

Senior plc

Results for the year ended 31 December 2006

FINANCIAL HIGHLIGHTS	Year ended 31 December		
	2006	2005 ⁽¹⁾	
REVENUE	£387.9m	£338.6m	+14.6%
OPERATING PROFIT	£24.5m	£19.6m	+25.0%
PROFIT BEFORE TAX	£18.1m	£14.6m	+24.0%
BASIC EARNINGS PER SHARE	4.35p	3.75p ⁽³⁾	+16.0%
ADJUSTED PROFIT BEFORE TAX ⁽²⁾	£19.8m	£14.8m	+33.8%
ADJUSTED EARNINGS PER SHARE ⁽²⁾	4.65p	3.82p ⁽³⁾	+21.7%
TOTAL DIVIDENDS (PAID AND PROPOSED) PER SHARE	2.000p	1.905p ⁽³⁾	+5.0%
FREE CASH FLOW ⁽⁴⁾	£5.1m	£2.2m	
NET BORROWINGS	£96.7m	£62.4m	

(1) The figures for 2005 have been restated to reflect the adoption of the amendment to International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" issued in December 2005, which was endorsed by the EU in May 2006. See Note 2 for details.

(2) Adjusted profit before tax and adjusted earnings per share arise before a £0.4m loss on sale of fixed assets (2005: £0.2m) and a £1.3m charge for amortisation of intangible assets acquired on acquisition (2005: £nil).

(3) 2005 earnings and dividends per share have been adjusted for the bonus element of the 2006 rights issue. Previously reported basic earnings per share was 3.94p, adjusted earnings per share was 4.01p and dividends per share was 2.000p.

(4) See Note 9 (b) for derivation of free cash flow.

Commenting on the results, James Kerr-Muir, Chairman of Senior plc, said:

"The Group has delivered an excellent set of results with adjusted profit before taxation 33.8% ahead of the prior year. AMT and Sterling Machine, the two North American aerospace businesses acquired during 2006, both delivered strong performances. Their full year contribution, combined with the continuing growth in build rates of commercial aircraft and the production ramp up of the Group's new heavy duty diesel engine products, mean prospects for the Group are very encouraging. Consequently, the Board is pleased to recommend a 5% increase in the full year dividend, the first increase for seven years."

For further information please contact:

Graham Menzies, Group Chief Executive, Senior plc
Mark Rollins, Group Finance Director, Senior plc
Adrian Howard, Finsbury Group

01923 714702
01923 714738
020 7251 3801

This announcement, together with other information on Senior plc may be found at: www.seniorplc.com

Note to Editors:

Senior is an international manufacturing group with operations in 11 countries. Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide civil aerospace, defence, diesel engine, exhaust system and energy markets.

CHAIRMAN'S STATEMENT

The Group has delivered an excellent set of results with adjusted profit before taxation 33.8% ahead of the prior year. AMT and Sterling Machine, the two North American aerospace businesses acquired during 2006, both delivered strong performances. Their full year contribution, combined with the continuing growth in build rates of commercial aircraft and the production ramp up of the Group's new heavy duty diesel engine products, mean prospects for the Group are very encouraging. Consequently, the Board is pleased to recommend a 5% increase in the full year dividend, the first increase for seven years.

Financial Results

It is pleasing to be able to report progress on all aspects of financial performance with significant advances being made in top and bottom line growth.

During 2006, Group revenue increased by 14.6% to £387.9m (2005 - £338.6m) and operating profit increased by 25.0% to £24.5m (2005 - £19.6m) largely due to increasing build rates of civil aircraft, strong energy markets and the two acquisitions completed in the year.

Adjusted profit before tax, the measure which the Board believes best reflects the true underlying performance of the business, increased by 33.8% to £19.8m (2005 - £14.8m). Adjusted profit before tax is before the loss on sale of fixed assets of £0.4m (2005 - £0.2m) and a £1.3m (2005 - £nil) charge for amortisation of intangible assets acquired on acquisition.

Adjusted earnings per share increased by 21.7% to 4.65p (2005 - 3.82p restated for the bonus element of the rights issue) despite an increased tax charge of 17.7% (2005 - 16.9%) on adjusted profit before tax.

Year end net debt increased to £96.7m (2005 - £62.4m) largely as a consequence of the acquisitions, which were funded by debt as well as new equity, and the ongoing investment in the manufacturing capacity and capability of the Senior Group. The majority of the debt is designated in US dollars, with the level of year end debt benefiting from the weakening of the US dollar against the UK pound during 2006.

Dividend

The Board is recommending an increase in the dividend, the first for seven years. It is proposed that the final dividend to be paid for 2006 is 1.381p per share (2005 - 1.286p restated for the bonus element of the rights issue) an increase of 7.4%. When added to the restated 0.619p interim dividend, this will bring the full year dividend to 2.000p, an increase of 5.0% over the restated 1.905p for 2005. The final dividend, if approved, will be paid on 31 May 2007 to shareholders on the register at close of business on 4 May 2007. With encouraging prospects for the Group, the Board anticipates following a progressive dividend policy going forward.

Acquisitions

During 2006, Senior acquired two businesses to add to its existing aerospace interests. Both were privately owned and located in the USA. These acquisitions met certain key criteria namely: aerospace by preference; good growth prospects in existing markets; profitable and immediately enhancing to Group earnings per share without the need to assume synergistic benefits. Both the acquired businesses have performed in line with expectations during their time within the Group.

Sterling Machine Co., Inc. was purchased by Senior at the end of January 2006 for £21.5m. The company is a machine shop working in titanium, nickel and magnesium alloys that manufactures flight critical components primarily for the Sikorsky Aircraft Corporation. It is located in Enfield, Connecticut, USA, and is a well invested business housed in a facility built in 2003. Sikorsky, a builder of mainly military helicopters, is outsourcing more of its component manufacture as it

increases its build rate to meet a strong order-book. Increasing numbers of helicopters are flying in various operational roles and the result is a growing demand for spares. Sterling Machine continues to be focussed on growing its level of business service to Sikorsky and, following its acquisition, new machining centres have been ordered to increase capacity and the factory floor space increased by 50%. We anticipate that Sterling Machine will continue to maintain its growth momentum.

