assets</b>		<b>733.7</b>	<b>662.0</b>
<b>Current assets</b>			
Inventories		169.3	177.8
Current tax receivables		3.5	2.7
Trade and other receivables		133.6	165.0
Cash and bank balances	11c)	15.8	17.2
<b>Total current assets</b>		<b>322.2</b>	<b>362.7</b>
<b>Total assets</b>		<b>1,055.9</b>	<b>1,024.7</b>
<b>Current liabilities</b>			
Trade and other payables		157.3	196.0
Current tax liabilities		26.6	21.5
Lease liabilities		0.2	0.2
Bank overdrafts and loans	11c)	15.7	2.7
Provisions		19.9	11.3
<b>Total current liabilities</b>		<b>219.7</b>	<b>231.7</b>
<b>Non-current liabilities</b>			
Bank and other loans	11c)	146.0	167.3
Retirement benefits	12	7.8	12.4
Deferred tax liabilities		32.8	38.6
Lease liabilities		83.5	-
Provisions		1.6	0.2
Others		4.9	2.7
<b>Total non-current liabilities</b>		<b>276.6</b>	<b>221.2</b>
<b>Total liabilities</b>		<b>496.3</b>	<b>452.9</b>
<b>Net assets</b>		<b>559.6</b>	<b>571.8</b>
<b>Equity</b>			
Issued share capital	10	41.9	41.9
Share premium account		14.8	14.8
Equity reserve		5.5	5.7
Hedging and translation reserve		38.9	48.4
Retained earnings		472.5	469.0
Own shares		(14.0)	(8.0)
<b>Equity attributable to equity holders of the parent</b>		<b>559.6</b>	<b>571.8</b>
<b>Total equity</b>		<b>559.6</b>	<b>571.8</b>

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice - see Note 2 and 5.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

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 (restated) £m	Retained earnings (restated) £m	Own shares £m	Total equity (restated) £m
Balance at 1 January 2018	41.9	14.8	3.9	33.3	438.8	(1.1)	531.6
Profit for the year 2018	-	-	-	-	50.1	-	50.1
Losses on foreign exchange contracts - cash flow hedges	-	-	-	(6.7)	-	-	(6.7)
Exchange differences on translation of overseas operations	-	-	-	20.3	-	-	20.3
Actuarial gains on defined benefit pension schemes	-	-	-	-	5.8	-	5.8
Tax relating to components of other comprehensive income	-	-	-	1.3	(0.8)	-	0.5
Prior year restatement for deferred tax (Note 2)	-	-	-	0.2	3.4	-	3.6
Total comprehensive income for the period	-	-	-	15.1	58.5	-	73.6
Share-based payment charge	-	-	3.4	-	-	-	3.4
Purchase of shares held by employee benefit trust	-	-	-	-	-	(7.2)	(7.2)
Use of shares held by employee benefit trust	-	-	-	-	(0.3)	0.3	-
Transfer to retained earnings	-	-	(1.6)	-	1.6	-	-
Dividends paid	-	-	-	-	(29.6)	-	(29.6)
Balance at 31 December 2018	41.9	14.8	5.7	48.4	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 gain recycled to the Income Statement on disposal of businesses	-	-	-	(3.0)	-	-	(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	-	-	-	(9.5)	38.2	-	28.7
IFRIC 23 Opening balance adjustment - Note 2)	-	-	-	-	(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	38.9	472.5	(14.0)	559.6

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice - see Note 2 and 5.

# Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Notes	Year ended 2019 £m	Year ended 2018 £m
<b>Net cash from operating activities</b>	11a)	115.9	100.7
<b>Investing activities</b>			
Interest received		0.2	0.4
Proceeds on disposal of property, plant and equipment		0.7	0.5
Purchases of property, plant and equipment		(63.0)	(54.6)
Purchases of intangible assets		(1.8)	(1.7)
Proceeds on disposal of businesses net of cash balances	14	(4.8)	-
Loan repayment by joint venture	13	-	0.5
<b>Net cash used in investing activities</b>		(68.7)	(54.9)
<b>Financing activities</b>			
Dividends paid		(31.2)	(29.6)
New loans		62.4	111.9
Repayment of borrowings		(65.6)	(114.3)
Repayment of lease liabilities		(7.8)	(0.3)
Purchase of shares held by employee benefit trust		(6.3)	(7.2)
<b>Net cash used in financing activities</b>		(48.5)	(39.5)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1.3)	6.3
<b>Cash and cash equivalents at beginning of period</b>		17.0	9.7
Effect of foreign exchange rate changes		(0.6)	1.0
<b>Cash and cash equivalents at end of period</b>	11c)	15.1	17.0

