Senior plc

Results for the year ended 31 December 2015

FINANCIAL HIGHLIGHTS	Year ended 31 December		% change	% change (constant currency)
	2015	2014		
REVENUE	**£849.5m**	£820.8m	**+4%**	0%
OPERATING PROFIT	**£72.3m**	£89.6m	**-19%**	-22%
ADJUSTED OPERATING PROFIT (1)	**£107.8m**	£111.6m	**-3%**	-7%
ADJUSTED OPERATING MARGIN (1)	**12.7%**	13.6%	**-0.9ppts**	-1.0ppts
PROFIT BEFORE TAX	**£63.8m**	£80.6m	**-21%**	-23%
ADJUSTED PROFIT BEFORE TAX (1)	**£99.3m**	£102.6m	**-3%**	-6%
BASIC EARNINGS PER SHARE	**11.59p**	15.25p	**-24%**	
ADJUSTED EARNINGS PER SHARE (1)	**18.98p**	19.84p	**-4%**	
TOTAL DIVIDENDS (PAID AND PROPOSED) PER SHARE	**6.20p**	5.63p	**+10%**	
FREE CASH FLOW (2)	**£51.7m**	£57.8m	**-11%**	
NET DEBT (2)	**£194.6m**	£105.0m	**£89.6m increase**	

Headlines

- A solid set of results given the challenging conditions in some of our end markets
- Adjusted profit before tax of £99.3m, 3% below prior year (6% decrease on a constant currency basis)
- Good organic growth in large commercial aerospace and military
- Free cash flow of £51.7m after increased capital expenditure of £48.6m
- Acquisitions bring new capabilities to the Group
- Full year dividend proposed to increase by 10%
- Near-term challenging conditions continue but Group outlook remains encouraging over the medium-term

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

"Senior has delivered a solid set of results in 2015 against the backdrop of challenging conditions in some of our end markets. 2015 was a year of significant activity for our Aerospace Division with some mature programmes ramping down and newer programmes nearing completion of their industrialisation phase. In 2016 we expect growth in our Aerospace business as volumes start to ramp on the newer programmes. Flexonics faced difficult market conditions in 2015 and we expect that to continue into 2016 and so the Group continues to take appropriate mitigating cost management and efficiency actions. The Group is financially robust and remains well positioned for the future as new Aerospace and Flexonics programmes and products enter production and as Senior increasingly benefits from its strong customer relationships and global footprint."

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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 2015, together with other information on Senior plc, may be found at: www.seniorplc.com

The information contained in this Release is an extract from the Annual Report & Accounts 2015, 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 2015. Therefore, certain Notes and parts of the Directors' Report reported on are not included within this Release.

(1) Before acquisition costs of £1.2m (2014 - £0.6m), amortisation of intangible assets arising on acquisitions of £12.2m (2014 - £7.2m), impairment of inventory relating to the suspended L85 aircraft programme of £nil (2014 - £1.8m), restructuring costs of £nil (2014 - £1.5m), loss on sale and write-down of fixed assets of £1.5m (2014 - £nil), goodwill impairment charge of £18.8m (2014 - £9.4m), impairment of assets held for sale of £1.8m (2014 - £nil) and pension curtailment charge of £nil (2014 - £1.5m).

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

The Group's principal exchange rates for the US dollar and the Euro, applied in the translation of revenue, profit and cash flow items at average rates were $1.53 (2014 - $1.65) and €1.37 (2014 - €1.24), respectively. The US dollar and Euro rates applied to the balance sheet at 31 December 2015 were $1.47 (2014 - $1.56) and €1.36 (2014 - €1.29), respectively.

Webcast

There will be a presentation on Monday 29 February 2016 at 11.00am GMT, with a live webcast that is accessible on Senior's website at www.seniorplc.com/investors. The webcast will be made available on the website for subsequent viewing.

Note to Editors

Senior is an international manufacturing Group with operations in 14 countries. It is listed on the main market of the London Stock Exchange (symbol SNR). Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide aerospace, defence, land vehicle and energy markets.

Cautionary Statement

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

CHIEF EXECUTIVE'S STATEMENT

Since joining the Group on 1 May 2015 and succeeding Mark Rollins as Group CEO on 1 June 2015, I have immersed myself in the business and spent time with many stakeholders including customers, investors, our leadership teams and other employees across the Group from shop floor to boardroom. Since last May, I have visited all 33 operating businesses across the 14 countries in which we operate. As intended, this has given me a clear understanding of our business. What I discovered as I visited our operations was confirmation of my expectations as I joined Senior: I was joining a company that was already well run and therefore the primary focus would be on enhancing a business that is well positioned for the future, rather than having to completely transform the organisation. That said, there is much to do to ensure that the Group continues to grow sustainably, maintains and improves its competitiveness and meets our customers' demands for ever-improving levels of operational excellence.