Aerospace Manufacturing Technologies, Inc. (AMT) was acquired at the end of October 2006 for £60.0m. The business is located in Arlington, Washington State, USA, in the Seattle area. AMT is a machine shop, working almost exclusively in the manufacture of aluminium structural parts for Boeing civil aircraft. It has substantial content on current Boeing production aircraft – the 737, 777 and 747. The company is exceptionally well invested with a substantial number of state-of-the-art four and five-axis computer controlled machining centres. AMT is set to continue to grow as a result of increases in the build rates of Boeing's existing aircraft and also the launch of the new, highly successful, Boeing 787 ("Dreamliner") on which AMT has substantial content. As a result, capacity expansion has been sanctioned with new machining centres being ordered. Additional land, adjacent to the existing facility, has already been purchased and plans for new factory space are currently under consideration.

Trading

Senior's operations are organised into two similar sized operating divisions – Aerospace with twelve operating subsidiaries and Flexonics with eleven. Both Divisions are focussed on manufacturing components and systems for the original equipment manufacturers. There is little aftermarket content and the Group's operations generally deliver to the required production schedules of their customers. All products are engineered for specific applications, so levels of demand are essentially driven by the success, or otherwise, of customers' individual product lines.

Aerospace

In Aerospace, the civil market, particularly for large commercial aircraft (35% of Divisional sales) and business jets (9%), continued to be very strong. Whilst 2005 had been a memorable year for order intake by the large civil aircraft builders and their engine suppliers, 2006 turned out to be almost as good with Boeing delivering 398 civil airliners and booking new orders for 1,044, and Airbus delivering 434 and booking 790. The result is that both aircraft manufacturers currently have around six year order books, at 2006 delivery rates.

The Aerospace Division has substantial exposure to the new highly successful Boeing 787, due into service in late 2008, both on the aircraft itself and its engines, but only limited exposure to the large Airbus A380, which has suffered extensive production delays. The defence and military sector (27% of Divisional sales in 2006) was relatively stable throughout the year.

The two acquisitions made in 2006 immediately contributed positively to the fortunes of the Division. In addition to the investment in the newly acquired businesses, capital expenditure is running at a higher rate than in recent years throughout the Aerospace Division, as build rates increase throughout the industry and new aircraft programmes ramp up.

The result of all this activity was an increase in the Aerospace Division's sales of 27.1% to £197.0m (2005 - £155.0m at constant currency i.e. 2005 results translated using 2006 average exchange rates) and an adjusted operating profit increase of 48.8% to £19.2m (2005 - £12.9m at constant currency).

Flexonics

In Flexonics, the automotive markets in which the Group operates showed little change in demand. In North America, 16.0 million light vehicles were produced in 2006 compared to 16.4 million in 2005. In Western Europe, 18.4 million light vehicles were built compared to 18.0 million in 2005. Consequently, the Group's automotive volumes remained at about the same level in 2006 as in 2005, but with the manufacturing base continuing to move away from the US, UK and France to the Czech Republic, South Africa, Brazil and India.

An important stage in the business development of this Division has been reached. Following nearly four years of product development and two years of production process development and capital investment, sales of the new products for North American built heavy duty diesel engines have commenced. This is incremental business for the Division's North American operation and takes the Division into a new market sector where demand is being driven by the need for lower engine emissions from 2007 onwards. This market sector continues to offer good opportunities for future growth.

Energy markets (power generation, oil and gas and process plant) were rewarding in 2006, driven by the industrialisation of China and India and the high demand for many basic commodities. As 2006 ended, the Group saw continued development of these energy markets, the return of some nuclear market activity and completion of the site work on the troublesome Wembley Stadium ducting contract.

Overall, Flexonics reported sales growth of 5.1% to £191.5m (2005 - £182.2m at constant currency). Adjusted operating profits increased by 8.3% to £11.8m (2005 - £10.9m at constant currency). The increases were achieved despite the flat automotive markets, as a number of new automotive programmes were won, the new heavy duty diesel products commenced production in the final quarter of the year, energy markets were strong and the site-work on Wembley was completed.

Employees and the Board

I would like to extend a warm welcome to all the new employees joining Senior as well as thanking the Group's employees for another year of unstinting effort and commitment, a year in which their endeavours have resulted in a significant step forward in the performance and the value of the Senior Group. It is particularly important that the Group has the right people in the right roles, given the geographical diversity of the Group and its lean structure, and I am pleased that the Group has made significant progress in this area over recent years.

Having been on the Board of Senior for ten years, the past six as Chairman, I am planning to retire sometime during 2007. I am delighted that Martin Clark, a non-executive Director of six years, has agreed to become Chairman when I leave. The recruitment of a new non-executive Director is well advanced with an appointment anticipated prior to my retirement.

I am proud of the advances Senior has made whilst I have been Chairman, but most of all I am proud of the achievements of the Group's employees.

Outlook

The Senior Group enters 2007 with almost universally larger order-books across its operations than it had a year ago. Demand from customers continues at an encouraging level.

The aerospace industry continues to thrive, the Group's new heavy duty diesel products are in production and energy markets are strong. The challenges of recruiting the necessary skills to grow our business, the availability and pricing of raw materials and the fluctuations in the major currencies in which Senior trade are all still present. These are not, however, new challenges for Senior or its management.

Trading in the first two months of 2007 has been in line with the Board's expectations and I expect that 2007 will deliver further meaningful growth.

James Kerr-Muir

BUSINESS REVIEW

Operations

Senior is an international manufacturing group with operations in 11 countries. Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide civil aerospace, defence, diesel engine, exhaust system and energy markets. The Group is split into two Divisions, Aerospace and Flexonics.

Aerospace

Following the acquisition of two aerospace businesses in the year, Sterling Machine and Aerospace Manufacturing Technologies, (AMT), the Aerospace Division is now the larger of the Group's two divisions consisting of twelve operating companies, seven of which are located in the USA with the remainder in Europe. In 2006, the Division's main products were engine structures and mounting systems (30% of Divisional sales), metallic ducting systems (25%), composite ducting systems (14%), helicopter machined parts (7%), fluid control systems (6%) and airframe and other structural parts (3%). 15% of Divisional sales are to non-aerospace, but related technology, markets. In 2007, sales of airframe and other structural parts are expected to represent a much greater portion of Divisional sales as AMT was only owned by Senior for the final two months of 2006.

Flexonics

The Flexonics Division has 11 operations and was formed at the beginning of 2006, from the consolidation of the Automotive (eight operations) and Industrial (three operations) Divisions, for managerial, technical and market related reasons. The 11 operations are located in North America (three), Europe (five), South Africa, India and Brazil. In 2006 the Division's sales comprised of flexible mechanisms for vehicle exhaust systems (32% of Divisional sales), diesel fuel distribution pipework (13%), cooling and emission control components (12%), expansion joints and ducting for the heating and ventilation market (11%), expansion joints / control bellows / hoses for the power market (11%), for the oil and gas and chemical processing industries (7%) and for other industrial markets (14%). 2007 is anticipated to see an increasing percentage of sales coming from the diesel fuel distribution pipework and the cooling and emission control component sectors as production of the Group's new heavy duty diesel products ramp up.