# Notes to the above Financial Statements

For the year ended 31 December 2019

## 1. General information

These results for the year ended 31 December 2019 are an excerpt from the Annual Report & Accounts 2019 and do not constitute the Group's statutory accounts for 2019 or 2018. Statutory accounts for 2018 have been delivered to the Registrar of Companies, and those for 2019 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 2019 which is available online at [www.seniorplc.com](http://www.seniorplc.com). Printed copies will be distributed on or soon after 13 March 2020.

The Board has adopted a new accounting policy related to deferred tax asset (DTA) recognition. This is in connection with corporate interest restrictions in the US and follows specific guidance issued in December 2019 that specifically addressed DTA recognition for carried forward interest deductions where the US entity also recognises deferred tax liabilities related to timing differences. Previously, the accounting policy followed was not to recognise a DTA on the basis that there would be no cash tax benefit to the Group. The new accounting policy recognises a DTA to the extent that sufficient taxable temporary differences exist at the balance sheet date. There is no change to the expected cash benefit. The new policy aligns with the new guidance and has been accounted for as a voluntary change in accounting policy as required by IAS 8.

The impact is a credit of £3.6m in the year ended 31 December 2019 in respect of the DTA recognised. The comparative amounts have been restated accordingly with a deferred tax credit of £3.4m excluded from adjusted earnings after tax with a consequential decrease in the net deferred tax liability held at 31 December 2018. The impacts in both years have been excluded from adjusted earnings after tax due to the comparable size to the overall tax charge in both 2018 and 2019. As the impact is related to an accounting policy change, and there is no change to the expected tax cash benefit, the credit has been excluded in our adjusted earnings per share calculation.

At the date of authorisation of the Group's Financial Statements, a number of new standards and amendments to existing standards have been issued, all of which are effective. A summary of the impact from each standard is given below. Only IFRS 16 will have an effect on net cash from operating activities and free cash flow, which is explained in Note 16.

a) IFRS 16 Leases - Effective for annual periods beginning 1 January 2019, IFRS 16 Leases replaced IAS 17 Leases and requires lessees to recognise right-of-use assets and lease liabilities for all leases (be they operating or financing in classification under IAS 17), with optional application for those leases with a term of 12 months or less or where the underlying asset is low value. The Group has performed the required assessment of its cumulative adjustment on transition to IFRS 16 with effect from 1 January 2019 and applied the standard from the transitional date using the modified retrospective approach and not restating comparatives. As at 1 January 2019, the Group's audited right-of-use assets were £96.7m, lease liabilities were £96.3m and working capital and non-current liabilities decreased by £0.4m in total. A reconciliation between the IAS 17 operating lease commitments disclosed in the Consolidated Financial Statements of the Group as at 31 December 2018 and Lease liabilities recognised on 1 January 2019 is shown in Note 16. The adoption of IFRS 16 does not impact the Group's lending covenants, as these are currently based on frozen GAAP.

b) IFRIC 23 Uncertainty over income tax treatments - This interpretation clarifies the application of the recognition and measurement requirements of IAS 12 where there is uncertainty over income tax treatments. Accordingly the Directors reassessed the basis of the risk provisions for tax uncertainties to apply the principles of IFRIC 23, and on 1 January 2019 have recognised additional current tax liabilities of £3.8m, together with £1m of associated interest, as an opening retained earnings adjustment.

There are no other material new standards, amendments to standards or interpretations which are effective for the year ended 31 December 2019.

### 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. For management purposes, the Aerospace Division is managed as two sub-divisions, Aerostructures and Fluid Systems; however, these are aggregated as one reporting segment in accordance with IFRS 8 as they serve similar markets and customers. The Flexonics Division is managed as a single division.