I will comment more on the work which the Executive Leadership Team has been doing since I joined, but first let me comment on the 2015 results.

Overview of 2015 Results

Senior delivered a solid set of results in 2015 given the challenging conditions in some of our end markets.

Group revenue increased by 3.5% to £849.5m. This included a favourable exchange impact of £24.9m and the beneficial incremental impact from three acquisitions of £25.4m. Excluding the year-on-year effect of acquisitions, Group revenue from organic operations was down £21.6m on a constant currency basis. The overall organic revenue decline was primarily due to gains within the Aerospace Division that were more than offset by declines in the Flexonics Division, reflecting the challenging market conditions faced by the truck and off-highway and industrial businesses.

Adjusted operating profit decreased by £3.8m (3.4%) to £107.8m, with the Group achieving an adjusted operating margin of 12.7%. This included a favourable exchange impact of £3.9m and £1.6m of year-on-year operating profit contributed by acquisitions. Adjusted operating profit from organic operations decreased by 8.1% on a constant currency basis, excluding the effect of acquisitions and exchange movements. As previously disclosed, margins were impacted during the year by volume reductions on mature programmes, such as the A330, lower profits on aluminium revert prices, temporary activities to protect customer schedules and volume reductions in the off-highway, power and energy markets.

In challenging market conditions, it is important to balance the desire to cut costs with maintaining appropriate production capacity. The Group diligently implemented a number of cost reduction actions during the year, particularly within the Flexonics Division. These included: transferring work to competitive cost countries, implementing furloughs at specific factories, reducing Flexonics headcount from 3,057 to 2,783 and curbing non-essential discretionary spending.

The Group continues to generate healthy cash flow and delivered free cash inflow of £51.7m after gross investment in capital expenditure of £48.6m. This investment in capital equipment is essential in our business to meet increasing levels of demand that are being communicated to us by our Aerospace customers. The level of net debt at the end of December 2015 was £194.6m and the ratio of net debt to EBITDA was 1.4x, within the Group's normal target range of 0.5x to 1.5x and comfortably below the Group's bank covenant level of 3.0x. The Group is financially strong and is able to fund future organic and acquisitive growth.

Recognising the underlying strength of the business and its future prospects, the Board is proposing a final dividend of 4.36 pence per share. This would bring total dividends, paid and proposed for 2015 to 6.20 pence per share, representing an increase of 10% over the prior year.

Strategy

The Group's overall strategy remains unchanged. Demand for large commercial aircraft remains robust with Boeing and Airbus having record 9-year orderbooks. Trends in world air traffic are positive and are forecast to remain so. In addition, new platforms in military, regional and business jet markets, combined with increasing shipset content, will help propel future growth. While exposure to certain markets in our Flexonics Division poses near-term challenges, we are confident of the long-term attractiveness of these end markets and in particular of the many growth opportunities with existing and new customers in this sector. It is our intention to retain the balance between Aerospace and Flexonics and to grow both segments of our business. Of course, from time to time it is appropriate to review the portfolio of the Group and where necessary specific disposals or mergers of operations will be considered.

Over the past six months, the Executive Leadership Team has undertaken a strategic assessment of the business and has developed goals and priorities which have been reviewed, discussed and agreed with the Board. These strategic priorities are set out below:

1. Enhance Senior's Autonomous and Collaborative Business Model

Senior's business model is one of empowering and holding accountable individual businesses, operating within a clearly defined divisional structure, to develop and deliver business plans in line with overall Group strategy. This allows Senior to retain an entrepreneurial spirit as it grows, which in turn enables innovative solutions to be developed for our customers and agility in decision-making and delivery. At the same time, a strong control framework ensures disciplined governance is maintained. The control framework is continuously improved, taking account of changing legislation, regulations and best practices. Increasing collaboration amongst business in the Group is a priority to ensure economies of scale are realised whilst maintaining the autonomous business structure. Business leaders throughout Senior are actively embracing collaboration activities with priorities set at Group level in consultation with the operating units.

Our plans for 2016:

- Implement engagement guidelines to help optimise the transfer of work to cost competitive locations and to facilitate higher level solutions to meet customer needs;
- Appoint key customer account managers to facilitate greater customer intimacy and alignment and leverage cross-selling opportunities;
- Engender a deeper culture of shared practice and know-how across the Group by tailoring the management incentive scheme to encourage further collaboration; and
- Roll out Group-wide interactive communication tools and processes to facilitate further collaboration.