Acquisitions

The Group completed two acquisitions in the year, the first for over six years. The acquired businesses are both leading suppliers to the aerospace industry.

Sterling Machine Co., Inc. was acquired on 27 January 2006 for \$38.0m (£21.5m) including costs and assumed net debt. Sterling Machine is a pre-eminent manufacturer of transmission and rotor-head helicopter components for military platforms, principally to Sikorsky Aircraft Corporation. The business is located in Enfield, Connecticut, USA. The purchase consideration was funded through the combination of a placing of 15 million new Senior plc shares at 60.0 pence each, raising £8.8m net of costs, and utilisation of the Group's existing borrowing facilities. Sterling Machine performed strongly during its first eleven months with the Group.

A second aerospace business, Aerospace Manufacturing Technologies, Inc. (AMT) located north of Seattle in Washington State, USA, was acquired on 27 October 2006. It manufactures aluminium structural parts (mainly for Boeing commercial aircraft) utilising state-of-the-art four-axis, five-axis and long-bed machining centres. AMT's key programmes are the Boeing 737 and 777 both of which have large order books and increasing build rates. AMT is also well positioned on the new Boeing 787 ("Dreamliner") which is scheduled for delivery to its first customer during 2008 and which already has around 450 customer orders. AMT was acquired for a total consideration, including assumed debt, the net asset purchase price adjustment and acquisition costs, of \$113.9m (£60.0m). The purchase consideration was funded through a 1 for 5 rights issue at 42.0 pence per share, which raised £25.9m net of expenses, together with the partial utilisation of the Group's new five year £80.0m revolving credit facility. AMT performed strongly during its first two

months of ownership by Senior and, with its significant involvement on the B787, its prospects are excellent.

Financial Review

Summary

A summary of the Group's operating results are set out in the table below. A more detailed review of each Division is included in the section titled "Divisional Review".

	<u>Revenue</u>		<u>Adjusted Op Profit ⁽¹⁾</u>		<u>Margin</u>	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 %	2005 %
Aerospace	197.0	156.2	19.2	13.0	9.7	8.3
Flexonics	191.5	183.0	11.8	11.1	6.2	6.1
Inter-segment sales	(0.6)	(0.6)	-	-	-	-
Central costs	-	-	(4.8)	(4.3)	-	-
Group Total	387.9	338.6	26.2	19.8	6.8	5.8

⁽¹⁾ Adjusted operating profit is the profit before loss on sale of fixed assets, amortisation of intangible assets arising on acquisitions, interest and tax. It may be reconciled to the operating profit shown in the consolidated income statement as follows:

	2006 £m	2005 £m
Operating profit per financial statements	24.5	19.6
Loss on sale of fixed assets	0.4	0.2
Amortisation of acquisition intangible assets	1.3	-
Adjusted operating profit	26.2	19.8

Group revenue grew by 14.6%, aided in part by the two acquisitions, with the commercial aerospace, oil and gas and chemical processing markets all particularly strong. Adjusted operating profit rose by 32.3% principally due to the gearing benefit of increased sales and the strong performances from the newly acquired businesses. Operating margins consequently increased to 6.8%, a full percentage point higher than in the prior year.

The Group's free cash flow and net debt for 2006 and the prior year were:

	2006 £m	2005 £m
Free cash flow	5.1	2.2
Net debt	96.7	62.4

Free cash flow is the total net cash flow generated by the Group prior to corporate activity such as acquisitions, disposals, financing and transactions with shareholders. It may be derived from the figures contained in the financial statements as follows:

	2006	2005
	£m	£m
Net cash from operating activities	22.3	16.5
Interest received	1.3	1.4
Proceeds on sale of tangible fixed assets	2.2	0.9
Purchases of tangible fixed assets	(20.1)	(16.3)
Purchase of intangible assets	(0.6)	(0.3)
Free cash flow	5.1	2.2

Net debt increased from £62.4m to £96.7m largely due to the purchase of the two aerospace businesses.

Revenue

Group revenue increased by £49.3m (14.6%) to £387.9m (2005 - £338.6m) with the two aerospace acquisitions responsible for £18.8m of the increase. If the effect of the acquisitions and the small adverse year-on-year exchange effect (£2.0m) are excluded then underlying revenue grew by 9.7% on a constant currency basis. In 2006, 57% of Group sales originated from North America, 14% from the United Kingdom, 20% from the rest of Europe and 9% from the rest of the World.

Operating profit

Group operating profit increased by 25.0% to £24.5m (2005 - £19.6m). Adjusted operating profit, that before loss on sale of fixed assets of £0.4m (2005 - £0.2m) and amortisation of intangible assets arising on acquisition of £1.3m (2005 - £nil), increased by £6.4m (32.3%) to £26.2m (2005 - £19.8m). If the effects of the acquisitions (£3.8m profit) and foreign currency (£0.3m adverse impact) are excluded then underlying adjusted operating profit increased by 14.9% on a constant currency basis.

Finance costs

Finance costs, net of investment income of £0.9m (2005 - £1.3m), increased to £6.4m (2005 - £5.0m) as global interest rates rose, particularly in North America and the UK, and the Group's debt level increased as a result of the two acquisitions undertaken in the year.

Profit before tax

Adjusted profit before tax increased by 33.8% to £19.8m (2005 - £14.8m). Reported profit before tax increased to £18.1m (2005 - £14.6m).

Tax charge

The total tax charge increased to £2.9m (2005 - £2.5m) as the Group's taxable profits increased. If the tax benefits arising from the loss on sale of fixed assets and amortisation of intangible assets from acquisitions totalling £0.6m (2005 - £nil) are added back then the underlying tax charge of £3.5m (2005 - £2.5m) represents an underlying rate of 17.7% (2005 - 16.9%) on the adjusted profit before tax of £19.8m (2005 - £14.8m).