Segment information for revenue, operating 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 2019 £m	Year ended 2019 £m	Year ended 2019 £m	Year ended 2019 £m	Year ended 2018 £m	Year ended 2018 £m	Year ended 2018 £m	Year ended 2018 £m (restated)
External revenue	835.2	275.5	-	1,110.7	759.4	322.7	-	1,082.1
Inter-segment revenue	0.2	0.3	(0.5)	-	1.0	0.2	(1.2)	-
<b>Total revenue</b>	<b>835.4</b>	<b>275.8</b>	<b>(0.5)</b>	<b>1,110.7</b>	<b>760.4</b>	<b>322.9</b>	<b>(1.2)</b>	<b>1,082.1</b>
Adjusted trading profit	76.4	26.1	(13.5)	89.0	80.4	26.1	(15.5)	91.0
Share of joint venture profit	-	0.4	-	0.4	-	0.6	-	0.6
Adjusted operating profit (Note 4)	76.4	26.5	(13.5)	89.4	80.4	26.7	(15.5)	91.6
Amortisation of intangible assets from acquisitions	(7.1)	(6.0)	-	(13.1)	(8.3)	(7.1)	-	(15.4)
Restructuring (Note 4)	(5.6)	(6.5)	-	(12.1)	-	-	-	-
UK Guaranteed Minimum Pensions (Note 4)	-	-	-	-	-	-	(2.4)	(2.4)
US class action lawsuits (Note 4)	-	-	(2.6)	(2.6)	-	-	(3.9)	(3.9)
<b>Operating profit</b>	<b>63.7</b>	<b>14.0</b>	<b>(16.1)</b>	<b>61.6</b>	<b>72.1</b>	<b>19.6</b>	<b>(21.8)</b>	<b>69.9</b>
Investment income				0.9				0.6
Finance costs				(11.8)				(9.2)
Loss on disposal of businesses (Note 14)				(22.0)				-
Profit before tax				28.7				61.3
Tax (Note 5)				0.5				(7.8)
<b>Profit after tax</b>				<b>29.2</b>				<b>53.5</b>

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

### 3. Segment information (continued)

Segment information for assets and liabilities is presented below:

Assets	Year ended 2019 £m	Year ended 2018 £m
Aerospace	764.3	723.1
Flexonics	215.3	244.1
Segment assets for reportable segments	979.6	967.2
Unallocated		
Central	5.7	4.0
Cash	15.8	17.2
Deferred and current tax	5.2	5.1
Retirement benefits	48.9	30.9
Others	0.7	0.3
Total assets per Consolidated Balance Sheet	1,055.9	1,024.7
Liabilities	Year ended 2019 £m	Year ended 2018 (restated) £m
Aerospace	185.8	134.7
Flexonics	56.1	58.3
Segment liabilities for reportable segments	241.9	193.0
Unallocated		
Central	16.2	14.1
Debt	161.7	170.0
Lease liabilities	-	0.2
Deferred and current tax	59.4	60.1
Retirement benefits	7.8	12.4
Others	9.3	3.1
Total liabilities per Consolidated Balance Sheet	496.3	452.9

Following the adoption of IFRS 16 on 1 January 2019, right-of-use assets and lease liabilities are shown under segment assets and liabilities, respectively, for reportable segments.



### 3. Segment information (continued)

Total revenue is disaggregated by market sectors as follows:

	Year ended 2019 £m	Year ended 2018 £m
Civil Aerospace	618.0	563.6
Military Aerospace	149.7	125.6
Other	67.7	71.2
<b>Aerospace</b>	<b>835.4</b>	<b>760.4</b>
Land Vehicles	123.4	167.0
Power & Energy	152.4	155.9
<b>Flexonics</b>	<b>275.8</b>	<b>322.9</b>
Eliminations	(0.5)	(1.2)
<b>Total revenue</b>	<b>1,110.7</b>	<b>1,082.1</b>

Other Aerospace comprises Space and Non-Military Helicopters and other markets, principally including semiconductor, medical, and industrial applications.

#### 4. Adjusted operating profit and adjusted profit before tax

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, have been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, restructuring, the UK Guaranteed Minimum Pensions charge, the costs associated with the US class action lawsuits and loss on disposal of businesses. The Board has adopted a policy to separately disclose those items that it considers are outside the results for the particular year under review and against which the Board measures and assesses the performance of the business.

The adjustments are made on a consistent basis and also reflect how the business is managed on a day-to-day basis.