2. Focus on Growth

Senior's end markets grow naturally at around 4% through the cycle. We believe it is possible to outgrow our end markets and we seek to do that both organically and through acquisition by:

- Growing market share, particularly with key customers;
- Focusing on innovation;
- Geographical expansion; and
- Seeking out and exploiting adjacent opportunities.

Our operating businesses are increasingly working together to ensure we remain aligned to our customers. There is much more we can do in this area and plans are being developed to leverage our natural strengths between specific operating businesses and specific customers. There are opportunities for higher level products and sub-systems to be offered to customers through the combined resources and capabilities of two or more operating businesses. This is underway where it makes sense to do so.

Technology road maps are being developed, taking account of customer feedback regarding their future requirements. Our manufacturing expertise is highly regarded and we aim to stay at the forefront by tracking and investing in advanced manufacturing methods and the use of advanced materials. This is an area that is receiving additional focus moving forward.

Geographically, our markets in Europe and North America remain compelling, however Asia still represents the largest incremental growth region for the Group. We are aggressively and proactively pursuing our opportunities in Asia.

We will continue to supplement organic growth with acquisitive growth, retaining our pragmatic approach to identifying and executing transactions that will enhance capability across the Group. An integration playbook has been developed and is now being deployed to ensure that post acquisition integration is effective for both Senior and the acquired businesses. Integration progress will be reviewed regularly by the Executive Leadership Team. The same new robust business review process that is being introduced for the existing portfolio will also apply to all acquisitions.

Our plans for 2016:

- Further increase our levels of customer intimacy and alignment; introduce key customer account managers;
- Further investments in 3D printing/ additive manufacturing capability;
- Launch new production programmes at our new and improved facilities in India, Mexico, Malaysia and Thailand; and
- Complete Steico integration.

3. Introduce a High Performance Operating System

Senior is implementing a high performance operating system, drawing on the many excellent practices from individual operating units across the Group. The key elements of this system include:

- An operational toolkit readily available to all businesses incorporating: best practice processes such as lean and continuous improvement techniques; supplier management and development processes; engineering, new product introduction (NPI) and project management processes; 5/6S methodology; factory visual management systems as well as other operational areas such as risk management and financial management.
- A strengthened business review process at operating business, Division and Group levels utilising a balanced scorecard incorporating KPIs that are relevant for each operating business. The focus of the business review process is on performance, growth, operational excellence and talent development.

Our plans for 2016:

- Introduce best practice operational toolkit and processes;
- Introduce a new holistic and intensive business review process;
- Update the Group's reporting systems and data collection infrastructure to improve efficiency and facilitate faster decision making; and
- Establish a procurement council to leverage our global spend and to implement best in class supply chain processes.

4. Competitive Cost Country Strategy

Senior has established manufacturing facilities in 14 countries around the world. We are continuing to invest capital to ensure our businesses stay competitive at a capability and cost level. Much of the investment is focused at our facilities in Thailand, Malaysia, China, India, Mexico and the Czech Republic to help ensure we meet our customers' cost and price challenges whilst protecting margins. We will actively move products and establish increasingly sophisticated capabilities in these competitive cost economies to free up capacity in our European and North American factories which is needed to satisfy anticipated increasing levels of demand.

Our plans for 2016:

- Complete the construction of Phase 2 of our new facility in Thailand for airframe structures;
- Ramp-up cooler production at our new facility in India;
- Ramp-up common rail production in Flexonics Mexico;
- Transfer various fluid systems and structures work packages to Aerospace Mexico; and
- Begin construction of a new facility in the Czech Republic to support new programmes in both the Flexonics and Aerospace Divisions.

5. Considered and Effective Capital Deployment

Senior understands the importance of considered and effective capital deployment in the interest of maximising the creation of shareholder value. The Executive Leadership Team continually reviews investment priorities across the Group to ensure that the best choices are made for the allocation of capital. All significant investments undertaken by Senior are assessed using a rigorous investment appraisal process and are supported by a business case. The Group has a financial objective to maintain an overall return on capital employed in excess of the Group's cost of capital and to target a pre-tax return in excess of 15%.

Our plans for 2016:

- Invest approximately £45m in organic capital expenditure;
- Continue to pay a progressive dividend reflecting earnings per share and free cash flow generation over the medium term; and
- Reduce the level of working capital as a % of revenue.

6. Talent Development

Senior has a skilled workforce and some highly experienced entrepreneurial business leaders. We are bringing renewed focus to further developing leadership talent and upgrading functional capability across the Group. We are ensuring robust succession plans are in place across our operating businesses and Divisions. We are working with capable external partners to deliver tailored training and development programmes for Senior's top talent.