Earnings per share

15 million ordinary shares were issued in January 2006, by way of a share placing, to help fund the acquisition of Sterling Machine and nearly 65 million ordinary shares were issued in October 2006, through a 1 for 5 rights issue, to help fund the acquisition of AMT. As a consequence the weighted average number of shares, for the purposes of calculating undiluted earnings per share in 2006, was 349.8m (2005 – 322.2m restated to take account of the bonus element of the rights issue). Having taken this into account, adjusted earnings per share increased by 21.7% to 4.65p (2005 – 3.82p restated for the bonus element of the rights issue). Basic earnings per share increased to 4.35p (2005 – 3.75p restated).

Dividends

A final dividend of 1.381p per share is proposed for 2006. This would bring the full year dividend to 2.000p per share which would represent a 5.0% increase over the prior year's 1.905p per share as restated for the bonus element of the rights issue.

For ease of reference the reported and restated dividends for 2006 and 2005, together with their costs are set out in the table below.

	2006		2005	
	Restated	Reported	Restated	Reported
Pence per share				
Interim	0.619p	0.650p	0.619p	0.650p
Final (2006 proposed)	1.381p	n/a	1.286p	1.350p
Total	2.000p		1.905p	
	+5.0%			
Cost				
Interim	£2.1m		£2.0m	
Final (2006 proposed)	£5.4m		£4.4m	
Total	£7.5m		£6.4m	
	+17.2%			

Research and development and capital expenditure

The Group spent £8.5m on research and development during 2006 (2005 - £8.3m). In addition, £20.7m (2005 - £16.6m) was invested in capital expenditure mainly to bring the new heavy duty diesel engine products into production in North America and, as build rates for civil aircraft continued to rise, to add machining capacity and capability at a number of the Group's aerospace operations.

Capital structure

The Group's consolidated balance sheet at 31 December 2006 may be summarised as follows:

	Assets £m	Liabilities £m	Net Assets £m
Property, plant and equipment	87.6	-	87.6
Goodwill and intangible assets	126.1	-	126.1
Current assets and liabilities	139.8	(92.3)	47.5
Other non-current assets and liabilities	3.8	(3.7)	0.1
Post-retirement obligations	-	(37.5)	(37.5)
Total before net debt	357.3	(133.5)	223.8
Net debt	8.2	(104.9)	(96.7)
Total at 31 December 2006	365.5	(238.4)	127.1
Total at 31 December 2005	282.7	(190.4)	92.3

Net assets increased by 37.7% in the year to £127.1m (2005 - £92.3m) and net assets per share by 9.4% to 32.6 pence (2005 - 29.8 pence). There were 389.9m ordinary shares in issue at the end of 2006 (2005 - 309.3m)

Cash flow

The Group's free cash flow, whose derivation is set out in the table below, increased to £5.1m (2005 - £2.2m) on the back of increased operating profits and despite the £4.3m investment in working capital (as revenue increased) and net capital expenditure of £18.5m being nearly 1.5x the depreciation level of £12.6m (excluding £1.3m of amortisation of intangible assets acquired on acquisition).

	2006	2005
	£m	£m
Operating profit	24.5	19.6
Depreciation and amortisation	13.9	12.0
Working capital movement	(4.3)	(6.9)
Pension payments above service cost	(3.4)	(2.8)
Other items	0.8	0.4
Operating cash flow	31.5	22.3
Interest paid (net)	(5.3)	(3.5)
Tax paid	(2.6)	(0.9)
Capital expenditure	(20.7)	(16.6)
Sale of fixed assets	2.2	0.9
Free cash flow	5.1	2.2
Dividends	(6.5)	(6.1)
Acquisitions and disposals	(79.7)	(0.1)
Share issues	34.8	0.5
Foreign exchange variations	11.7	(7.8)
Non-cash movements	0.3	(0.5)
Opening net debt	(62.4)	(50.6)
Closing net debt	(96.7)	(62.4)

Acquisitions, and the related share issues, played a major part in the Group's 2006 cash flow with the respective amounts shown in the table above being analysed as follows:

	Acquisitions and Disposals	Share Issues	
	£m	£m	
Sterling Machine	(21.5)	8.8	Share Placing
AMT	(60.0)	25.9	Rights Issue
less - cash acquired	0.5	-	
- deferred consideration	1.2	-	
Other	0.1	0.1	
	<u>(79.7)</u>	<u>34.8</u>	

Net debt

Net debt rose by £34.3m in the year to £96.7m (2005 - £62.4m). The increase was mainly due to the utilisation of additional borrowings to help fund the two acquisitions (£45.1m) being partly offset by an exchange benefit of £11.7m. Around 95% of the Group's gross borrowings are denominated in US \$. The US \$ weakened in 2006 from US\$1.72 : £1 at the beginning of the year to US\$1.96 : £1 at the year end, causing the reported sterling net debt amount to reduce significantly.

Liquidity

As at 31 December 2006, the Group's gross borrowings, excluding finance leases, were £103.3m (2005 - £66.5m). The maturity of these borrowings, together with the maturity of the Group's committed facilities, can be analysed as follows:

	Gross Borrowings £m	Committed Facilities £m
Within one year	13.1	12.8
In the second year	38.4	50.1
In years three to five	51.3	80.0
After five years	0.5	-
	<u>103.3</u>	<u>142.9</u>

In anticipation of \$25m (£12.8m) of loan notes maturing in June 2007, the Group issued \$30m (£15.3m) of new loan notes, with a maturity of ten years and carrying a fixed interest rate of 5.85%, on 31 January 2007.

Changes in accounting policies

There have been no changes in accounting policies in the current year.

Going concern basis

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Divisional Review

The Group consists of two Divisions, Aerospace and Flexonics, whose performances are discussed below. It should be noted that, in order to make appropriate comparisons, the results for 2005 have been translated at constant currency using 2006 average exchange rates.

Aerospace Division

	2006 £m	2005 £m	Change
Revenue	197.0	155.0 ⁽¹⁾	+27.1%
Adjusted operating profit	19.2	12.9 ⁽¹⁾	+48.8%
Operating margin	9.7%	8.3%	-

(1) 2005 results translated using 2006 average exchange rates.

In the Aerospace Division (twelve operations following the acquisition of Sterling Machine and AMT), revenue grew by £42.0m (27.1%) to £197.0m (2005 - £155.0m at constant currency) with the acquisitions contributing £18.8m.

Adjusted operating profit (that before profit/loss on sale of fixed assets and amortisation of intangible assets arising on acquisition) increased by £6.3m (48.8%) to £19.2m (2005 - £12.9m at constant currency) with the two acquisitions accounting for £3.8m of the increase.