The amortisation charge relates to prior years' acquisitions. It is charged on a straight line basis and reflects a non-cash item for the reported year. The Group implemented a restructuring programme in 2019. The UK Guaranteed Minimum Pensions charge is isolated and one-off in nature. The US class action lawsuits relate to historic legal matters. None of these charges, including the loss on disposal of businesses, 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 2019 £m	Year ended 2018 £m
Operating profit	61.6	69.9
Amortisation of intangible assets from acquisitions	13.1	15.4
Restructuring	12.1	-
UK Guaranteed Minimum Pensions	-	2.4
US class action lawsuits	2.6	3.9
Adjusted operating profit	<u>89.4</u>	<u>91.6</u>
Profit before tax	28.7	61.3
Adjustments to profit before tax as above	27.8	21.7
Loss on disposal of businesses	22.0	-
Adjusted profit before tax	<u>78.5</u>	<u>83.0</u>

#### Restructuring

In 2019, as part of a strategic review, the Group has reviewed the portfolio of programmes and in particular where there is risk over the level of Senior's contribution to production in future periods and in recognition of the challenges in some of our Flexonics and Aerospace markets. The restructuring involves headcount reductions and other efficiency improvements. As a result, £12.1m has been charged to the Consolidated Income Statement and presented as an adjusted item as it is not reflective of in-year performance. The total charge comprises £4.4m headcount reduction and £1.4m consultancy and other costs. For certain specific programmes, and in conjunction with the focus on restructuring, management has also identified inventory and property, plant and equipment that have been impaired in 2019 with a total charge of £3.4m and £2.9m respectively. These relate to programmes where Senior will no longer participate, and where there are no alternative uses for the inventory or assets. Total cash outflow in 2019 is £2.9m (see Note 11b). A restructuring provision of £2.9m is held on the Consolidated Balance Sheet at the year-end in current liabilities, which is expected to be utilised in 2020.

#### **4. Adjusted operating profit and adjusted profit before tax (continued)**

##### UK Guaranteed Minimum Pensions

In October 2018 the High Court ruled on the Guaranteed Minimum Pensions (GMPs) which required an equalisation payment to be made to remedy historical discrimination and inequality between male and female members. GMP has widely been interpreted as the High Court instructing trustees to make amendments to pension schemes with any associated payments treated as past service costs (being a plan amendment, i.e. change to benefits entitlement). Accordingly the resulting £2.4m charge was taken through the Consolidated Income Statement in 2018 and presented as an adjusted item, as it is one-off in nature, relates to past service costs and is therefore not reflective of 2018 performance.

##### US class action lawsuits

In May 2015, Senior Aerospace Ketema was named as co-defendant in a putative class action lawsuit and a related lawsuit alleging property damage filed against Ametek, Inc. in the USA. Subsequently, Senior Aerospace Ketema was named as a co-defendant in a number of similar lawsuits filed by additional plaintiffs. Each of the lawsuits claim that Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located, allegedly causing harm to neighbouring properties and/or creating health risks. In February 2020, the Company agreed settlement and related costs of £2.6m, which is charged to the Consolidated Income Statement in 2019. At 31 December 2019, the carrying amount is a provision of £2.5m, which includes a favourable exchange effect of £0.1m. 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. Court approval of the settlements is expected in 2020.

As previously reported, in March 2018 a wage and hour class action lawsuit was filed against Steico Industries, Inc and Senior Aerospace SSP in California, USA. This alleged breaches of regulations concerning meal and rest breaks, unpaid wages and related penalties covering the period 2014 to 2016. Mediations took place in the second half of 2018, resulting in a Company agreed settlement and related costs of £3.9m, charged to the Consolidated Income Statement in 2018, of which £0.2m was paid in 2018. At 31 December 2018 the carrying amount was a provision of £3.9m which included an adverse exchange effect of £0.2m. The charge was reported as an adjusted item in 2018 given its nature and materiality and the fact that it is related to prior years and not reflective of 2018 performance. Court approval of the settlements for both lawsuits is expected in the first half of 2020.