Our plans for 2016:

- Recruit a Group HR director, a new position for the Group;
- Work with our external partners, to deliver advanced leadership development for our top talent from around the world;
- Further develop our succession planning processes; and
- Collaborate across the businesses on recruitment and selection.

To complement these strategic goals and priorities, we have defined the core values which underpin the culture we aim to nurture in Senior. At a practical governance level we have updated key policies, such as the Senior Code of Conduct, as part of a holistic Corporate Framework. These updated policies are being implemented with training for all appropriate employees during the first half of 2016.

Summary

I am excited about the future of Senior plc. Of course, there are some near-term challenges in some of our cyclical industrial and land vehicle markets - we are monitoring these carefully and responding accordingly. In Aerospace, order books for large commercial aircraft have never been higher, extending to more than 9 years. Anyone who has flown in the most modern aircraft, will know that it is not just greater fuel efficiency that is driving record levels of new aircraft deliveries; it is also demand from increasingly knowledgeable passengers for greater levels of comfort and a better overall flying experience. When one considers that 1 in 2 of the world's population has never travelled by air, then it is reasonable to conclude that the decades' long growth experienced in this industry is set to continue for many more years. In all of our markets we work with truly world-class companies, leaders in their sectors; we will maintain an ever closer dialogue about their present and future requirements so we can tailor our investments accordingly.

Our company is financially robust and we will continue with our pragmatic approach that balances our growth objectives. We will ensure our capital is deployed in a manner that provides strong returns and enhances shareholder value.

Market Conditions

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

The production ramp-up of new engine option single aisle and wide-body aircraft means the outlook for the large commercial aerospace sector is both strong and visible. Airbus has announced that they are planning to increase single aisle aircraft production to a rate of 60 per month in 2019 and Boeing has announced a similar increase to a rate of 57 in 2019. Airbus has already delivered their first A320neo in January 2016 while Boeing successfully completed the first flight of their 737 MAX with LEAP 1B engines.

The Group is a supplier to all of the major aero-engine manufacturers and will benefit in particular from additional content on the new CFM International LEAP engines, the Pratt and Whitney Geared Turbo Fan engines, as well as the Rolls-Royce Trent 1000, Trent 7000 and XWB engines.

In the Flexonics Division, progress continues with the development of Senior's EGR cooler offering, with product on test with a number of potential new customers. Overall volumes in heavy-duty trucks increased in 2015, although growth slowed in the second half of the year and is expected to decline in 2016. The off-highway sector has been weak in 2015 and remains so in the early months of 2016. Passenger vehicle demand in Europe was strong through 2015 and into 2016.

The Petrochemical market remains uncertain. The direct impact of lower oil prices can be seen from the equipment destocking evident across the sector, thus reducing activity at LPE and Upeca Flexonics. As this destocking completes we can expect some recovery in demand with fuller recovery once oil prices recover to a stable level.

Outlook

2016 has started much as 2015 ended with mixed trading conditions across our end markets. In Aerospace we expect further revenue growth in 2016 with a stronger profit in the second half, driven by increasing revenues and the operational improvements we are implementing across the Division. However, challenging market conditions in some of our Flexonics markets, including truck and off-highway and oil and gas, mean that the outlook for Flexonics remains uncertain. Whilst the Group will continue with its focus on cost management and efficiency initiatives, these challenging conditions are expected to outweigh progress in the Aerospace Division.

Looking further ahead, the Board believes Senior remains well positioned to make good progress. Senior has established a global footprint which is providing opportunities to increase market share and deliver strong organic growth. New aerospace programmes are entering production, whilst build rates on key existing platforms are increasing, thus providing opportunities for improvements in operational efficiency. Staying focused on customer alignment, operational excellence and investing in organisational capability and leadership talent will enable Senior to continue to grow organically over the longer-term. Furthermore, Senior's cash-generative nature and robust financial position provide a solid platform from which the Group can continue to pursue growth opportunities to complement its existing portfolio.

DAVID SQUIRES
Group Chief Executive

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 68% (2014 - 65%) of Group revenue and consists of 19 operations. These are located in North America (ten), the United Kingdom (four), continental Europe (three), Thailand and Malaysia. The Division's operating results on a constant currency basis are summarised below:

	2015	2014 [1]	Change
	£m	£m	
Revenue	**575.0**	559.5	+2.8%
Adjusted operating profit	**76.8**	81.2	-5.4%
Adjusted operating margin	**13.4%**	14.5%	-1.1ppts

[1] 2014 translated using 2015 average exchange rates – constant currency.