The Division's results benefited from the continuing strong growth in the build rate of civil aircraft with the combined large commercial, regional and business jet markets accounting for 57% of 2006 Divisional sales. The market for large commercial aircraft was particularly strong with Boeing and Airbus together delivering 25% more aircraft in 2006 (832) than in 2005 (668). Their order intakes were also extremely strong, at 2.2x delivery levels, so leaving a combined order book of 4,988 aircraft at the year end, 25% above the level at the start of 2006 (3,986 aircraft). The six year order books, at current delivery rates, represent a very healthy picture for the future with both Airbus and Boeing forecasting to increase build rates further in the coming years. Elsewhere, the regional jet market was weak but the business jet market very strong and the military market (27% of Divisional sales) was stable.

Flexonics Division

	2006	2005	Change
	£m	£m	
Revenue	191.5	182.2 ⁽¹⁾	+5.1%
Adjusted operating profit	11.8	10.9 ⁽¹⁾	+8.3%
Operating margin	6.2%	6.0%	-

(1) 2005 results translated using 2006 average exchange rates.

In the Flexonics Division, the eleven operations saw combined revenue grow by £9.3m (5.1%) to £191.5m (2005 - £182.2m at constant currency) with strong energy markets but generally flat automotive markets. Whilst sales of the new heavy duty diesel engine products began in the final months of the year, the volumes were not significant.

Adjusted operating profit for the Division increased by 8.3% to £11.8m (2005 – £10.9m at constant currency) as strong energy markets and operational improvements more than offset the impact of flat automotive demand and the start up costs associated with the introduction of the diesel engine products in North America.

Automotive production levels in North America declined by 2.3% in 2006, to 16.00 million vehicles (2005 – 16.37 million), whereas Western Europe saw a 2.1% increase to 18.37 million vehicles (2005 – 18.00 million). The outlook for 2007 is for continuing flat demand with further erosion of the sales of the “Big Three” (General Motors, Ford and Daimler Chrysler) in North America. In 2006 they had 56.5% of the market (2005 – 59.6%). The outlook in France remains challenging.

However, overall prospects for the Flexonics Division remain good given strong energy markets, the continued industrialisation of China and India, growing volumes in the European truck market and the fact that production of the new heavy duty diesel engine products in North America is now ramping up. The Group's North American plant is expected to have total sales in excess of £20m in 2008 for its diesel fuel lines, diesel common rail and diesel exhaust gas recycling cooler products. Completion of the troublesome Wembley ducting contract in January 2007 should also enhance year-on-year profitability.

Outlook

The commercial aerospace industry, representing 57% of the Aerospace Division's 2006 sales, continues to thrive. The most important sector within this category is the large commercial sector, principally Boeing, Airbus, and the engine manufacturers (GE and Rolls-Royce) and their respective supplier bases. Boeing and Airbus have together received orders for 3,891 aircraft in the last two years, against the 1,500 aircraft delivered. This has resulted in their collective order book increasing from 2,597 aircraft at the beginning of 2005 to 4,988 at the end of 2006 (a six year order book at 2006 delivery rates). As a consequence they have been increasing their build rates (2006 saw a 25% increase in deliveries) and are forecasting further increases of around 10% per annum over the next two years. The business jet sector is seeing similar buoyant market

conditions to that of the large commercial sector whilst the regional jet market (typically 30 to 90 seat aircraft) is now stabilising after a few years in decline. The military/defence sector, 27% of 2006 Aerospace Divisional sales, is healthy but stable.

In the Flexonics Division, the Group increased its sales of flexible exhaust connectors, (32% of 2006 Divisional sales), largely because its Brazilian operation began production on a number of new programmes. The global market for this product is expected to stay competitive, not helped by increases in the price of stainless steel, with demand in North American and European markets remaining broadly unchanged. The industrial markets in which the Group operates, e.g. power, oil and gas, chemical processing and HVAC, are generally in a healthy condition with strong future growth anticipated for many of them. Industrial markets represented 43% of the Flexonics Division's 2006 sales.

It is anticipated that the strong commercial aerospace market, healthy industrial markets and stable automotive markets, will provide a strong foundation for the Group's future growth but the weakened US \$ and higher stainless steel prices will remain as challenges. Three other areas in particular further underpin the Board's overall confidence as to the positive future for the Group: the ramping up, through 2007, of the North American heavy duty diesel engine products (2008 is expected to see sales in excess of £20m); full year contributions from the two aerospace acquisitions (AMT was owned for only two months in 2006 and Sterling Machine for eleven); and, the highly successful Boeing 787 ("Dreamliner") going into production in late 2007 (the Group has significant content on this aircraft and its engines).

Trading in the first two months of 2007 has been in line with the Board's expectations and 2007 is expected to deliver further meaningful growth. Thereafter, the Group's prospects remain very encouraging.

Graham Menzies
Group Chief Executive

Mark Rollins
Group Finance Director

Senior plc

Consolidated income statement

For the year ended 31 December 2006

	Notes	Year ended 2006 £m	Year ended 2005 (restated) £m
Continuing operations			
Revenue	3	<u>387.9</u>	<u>338.6</u>
Trading profit		24.9	19.8
Loss on sale of fixed assets		<u>(0.4)</u>	<u>(0.2)</u>
Operating profit ⁽¹⁾	3	24.5	19.6
Investment income		0.9	1.3
Finance costs		<u>(7.3)</u>	<u>(6.3)</u>
Profit before tax ⁽²⁾		18.1	14.6
Tax	5	<u>(2.9)</u>	<u>(2.5)</u>
Profit for the period		<u>15.2</u>	<u>12.1</u>
Attributable to:			
Equity holders of the parent		<u>15.2</u>	<u>12.1</u>
Earnings per share			
Basic	7	<u>4.35p</u>	<u>3.75p</u>
Diluted	7	<u>4.25p</u>	<u>3.69p</u>
⁽¹⁾ Adjusted operating profit	4	26.2	19.8
⁽²⁾ Adjusted profit before tax	4	19.8	14.8

The comparative figures for 2005 have been restated to reflect adoption of the amendment to International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" issued in December 2005, which was endorsed by the EU in May 2006. See Note 2 for details.