## 5. Taxation

	Year ended 2019	Year ended 2018 (restated)
	£m	£m
Current tax:		
Current year	11.1	11.7
Adjustments in respect of prior periods	(4.1)	(6.3)
	<u>7.0</u>	<u>5.4</u>
Deferred tax:		
Current year	(5.4)	1.1
Adjustments in respect of prior periods	(2.1)	1.3
	<u>(7.5)</u>	<u>2.4</u>
Total tax (credit)/charge	<u>(0.5)</u>	<u>7.8</u>

The adjusted tax rate for the year was 14.5% (2018 - 19.0%), being a tax charge of £11.4m (2018 - £15.8m) on adjusted profit before tax of £78.5m (2018 - £83.0m). The reduction in rate is attributed to the recognition of prior year adjustments in the US as the impact on the Group of US Tax reform following the enactment of the US Tax Cuts and Jobs Act in December 2017 becomes clearer; as well as clarification as to the treatment for tax purposes of historical profits in our Malaysian aerospace business.

The comparative figures for 2018 have been restated to reflect the recognition of a deferred tax credit of £3.4m, which has had the effect of reducing the total tax charge from £11.2m as originally stated to £7.8m. The current year tax charge similarly includes a credit for deferred tax of £3.6m. See Note 2.

The reported tax rate was 1.7% credit (2018 restated - 12.7% charge), being a tax credit of £0.5m (2018 restated - £7.8m charge) on reported profit before tax of £28.7m (2018 - £61.3m). The reported tax charge for the year included the tax credit of items excluded from adjusted operating profit of £8.3m (2018 - £4.6m) and a non-cash deferred tax credit of £3.6m (2018 restated - £3.4m) to recognise a deferred tax asset, following a recent change in accepted practice in terms of the tax treatment related to restricted interest deductions in the US.

Cash tax paid was £5.3m (2018 - £6.0m) and is stated net of refunds received of £0.8m (2018 - £2.0m) of tax paid in prior periods. The rate of cash tax paid is lower than our adjusted tax rate in both years due to accelerated tax relief for capital expenditure in the US and tax deductible items that do not affect adjusted profit.

The Group has received confirmation that the contingent liability disclosed in the Annual Report & Accounts 2018 in respect of the European Commission's investigation into certain aspects of the UK's rules for Controlled Foreign Company taxation constituting State Aid no longer applies to the Group.

## 6. Dividends

	Year ended 2019	Year ended 2018
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2018 of 5.23p (2017 - 4.90p) per share	21.7	20.5
Interim dividend for the year ended 31 December 2019 of 2.28p (2018 - 2.19p) per share	9.5	9.1
	<u>31.2</u>	<u>29.6</u>
Proposed final dividend for the year ended 31 December 2019 of 5.23p (2018 - 5.23p) per share	<u>21.7</u>	<u>21.8</u>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting for 2019 on 24 April 2020 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 2019 million	Year ended 2018 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	415.0	417.8
Effect of dilutive potential ordinary shares:		
Share options	1.8	5.7
Weighted average number of ordinary shares for the purposes of diluted earnings per share	416.8	423.5

Earnings and earnings per share	Year ended 2019		Year ended 2018	
	Earnings £m	EPS pence	Earnings (restated) £m	EPS (restated) pence
Profit for the period	29.2	7.04	53.5	12.81
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £2.9m (2018 - £3.2m)	10.2	2.45	12.2	2.93
Restructuring net of tax of £3.0m (2018 - £nil)	9.1	2.20	-	-
UK Guaranteed Minimum Pensions net of tax of £nil (2018 - £0.4m)	-	-	2.0	0.47
US class action lawsuits net of tax of £0.7m (2018 - £1.0m)	1.9	0.46	2.9	0.69
Loss on disposal of businesses net of tax of £1.7m (2018 - £nil)	20.3	4.89	-	-
Non-cash deferred tax credit of £3.6m (2018 restated - £3.4m)	(3.6)	(0.87)	(3.4)	(0.82)
Adjusted earnings after tax	67.1	16.17	67.2	16.08
Earnings per share				
- basic		7.04p		12.81p
- diluted		7.01p		12.63p
- adjusted		16.17p		16.08p
- adjusted and diluted		16.10p		15.87p

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, with no impact before 1 January 2018. Before the restatement basic, diluted, adjusted, and adjusted and diluted EPS was 11.99p, 11.83p, 16.08p and 15.87p respectively (See Note 2 and 5).

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2018 - £nil). The denominators used for all basic, diluted and adjusted earnings per share are as detailed in the table above.

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

## 8. Goodwill

Goodwill decreased by £15.8m during the year to £297.1m (2018 - £312.9m) due to exchange translation differences of £7.7m and the disposal of businesses of £8.1m.