Divisional revenue increased by £15.5m (2.8%) to £575.0m (2014 - £559.5m[1]) whilst adjusted operating profit decreased by £4.4m (5.4%) to £76.8m (2014 - £81.2m[1]). Excluding the current year contribution of Steico, acquired in December 2015 (revenue of £0.9m; adjusted operating profit of less than £0.1m) and the incremental full-year contribution from the acquisition of Upeca Aerospace in April 2014 (revenue of £3.1m; adjusted operating profit of £0.3m), organic revenue for the Division increased by £11.5m (2.1%) whilst adjusted operating profit decreased by £4.7m (5.8%) compared to 2014.

Revenue Reconciliation	**£m**
2014 revenue	559.5
Large commercial	7.6
Regional & business jets	(4.5)
Military	12.1
Other	(3.7)
2015 organic	571.0
Acquisitions	4.0
2015 revenue	575.0

The Division's most important market is large commercial aircraft where Boeing and Airbus collectively delivered 1,397 aircraft in 2015, 3.3% more than the prior year. They booked net orders of 1,848 aircraft, which were ahead of aircraft deliveries for the sixth year in succession. As a consequence, their combined order book grew to 12,626 aircraft at the end of the year, representing a very healthy nine years' production at current build rates, meaning good growth can be expected in the future.

Senior's sales in the large commercial aircraft sector increased by 3.3%[1] during the year, with organic growth, excluding acquisitions, of 2.3%. The Group benefited from higher deliveries of the 737 and 787 and increased production of the A350; however, these increases were partly offset by the impact of the decline in A330 build rates, particularly in relation to the Trent 700 engine.

The Division's sales to the regional jet market increased by 9.5%[1] in the year, mainly as a result of increased non-recurring engineering revenue on the Mitsubishi Regional Jet programme, which flew for the first time in November 2015. Revenue derived from the business jet sector declined by 13.5%[1] during the year, with organic revenue down 14.0% due to Bombardier's decision to cancel the Learjet 85 ("L85") programme and due to reductions in Global 5000/6000 build rates.

Revenue from the military and defence sector increased by 12.4%[1] in the year, with organic growth, excluding acquisition, of 11.9% primarily due to improved pricing and increases in production of the Joint Strike Fighter, A400M and P-8. This was offset partially by the anticipated build rate reductions for V-22 Osprey and CH-47 Chinook, coupled with the non-repeat of a Black Hawk spares order from 2014.

Around 10% of the Aerospace Division's revenue was derived from other markets such as space, non-military helicopters, power and energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products. Overall, revenue derived from these markets decreased by 6.2%[1] on an organic basis, mainly due to reduced income from machined waste metal as a result of lower prices of waste aluminium and reduced power and energy related sales, partly offset by increased sales to the semi-conductor equipment market.

The divisional adjusted operating margin declined by 1.1 percentage points to 13.4% (2014 - 14.5%)[(1)]. Margins were impacted by volume reductions for the Trent 700 engine for the A330, reductions in build rates of Global 5000/6000, the cancellation of L85, lower aluminium revert prices and costs associated with temporary activities in the second half of the year to protect customer schedules. Additionally, costs associated with the industrialisation of new programmes such as the A350, the A320neo and the ramp-up of the Trent 1000 TEN engine were higher in the first half of year, but reduced in the second half as industrialisation transitions to series production.

On 17 December 2015, the Group acquired Steico Industries, Inc. ("Steico"), a leading manufacturer of precision tube and duct assemblies for the commercial and defence aerospace industries, based in Oceanside, California, USA. Steico brings new and adjacent capabilities to the Group and enables the Division to offer the full range of tube and duct assemblies covering a wider scope of aerospace fluid systems. With content on key growth platforms such as the 737 MAX, A350 and Joint Strike Fighter, the business is expected to outgrow end markets.

On 21 December 2015, Senior signed an agreement to sell the assets of the Group's small Wichita based commodity composites business to Leading Composite Technologies Inc. The sale was completed on 16 February 2016.

Senior has healthy content on the A320neo, 737 MAX, 787, A350 and Joint Strike Fighter, all of which are forecasting significant increases in production over the coming years. The Group will also benefit from greater content on the new engine aircraft, with 43% more content on the A320neo, 36% more on the 737 MAX, 18% more on the A330neo and 94% more on Embraer's E2-Jets, than the current A320, 737, A330 and ERJ175/190/195 aircraft, respectively. Customer deliveries of the A320neo began in January 2016, whilst the 737 MAX and A330neo are scheduled to enter service in 2017 and the E2-Jet in 2018.

Overall the future prospects for the Group's Aerospace Division are visible and encouraging.