Senior plc

Consolidated statement of recognised income and expense

For the year ended 31 December 2006

	Year ended 2006 £m	Year ended 2005 (restated) £m
Initial recognition of financial instruments	-	(0.2)
(Losses)/gains on cash flow hedges	(0.4)	0.5
Gains/(losses) on revaluation of financial instruments	3.5	(1.8)
Exchange differences on translation of foreign operations	(10.5)	4.2
Actuarial (losses)/gains on defined benefit pension schemes	(1.0)	0.2
Tax on items taken directly to equity	(0.7)	(0.7)
Net (loss)/ income recognised directly in equity	(9.1)	2.2
Amounts transferred to profit or loss on cash flow hedges	-	(0.3)
Profit for the period	15.2	12.1
Total recognised income and expense for the period	6.1	14.0
Attributable to:		
Equity holders of the parent	6.1	14.0

The comparative figures for 2005 have been restated to reflect adoption of the amendment to International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" issued in December 2005, which was endorsed by the EU in May 2006. See Note 2 for details.

Senior plc

Consolidated balance sheet

As at 31 December 2006

	Notes	Year ended 2006 £m	Year ended 2005 (restated) £m
Non-current assets			
Goodwill		111.0	77.1
Other intangible assets		15.1	1.1
Property, plant and equipment		87.6	76.1
Deferred tax assets		0.1	0.1
Trade and other receivables		3.7	3.8
Total non-current assets		<u>217.5</u>	<u>158.2</u>
Current assets			
Inventories		69.8	47.7
Construction contracts		3.5	3.4
Trade and other receivables		67.5	64.9
Cash and cash equivalents		7.2	8.5
Total current assets		<u>148.0</u>	<u>124.5</u>
Total assets		<u><u>365.5</u></u>	<u><u>282.7</u></u>
Current liabilities			
Trade and other payables		82.1	69.7
Tax liabilities		10.2	10.0
Obligations under finance leases		0.2	0.2
Bank overdrafts and loans		13.1	0.2
Total current liabilities		<u>105.6</u>	<u>80.1</u>
Non-current liabilities			
Bank and other loans		90.2	66.3
Retirement benefit obligations	10	37.5	39.9
Deferred tax liabilities		3.3	2.1
Obligations under finance leases		1.4	1.6
Others		0.4	0.4
Total non-current liabilities		<u>132.8</u>	<u>110.3</u>
Total liabilities		<u><u>238.4</u></u>	<u><u>190.4</u></u>
Net assets		<u><u>127.1</u></u>	<u><u>92.3</u></u>
Equity			
Issued share capital		39.0	30.9
Share premium account		11.2	3.8
Equity reserve		0.8	0.4
Distributable reserve		19.4	-
Hedging and translation reserve		(5.9)	2.4
Retained earnings		64.0	56.1
Own shares		(1.4)	(1.3)
Equity attributable to equity holders of the parent		<u>127.1</u>	<u>92.3</u>
Total equity		<u><u>127.1</u></u>	<u><u>92.3</u></u>

The comparative figures for 2005 have been restated to reflect adoption of the amendment to International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" issued in December 2005, which was endorsed by the EU in May 2006. See Note 2 for details.

Senior plc

Consolidated cash flow statement

For the year ended 31 December 2006

	Notes	Year ended 2006 £m	Year ended 2005 £m
Net cash from operating activities	9a)	<u>22.3</u>	<u>16.5</u>
Investing activities			
Interest received		1.3	1.4
Disposal of subsidiary		0.1	-
Proceeds on disposal of property, plant and equipment		2.2	0.9
Purchases of property, plant and equipment		(20.1)	(16.3)
Purchases of intangible assets		(0.6)	(0.3)
Acquisition of Sterling Machine	8	(21.5)	-
Acquisition of AMT, net of cash acquired	8	(58.3)	-
Acquisition of subsidiaries		-	(0.1)
Net cash used in investing activities		<u>(96.9)</u>	<u>(14.4)</u>
Financing activities			
Dividends paid		(6.5)	(6.1)
Repayment of borrowings		(7.1)	(1.0)
Repayments of obligations under finance leases		(0.2)	(0.3)
Share issues		34.8	0.5
New loans raised		53.1	7.1
Net cash outflow on forward contracts		(0.2)	(0.2)
Net cash from financing activities		<u>73.9</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(0.7)	2.1
Cash and cash equivalents at beginning of period		8.5	5.9
Effect of foreign exchange rate changes		(0.8)	0.5
Cash and cash equivalents at end of period	9c)	<u><u>7.0</u></u>	<u><u>8.5</u></u>

Senior plc

Notes to the preliminary financial statements

For the year ended 31 December 2006

1. General Information

The Preliminary Announcement of results for the year ended 31 December 2006 is an excerpt from the forthcoming 2006 Annual Report and does not constitute the Group's statutory accounts of 2006 nor 2005. Statutory accounts for 2005 have been delivered to the Registrar of Companies, and those for 2006 will be delivered following the Company's Annual General Meeting. The Auditors have reported on both those accounts; their reports were unqualified and did not contain statements under Sections 237(2) or (3) of the Companies Act 1985.

2. Accounting policies

Whilst the financial information included in this preliminary announcement 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. The company expects to publish full financial statements that comply with IFRS on 13 March 2007.

At the time of preparation of the Group's annual financial statements for 2005 the EU had not endorsed an amendment to IAS 21 which required exchange differences that arise on re-translation of inter-company loans in a currency different to that of either counterparty to be taken to reserves and consequently a gain of £2.0m was recognised in the income statement in respect of such loans, under IAS 21 as then endorsed. In May 2006 the EU endorsed the amendment to IAS 21 and consequently these financial statements have been prepared in accordance with the revised Standard and the 2005 comparatives have been adjusted to recognise the gain of £2.0m in the translation reserve.

Senior plc

3. Segmental analysis

Under IFRS, segmental detail is presented according to a primary segment and a secondary segment. The Group's primary segmental analysis is based on the industries that it serves, Aerospace and Flexonics. The secondary analysis is presented according to geographic markets comprising North America, Europe (split between the UK and Rest of Europe) and the Rest of the World. This is consistent with the way the Group manages itself and with the format of the Group's internal financial reporting.

a) Business segments

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

	Aerospace Year ended 2006 £m	Flexonics Year ended 2006 £m	Eliminations/ Central costs Year ended 2006 £m	Total Year ended 2006 £m	Aerospace Year ended 2005 £m	Flexonics Year ended 2005 £m	Eliminations/ Central costs Year ended 2005 £m	Total Year ended 2005 (restated) £m
External revenue	196.6	191.3	-	387.9	155.8	182.8	-	338.6
Inter-segment revenue	0.4	0.2	(0.6)	-	0.4	0.2	(0.6)	-
Total revenue	197.0	191.5	(0.6)	387.9	156.2	183.0	(0.6)	338.6
Adjusted operating profit (see note 4)	19.2	11.8	(4.8)	26.2	13.0	11.1	(4.3)	19.8
Profit/(loss) on sale of fixed assets	0.5	(0.9)	-	(0.4)	(0.2)	-	-	(0.2)
Amortisation of intangible assets from acquisitions	(1.3)	-	-	(1.3)	-	-	-	-
Operating profit	18.4	10.9	(4.8)	24.5	12.8	11.1	(4.3)	19.6
Investment income				0.9				1.3
Finance costs				(7.3)				(6.3)
Profit before tax				18.1				14.6
Tax				(2.9)				(2.5)
Profit after tax				15.2				12.1

3. Segmental analysis (continued)

Segment information for assets, liabilities, property, plant and equipment and intangible assets and depreciation and amortisation is presented below.