## 9. Property, plant and equipment

During the period, the Group spent £63.0m (2018 - £54.6m) on the acquisition of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying value of £0.7m (2018 - £0.9m) for proceeds of £0.7m (2018 - £0.5m).

On transition to IFRS 16 on 1 January 2019, the Group recognised £96.7m of right-of-use assets. At 31 December 2019, the right-of-use assets were £82.3m (see Note 16).

## 10. Share capital

Share capital as at 31 December 2019 amounted to £41.9m. No shares were issued during 2018 and 2019.

## 11. Notes to the Consolidated Cash Flow statement

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

	Year ended 2019 £m	Year ended 2018 £m
Operating profit	61.6	69.9
Adjustments for:		
Depreciation of property, plant and equipment	52.5	39.5
Amortisation of intangible assets	15.2	17.4
Loss on sale of fixed assets	-	0.4
Share-based payment charges	1.8	3.4
Pension payments in excess of service cost	(8.7)	(10.3)
Costs on disposal of businesses	(3.4)	-
Pension curtailment gain	-	(0.4)
UK Guaranteed Minimum Pensions	-	2.4
Share of joint venture	(0.4)	(0.6)
Increase in inventories	(1.9)	(16.8)
Decrease/(increase) in receivables	24.5	(7.6)
(Decrease)/increase in payables and provisions	(12.9)	13.3
Restructuring impairment of property, plant and equipment	2.9	-
US class action lawsuits	2.6	3.7
Working capital and provisions currency movements	(1.4)	1.7
Cash generated by operations	132.4	116.0
Income taxes paid	(5.3)	(6.0)
Interest paid	(11.2)	(9.3)
Net cash from operating activities	115.9	100.7

## 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 of businesses, 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 2019 £m	Year ended 2018 £m
Net cash from operating activities	115.9	100.7
Costs on disposal of businesses	3.4	-
Restructuring cash paid	2.9	-
Interest received	0.2	0.4
Proceeds on disposal of property, plant and equipment	0.7	0.5
Purchases of property, plant and equipment	(63.0)	(54.6)
Purchases of intangible assets	(1.8)	(1.7)
Free cash flow	58.3	45.3

### c) Analysis of net debt

	At 31 December 2018 £m	IFRS 16 Opening Balance £m	At 1 January 2019 £m	Cash flow £m	Exchange movement £m	Other movements (1) £m	At 31 December 2019 £m
Cash and bank balances	17.2	-	17.2	(0.8)	(0.6)	-	15.8
Overdrafts	(0.2)	-	(0.2)	(0.5)	-	-	(0.7)
Cash and cash equivalents	17.0	-	17.0	(1.3)	(0.6)	-	15.1
Debt due within one year	(2.5)	-	(2.5)	2.5	0.6	(15.6)	(15.0)
Debt due after one year	(167.3)	-	(167.3)	0.7	5.0	15.6	(146.0)
Lease liabilities	(0.2)	(96.1)	(96.3)	7.8	2.3	2.5	(83.7)
Total	(153.0)	(96.1)	(249.1)	9.7	7.3	2.5	(229.6)

(1) Other movements include lease additions and modifications of £2.0m, leases disposed on disposal of businesses of £4.5m and Non-Cash items of £15.6m.

	Year ended 2019 £m	Year ended 2018 £m
Cash and cash equivalents comprise:		
Cash and bank balances	15.8	17.2
Overdrafts	(0.7)	(0.2)
Total	15.1	17.0

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.

## 12. Retirement benefit schemes

### Defined Benefit Schemes

Aggregate retirement benefit liabilities are £7.8m and the aggregate retirement benefit surplus is £48.9m (31 December 2018 - £12.4m liabilities, £30.9m surplus). The primary components of these liabilities and surplus are the Group's UK and US defined benefit pension schemes, with a surplus of £48.9m (31 December 2018 - surplus of £30.9m) and deficit of £2.0m (31 December 2018 - £5.2m) respectively, and a liability on unfunded schemes of £5.8m (31 December 2018 - £7.2m). These values have been assessed by independent actuaries using current market values and discount rates.

The retirement benefit surplus in respect of the Group's UK defined benefit pension funded scheme increased by £18.0m to £48.9m (31 December 2018 - £30.9m), principally due to £6.9m cash contributions in excess of running costs made by the Group and £10.1m net actuarial gains mainly relating to favourable returns from scheme assets offsetting changes in financial and demographic assumptions. Retirement benefit obligations in respect of the US and other territories decreased by £4.6m to £7.8m (31 December 2018 - £12.4m).