Flexonics Division

The Flexonics Division represents 32% (2014 - 35%) of Group revenue and consists of 14 operations which are located in North America (four), continental Europe (three), the United Kingdom (two), South Africa, India, Brazil, Malaysia, and China where the Group also has a 49% equity stake in a land vehicle joint venture. The Division's operating results on a constant currency basis are summarised below:

	2015	2014 [(1)]	Change
	£m	£m	
Revenue	**274.9**	286.5	-4.0%
Adjusted operating profit	**39.4**	44.4	-11.3%
Adjusted operating margin	**14.3%**	15.5%	-1.2ppts

(1) 2014 results translated using 2015 average exchange rates – constant currency.

Divisional revenue decreased by £11.6m (4.0%) to £274.9m (2014 - £286.5m[(1)]) and adjusted operating profit declined by £5.0m (11.3%) to £39.4m (2014 - £44.4m[(1)]). Excluding the current year contribution of LPE, acquired at the end of March 2015 (revenue of £16.9m; adjusted operating profit of £0.8m) and the incremental full-year contribution from the acquisition of Upeca Flexonics in April 2014 (revenue of £4.5m; adjusted operating profit of £0.5m), organic revenue for the Division declined by £33.0m (11.5%) and adjusted operating profit decreased by £6.3m (14.2%).

Revenue Reconciliation	**£m**
2014 revenue	286.5
Truck and off-highway	(18.8)
Passenger vehicles	0.9
Industrial	(15.2)
Other	0.1
2015 organic	253.5
Acquisitions	21.4
2015 revenue	274.9

Total Group sales to truck and off-highway markets decreased by 17.5%[(1)]. Senior's sales to the North American truck market decreased by £4.7m (8.2%), with broadly flat sales of EGR coolers for new vehicles, as market production slowed in the second half of the year, and spares sales were lower as product longevity improved following technological advances made by Senior. Sales to the North American off-highway market decreased by £8.8m (32.0%) due to weaker demand for agricultural and mining vehicles; this has also resulted in an impairment loss of £18.8m relating to the goodwill allocated to our GA business. Sales to European truck and off-highway markets declined by £5.4m (27.7%) due to non-repeat of prior year prebuild by our customers ahead of further tightening of Tier 4 emission regulations and lower sales of high-pressure rails as a result of our customer's joint venture concluding.

Group sales to passenger vehicle markets increased by 1.8%[(1)] in the year, with modest improvements in the Division's main European market, partially offsetting weaker market demand in Brazil. In India, a new 26,000 sq. ft. leased facility is being fitted-out to support a new EGR cooler contract for a customer who has established a new production operation in India. Production is anticipated to ramp-up in 2016.

In the Group's industrial markets, organic sales excluding the benefit of Upeca Flexonics and LPE were down 12.1%[(1)]. Organic sales to petrochemical markets were up £1.8m (4.1%) with weaker markets offset by the incremental sales from the large industrial expansion joint orders for North American and South Korean petrochemical projects that shipped between H2 2014 and Q3 2015. As anticipated, organic sales to power and energy markets decreased by £13.9m (27.8%) due to weaker power generation and nuclear activity, and lower revenue from fuel cell dielectrics due to lower volumes and a reduction in price resulting from a design change. Elsewhere, weaker European solar and HVAC sales, coupled with lower sales to steel mills and medical markets, were partly offset by slightly improved Canadian sales to HVAC and cryogenic markets.

The adjusted operating margin decreased to 14.3% (2014 - 15.5%). On an organic basis, excluding acquisition of LPE, the margin declined by 0.5 percentage points to 15.0% principally due to the impact of volume reductions in the off-highway and power and energy markets, offset partly by appropriate cost mitigating actions and favourable sales mix from the large industrial expansion joint orders.

On 31 March 2015, the Group acquired LPE, a leading manufacturer of precision-machined components, fabrications, assemblies and kit sets for the oil and gas, telecommunications, aerospace, defence, land and sea systems, nuclear and marine industries, based in Lymington, Hampshire, UK. LPE has seen some weakness in its core oil and gas related markets, compounded by destocking across the industry and we expect this to continue through 2016. However, we remain confident of the medium- to longer-term prospects of this business as LPE strengthens Senior's precision machining capabilities and provides access to its strong customer relationships and adjacent markets.

In 2016, production of North American heavy-duty diesel trucks is forecast to decline further as a result of overall industrial slowdown coupled with a longer replacement cycle and the off-highway market is expected to remain weak due to the indirect impacts of lower oil and commodity prices. However, the Group anticipates partly offsetting some of these market headwinds with new product launches such as EGR coolers for a large off-highway customer. Industrial markets, particularly oil and gas related, are expected to remain challenging in the near term as investment in the sector is reduced or postponed.