	Assets Year ended 2006 £m	Liabilities Year ended 2006 £m	Additions to PPE & intangibles Year ended 2006 £m	Depn and amort Year ended 2006 £m	Assets Year ended 2005 £m	Liabilities Year ended 2005 £m	Additions to PPE & intangibles Year ended 2005 £m	Depn and amort Year ended 2005 £m
Aerospace	227.8	35.1	7.6	6.8	143.0	25.9	3.1	5.2
Flexonics	124.5	37.8	13.0	7.0	125.9	31.7	13.5	6.7
Sub total continuing operations	352.3	72.9	20.6	13.8	268.9	57.6	16.6	11.9
Unallocated corporate amounts	13.2	165.5	0.1	0.1	13.8	132.8	-	0.1
Total	365.5	238.4	20.7	13.9	282.7	190.4	16.6	12.0

b) Geographical segments

The Group's operations are principally located in North America and Europe.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services. The carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, are analysed by the geographical area in which the assets are located.

	Sales revenue Year ended 2006 £m	Segment assets Year ended 2006 £m	Additions to PPE and intangibles Year ended 2006 £m	Sales revenue Year ended 2005 £m	Segment assets Year ended 2005 £m	Additions to PPE and intangibles Year ended 2005 £m
North America	210.7	219.7	15.2	178.5	137.9	10.6
UK	41.3	62.5	1.2	40.7	62.3	1.7
Rest of Europe	104.0	52.4	3.2	94.2	51.4	2.9
Rest of World	31.9	17.7	1.0	25.2	17.3	1.4
Sub total continuing operations	387.9	352.3	20.6	338.6	268.9	16.6
Unallocated corporate amounts	-	13.2	0.1	-	13.8	-
Total	387.9	365.5	20.7	338.6	282.7	16.6

The carrying value of segment assets all relate to continuing operations.

4. Adjusted operating profit and adjusted profit before tax

The provision of adjusted operating profit and adjusted profit before tax, derived in accordance with the table below, has been included to identify the performance of operations, from the time of acquisition or until the time of disposal, prior to the impact of gains or losses arising from the sale of fixed assets and amortisation of intangible assets acquired on acquisitions.

	Year ended 2006 £m	Year ended 2005 (restated) £m
Operating profit	24.5	19.6
Loss on sale of fixed assets	0.4	0.2
Amortisation of intangible assets from acquisition	1.3	-
Adjustments to operating profit	1.7	0.2
Adjusted operating profit	26.2	19.8
Profit before tax	18.1	14.6
Adjustments to profit as above before tax	1.7	0.2
Adjusted profit before tax	19.8	14.8

5. Tax charge

	Year ended 2006 £m	Year ended 2005 £m
Current tax:		
Foreign tax	3.6	2.3
Adjustments in respect of prior periods	(0.7)	(0.2)
	2.9	2.1
Deferred tax:		
Current year	0.8	0.7
Adjustments in respect of prior periods	(0.8)	(0.3)
	-	0.4
	2.9	2.5

UK Corporation tax is calculated at 30% (2005: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. Dividends

	Year ended 2006 £m	Year ended 2005 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2005 of 1.286p (2004: 1.286p) per share	4.4	4.1
Interim dividend for the year ended 31 December 2006 of 0.619p (2005: 0.619p) per share	<u>2.1</u>	<u>2.0</u>
	<u>6.5</u>	<u>6.1</u>
Proposed final dividend for the year ended 31 December 2006 of 1.381p (2005: 1.286p) per share	<u>5.4</u>	<u>4.2</u>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The dividend per share figures for dividends already paid has been adjusted to take account of the bonus element of the 2006 rights issue.

The final dividend paid for the year ended 31 December 2005 of £4.4m included dividends paid on the 15m ordinary shares issued in January 2006.

7. Earnings per share

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

	Year ended 2006	Year ended 2005
	<u>m</u>	<u>m</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	349.8	322.2
Effect of dilutive potential ordinary shares: Share options	<u>7.9</u>	<u>5.9</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>357.7</u>	<u>328.1</u>

The weighted average number of shares for 2005 has been adjusted to take account of the bonus element of the 2006 rights issue.

	Year ended 2006		Year ended 2005 (restated)	
	Earnings £m	EPS pence	Earnings £m	EPS pence
Earnings and earnings per share				
Profit for the period	15.2	4.35	12.1	3.75
Adjust:				
Loss on sale of fixed assets net of tax of £0.1m (2005: £nil)	0.3	0.07	0.2	0.07
Amortisation of intangible assets from acquisition net of tax of £0.5m (2005: £nil)	<u>0.8</u>	<u>0.23</u>	<u>-</u>	<u>-</u>
Adjusted earnings after tax	<u>16.3</u>	<u>4.65</u>	<u>12.3</u>	<u>3.82</u>
Earnings per share				
- basic		4.35p		3.75p
- diluted		4.25p		3.69p
- adjusted		4.65p		3.82p
- adjusted and diluted		4.56p		3.75p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2005: £nil).

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

The provision of an adjusted earnings per share, derived in accordance with the table above, has been included to identify the performance of operations, from the time of acquisition or until the time of disposal, prior to the impact of the following items:

- gains or losses arising from the sale of fixed assets
- amortisation of intangible assets acquired on acquisitions

8. Acquisitions

Sterling Machine Co., Inc.

On 27 January 2006, the Group acquired 100% of the issued share capital of Sterling Machine Co., Inc., ("Sterling Machine") a manufacturer of precision machined parts for the aerospace industry, based in Enfield, Connecticut, USA. The cash consideration was £21.5m, including costs, of which £1.2m related to the purchase of property. The acquisition was funded in part by the placing of 15m ordinary shares generating net proceeds of £8.8m, the balance being funded by the Group's existing revolving credit facilities.