## 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 £3.3m represents the Group's share of the joint venture's net assets as at 31 December 2019 (2018 - £3.0m). The loan provided by the Group to the joint venture was repaid in full during 2018 and the balance outstanding at 31 December 2019 was therefore £nil (31 December 2018 - £nil).

## 14. Disposal of businesses

In February 2019, the Group sold its Flexonics operating company in France, Senior Flexonics Blois SAS ("Blois") that focused on the European passenger vehicles end market. In September 2019, the Group disposed its Flexonics operating company in Brazil, Senior Flexonics Brasil Ltda ("São Paulo"), serving the local automotive and power & energy markets. In October 2019, the Group sold its Aerospace business unit Senior Aerospace Absolute Manufacturing ("Absolute") based in Washington state, USA that focused on small build-to-print precision machined components. These transactions fit with the Prune To Grow strategy and 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.

For the year ended 31 December 2019, the external revenue of these disposed businesses was £16.1m (31 December 2018 - £36.9m) and their adjusted operating loss was £2.4m (31 December 2018 - £2.4m). A charge of £22.0m arose on disposal after taking into account £0.9m of professional fees incurred in connection with disposal activities and the fair value of net assets disposed after costs (£27.7m including £8.1m of goodwill, £11.9m of property, plant and equipment, £5.4m of inventories, £7.7 of cash balances, £4.5m of lease liabilities) offset by cash considerations of £2.9m, deferred consideration of £0.7m and previously recorded foreign exchange gain that has been recycled to the Income Statement of £3.0m.

## 15. 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. While the outcome of some of these matters cannot precisely be foreseen, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.



## 16. IFRS 16 transitional impact

On transition to IFRS 16 on 1 January 2019, the Group recognised right-of-use assets of £96.7m, lease liabilities of £96.3m, with working capital and non-current liabilities decreasing by £0.4m in total. Right-of-use assets were initially measured equal to the lease liabilities, adjusted by prepaid or accrued lease payments.

The adoption of IFRS 16 from 1 January 2019 resulted in £10.2m increase in depreciation, £11.3m reduction in lease expenses and £3.5m increase in finance costs recognised in the Consolidated Income Statement during the year ended 31 December 2019; and £82.3m right-of-use assets and £83.7m lease liabilities recognised in the Consolidated Balance Sheet at 31 December 2019.

In the Consolidated Cash Flow Statement during the year ended 31 December 2019, cash generated by operations and free cash flow (as defined in Note 11b) has increased by £11.3m and £7.8m respectively as a result of IFRS 16; while capital repayments of lease liabilities are classified to net cash used in financing activities, resulting in a neutral effect on the movement in cash and cash equivalents. The adoption of IFRS 16 does not impact the Group's lending covenants, as these are currently based on frozen GAAP.

When measuring lease liabilities, the Group discounted lease payments using incremental borrowing rates (IBR), determined on a lease portfolio basis at 1 January 2019. The weighted average of all IBRs at 1 January 2019 was 3.9%.

The table below reconciles the IAS 17 operating lease commitments disclosed in the Consolidated Financial Statements of the Group as at 31 December 2018 to the IFRS 16 Lease liabilities recognised on 1 January 2019:

### Reconciliation of IAS 17 to IFRS 16

	£m
Operating lease commitments at 31 December 2018	65.9
Recognition exemption for:	
Short term leases	(0.4)
Low value leases	-
Maintenance fees	(1.3)
Extension/Termination options reasonably certain to be exercised	74.5
Undiscounted IFRS 16 commitments at 31 December 2018	138.7
Discounting using incremental borrowing rates at 1 January 2019	(42.6)
Additional lease liabilities recognised at 1 January 2019	96.1
Finance leases at 31 December 2018	0.2
Total Lease liabilities at 1 January 2019	96.3

The following practical expedients and elections for IFRS 16 were taken on the transition date:

the Group did not reassess whether existing contracts are, or contain, a lease and applied IFRS 16 only to existing contracts that were previously identified as leases under IAS 17;

the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and

leases with a remaining term of less than 12 months from the transition date and low value leases are expensed on a straight line basis to the Consolidated Income Statement.