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

FINANCIAL REVIEW

Financial Summary

A summary of the Group's operating results (at reported currency) is set out in the table below. Further detail on the performance of each Division is set out above in the Divisional Review.

	Revenue		Adjusted operating profit [1]		Margin	
	2015	2014	**2015**	2014	**2015**	2014
	£m	£m	**£m**	£m	**%**	%
Aerospace	**575.0**	536.6	**76.8**	77.9	**13.4**	14.5
Flexonics	**274.9**	284.6	**39.4**	43.5	**14.3**	15.3
Share of results of joint venture	**-**	-	**0.4**	(0.3)	**-**	-
Inter-segment sales	**(0.4)**	(0.4)	**-**	-	**-**	-
Central costs	**-**	-	**(8.8)**	(9.5)	**-**	-
Group total	**849.5**	820.8	**107.8**	111.6	**12.7**	13.6

(1) See table below for reconciliation of adjusted operating profit to reported operating profit

Financial Detail

Revenue

Group revenue increased by 3.5% to £849.5m (2014 - £820.8m). This included a favourable exchange impact of £24.9m and the beneficial incremental impact from three acquisitions of £25.4m (£0.9m from Steico acquired in December 2015, £16.9m from LPE acquired in March 2015 and £7.6m from Upeca acquired in April 2014). Excluding the year-on-year effect of acquisitions and favourable exchange, Group revenue from organic operations was down £21.6m on a constant currency basis. In 2015, 63% of revenue originated from North America, 16% from the UK, 11% from the Rest of Europe and 10% from the Rest of the World.

Operating profit

Adjusted operating profit decreased by £3.8m (3.4%) to £107.8m (2014 - £111.6m), with the Group achieving an adjusted operating margin of 12.7% (2014 - 13.6%). This included a favourable exchange impact of £3.9m and the year-on-year adjusted operating profit contributed by acquisitions of £1.6m (Steico less than £0.1m, LPE £0.8m and Upeca £0.8m). If the effect of acquisitions and exchange movements are excluded, adjusted operating profit from organic operations decreased by 8.1% on a constant currency basis.

Adjusted operating profit may be reconciled to the operating profit that is shown in the Consolidated Income Statement as follows:

	2015 £m	2014 £m
Adjusted operating profit	**107.8**	111.6
Exceptional pension charge	**-**	(1.5)
Goodwill impairment	**(18.8)**	(9.4)
Impairment of assets held for resale	**(1.8)**	-
Restructuring costs	**-**	(1.5)
Write-down of L85 inventory	**-**	(1.8)
Amortisation of intangible assets from acquisitions	**(12.2)**	(7.2)
Loss on sale and write-down of fixed assets	**(1.5)**	-
Acquisition costs	**(1.2)**	(0.6)
Operating profit per Financial Statements	**72.3**	89.6

Finance costs

Total finance costs, net of investment income of £0.3m (2014 - £0.1m), decreased to £8.5m (2014 - £9.0m). Net interest costs on borrowings decreased to £8.0m (2014 - £8.1m) as the lower blended interest rate on committed facilities, following the repayment of $35.0m and $25.0m private placement loan notes during H2 2014 and 2015 respectively, offset the effects of the increased debt associated with the acquisition of LPE and Steico and the adverse foreign exchange impact on the translation of interest on US dollar denominated borrowings. The net IAS 19 pension finance cost decreased to £0.5m (2014 - £0.9m) principally due to a reduction in the net retirement benefit obligations at 31 December 2014 compared to 31 December 2013.

Research and development

The Group's expenditure on research and development increased to £16.3m during 2015 (2014 - £11.5m). Expenditure was incurred mainly on designing and engineering products in accordance with individual customer specifications and developing specific manufacturing processes for their production.

Profit before tax

Adjusted profit before tax decreased by £3.3m (3.2%) to £99.3m (2014 - £102.6m). On a constant currency basis, adjusted profit before tax decreased by 6.2% (2014 - £105.9m). Reported profit before tax decreased £16.8m to £63.8m (2014 - £80.6m). The reconciling items between adjusted and reported profit before tax are shown in Note 4 of the Financial Statements.

Exchange rates

Around 82% of the Group's profits are generated outside of the UK and, consequently, exchange rates can significantly affect the Group's results. Exchange rates used for the currencies most relevant to the Group's operations are:

	Profit and loss - average rates			Balance sheet - period end rates		
	2015	2014	£ Impact	**2015**	2014	£ Impact
£: US Dollar	**1.53**	1.65	+7.8%	**1.47**	1.56	+6.1%
£: Euro	**1.37**	1.24	-9.5%	**1.36**	1.29	-5.1%

Using 2015 average rates would have increased 2014 revenue by £24.9m and increased 2014 adjusted operating profit by £3.9m. A 10 cents movement in the £:$ exchange rate is estimated to affect full-year revenue by £35m, operating profit by £4.7m and net debt by £10m. A 10 cents movement in the £:€ exchange rate is estimated to affect full-year revenue by £6m, operating profit by £0.3m and net debt by less than £0.3m.