Set out below is a summary of the net assets acquired and details of the fair value adjustments:

	Carrying values pre-acquisition £m	Fair value £m
Intangible assets	-	2.7
Property, plant and equipment	2.1	2.1
Inventories	3.8	3.4
Trade and other receivables	2.4	2.1
Trade and other payables	(1.1)	(1.1)
Net assets acquired	<u>7.2</u>	9.2
Goodwill		<u>12.3</u>
Total consideration		<u>21.5</u>
Consideration satisfied by:		
Cash paid		21.3
Directly attributable costs		<u>0.2</u>
Net cash outflow arising on acquisition		<u>21.5</u>

The intangible assets acquired as part of the acquisition relate to customer contracts. Goodwill represents the value of the assembled workforce and its contribution to anticipated future profitability arising from additional capital investment.

Sterling Machine contributed £12.7m revenue and £2.4m to the Group's operating profit from the date of acquisition to 31 December 2006.

Aerospace Manufacturing Technologies, Inc.

On 27 October 2006, the Group acquired 100% of the issued share capital of Aerospace Manufacturing Technologies, Inc., ("AMT") a manufacturer of structural aluminium parts for the commercial aerospace industry, based in Arlington, Washington State, USA. The cash consideration was £60.0m, including costs, of which £1.2m was paid in February 2007. The acquisition was funded in part through a rights issue generating net proceeds of £25.9m, the balance being funded by the Group's new revolving credit facility.

Set out below is a summary of the net assets acquired and details of the fair value adjustments:

	Carrying values pre-acquisition £m	Provisional Fair value £m
Intangible assets	-	13.2
Property, plant and equipment	8.8	10.8
Inventories	7.2	7.2
Trade and other receivables	4.5	4.5
Cash and cash equivalents	0.5	0.5
Trade and other payables	(3.7)	(3.7)
Deferred tax liability	-	(0.8)
Net assets acquired	<u>17.3</u>	31.7
Goodwill		<u>28.3</u>
Total consideration		<u>60.0</u>
Consideration satisfied by:		
Cash (including £1.2m deferred consideration)		59.1
Directly attributable costs		<u>0.9</u>
Total consideration		60.0
Less deferred consideration		(1.2)
Less cash acquired		<u>(0.5)</u>
Net cash outflow arising on acquisition		<u>58.3</u>

The fair value adjustments contain some provisional amounts which will be finalised in the financial statements for the year ending 31 December 2007.

The intangible assets acquired as part of the acquisition relate to customer contracts. Goodwill represents the value of the assembled workforce and its contribution to anticipated future profitability arising from additional capital investment.

AMT contributed £6.1m revenue and £1.4m to the Group's operating profit from the date of acquisition to 31 December 2006.

If both the above acquisitions had been completed on 1 January 2006, Group revenue for the year ended 2006 would have been £415.7m and Group operating profit would have been £30.4m.

The amounts shown in the consolidated cash flow statement for acquisition of subsidiaries include £nil (2005 - £0.1m) relating to deferred consideration payable in respect of previous acquisitions.

9. Notes to the cash flow statement

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

	Year ended 2006 £m	Year ended 2005 £m
Operating profit from continuing operations	24.5	19.6
Adjustments for:		
Depreciation of property, plant and equipment	12.1	11.5
Amortisation of intangible assets	1.8	0.5
Share options	0.4	0.2
Loss on disposal of property, plant and equipment	0.4	0.2
Pension payments in excess of service cost	(3.4)	(2.8)
Operating cash flows before movements in working capital	35.8	29.2
Increase in inventories	(11.5)	(9.3)
Decrease/(increase) in receivables	3.6	(8.1)
Increase in payables	9.0	7.9
Working capital currency movements	(5.4)	2.6
Cash generated by operations	31.5	22.3
Income taxes paid	(2.6)	(0.9)
Interest paid	(6.6)	(4.9)
Net cash from operating activities	<u>22.3</u>	<u>16.5</u>
Cash and cash equivalents comprise:		
Cash	7.2	8.5
Bank overdrafts	(0.2)	-
Total	<u>7.0</u>	<u>8.5</u>

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

9. Notes to the cash flow statement (continued)

b) Free cash flow

Free cash flow, a non statutory item, highlights the total net cash generated by the Group prior to corporate activity such as acquisitions, disposals, financing and transactions with shareholders. It is derived as follows:

	Year ended 2006 £m	Year ended 2005 £m
Net cash from operating activities	22.3	16.5
Interest received	1.3	1.4
Proceeds on disposal of property, plant and equipment	2.2	0.9
Purchases of property, plant and equipment - cash	(20.1)	(16.3)
Purchase of intangible assets	(0.6)	(0.3)
Free cash flow	<u>5.1</u>	<u>2.2</u>

c) Analysis of net debt

	At 1 January 2006 £m	Cash flow £m	Non cash items £m	Exchange movement £m	At 31 December 2006 £m
Cash	8.5	(0.5)	-	(0.8)	7.2
Overdrafts	-	(0.2)	-	-	(0.2)
Cash and cash equivalents	8.5	(0.7)	-	(0.8)	7.0
Debt due within one year	(0.2)	-	(12.7)	-	(12.9)
Debt due after one year	(66.3)	(46.0)	13.0	9.1	(90.2)
Finance leases	(1.8)	0.2	-	-	(1.6)
Forward exchange contract losses	(2.6)	0.2	-	3.4	1.0
Total	<u>(62.4)</u>	<u>(46.3)</u>	<u>0.3</u>	<u>11.7</u>	<u>(96.7)</u>

The forward exchange contract losses shown above are reported as £nil (2005: £2.8m) in current liabilities within trade and other payables and £1.0m (2005: £0.2m) in current assets within trade and other receivables.

Non cash items shown above relate to the recognition of financial instruments under IAS 39 and the reclassification of debt which became due within one year.

On 31 January 2007 new loan notes of \$30m (£15.3m) were issued with a maturity of ten years, carrying interest at the rate of 5.85%, to refinance the \$25m (£12.8m) loan notes which are due to mature in June 2007.

10. Retirement benefit schemes

Defined Benefit Schemes

Aggregate post-retirement benefit liabilities are £37.5m (2005: £39.9m). The primary components of this liability are the Group's UK pension plan and US pension plans, with deficits of £30.8m (2005: £31.3m) and £3.2m (2005: £4.9m) respectively. These values have been assessed by an independent actuary using current market values and discount rates.