Tax charge

The adjusted tax rate for the year was 20.0% (2014 - 19.5%), being a charge of £19.9m (2014 - £20.0m) on adjusted profit before tax of £99.3m (2014 - £102.6m). Over the medium term our tax rate is likely to increase as the mix of our business changes and we respond to legislative changes arising from the OECD's Base Erosion Profit Shifting ("BEPS") project. Cash tax paid as a percentage of adjusted profit before tax was 8.0% (2014 - 12.4%). The rate of cash tax paid is lower than our adjusted tax rate in both years due to the availability of tax losses, accelerated tax relief for capital expenditure and tax deductible items that do not affect adjusted profit. Our reported tax rate, including items excluded from adjusted operating profit of £4.6m (2014 - £2.9m), was 24.0% (2014 - 21.2%), being a charge of £15.3m (2014 - £17.1m) on reported profit before tax of £63.8m (2014 - £80.6m).

Tax policy

The Group believes it has a corporate responsibility to act with integrity in all tax matters. It is the Group's obligation to pay the amount of tax legally due and to observe all applicable rules and regulations in the jurisdictions in which it operates. While meeting this obligation, the Group also has a responsibility to its shareholders to plan, manage and control tax costs. The Group seeks to achieve this by conducting business affairs in a way which is efficient from a tax perspective, including maintaining appropriate levels of debt in the countries we operate in and claiming available tax credits and incentives. The Group is committed to building constructive working relationships with the tax authorities of the countries in which it operates. The Group is also paying close attention to changes in international tax legislation arising from the OECD's BEPS project to ensure continued compliance within an ever-changing environment.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 418.3 million (2014 - 416.3 million). The increase arose principally from the vesting of shares awarded under the Group's Long-Term Incentive Plan. Adjusted earnings per share decreased by 4.3% to 18.98 pence (2014 - 19.84 pence). Basic earnings per share decreased by 24.0% to 11.59 pence (2014 - 15.25 pence). See Note 7 of the Financial Statements for details of the basis of these calculations.

Cash flow

The Group generated significant free cash flow of £51.7m in 2015 (2014 - £57.8m) as set out in the table below:

	2015	2014
	£m	£m
Operating profit	**72.3**	89.6
Depreciation and amortisation	**40.0**	32.1
Share of joint venture	**(0.4)**	0.3
Working capital movement	**(12.0)**	(16.5)
Pension payments above service cost	**(8.8)**	(9.1)
Goodwill impairment	**18.8**	9.4
Other items	**5.5**	4.0
Cash generated by operations	**115.4**	109.8
Interest paid (net)	**(7.9)**	(8.4)
Income tax paid	**(7.9)**	(12.7)
Capital expenditure	**(48.6)**	(31.1)
Sale of fixed assets	**0.7**	0.2
Free cash flow	**51.7**	57.8
Dividends	**(24.3)**	(21.9)
Acquisitions	**(103.9)**	(60.1)
Debt assumed with acquisition	**(3.7)**	(14.3)
Loan to joint venture	**(0.1)**	(1.1)
Share issues	**-**	1.1
Purchase of shares held by employee benefit trust	**(0.9)**	(0.7)
Foreign exchange variations	**(8.4)**	(6.6)
Opening net debt	**(105.0)**	(59.2)
Closing net debt	**(194.6)**	(105.0)

Capital expenditure

Gross capital expenditure increased by 56.3% in 2015 to £48.6m (2014 - £31.1m), principally due to investment in future growth programmes and necessary replacement and compliance expenditure. The Group's operations remain well capitalised. The disposal of assets no longer required raised £0.7m (2014 - £0.2m). Similar capital expenditure is anticipated for 2016, with the extent dependent primarily upon the timing of build rate increases in the large commercial aircraft segment and the Group securing the expected new programme wins in both Divisions.

Working capital

Working capital increased by £20.3m in 2015 to £127.9m. £9.4m of this increase was acquired with LPE and Steico. The remaining increase is primarily due to the unwinding of a higher payables balance at 31 December 2014.

Acquisitions

On 31 March 2015, the Group acquired LPE based in Lymington, Hampshire, UK as set out in Note 13. The initial cash consideration was £44.6m comprising a net consideration of £45.8m after taking account of £2.7m of net debt in the business at acquisition date and a payment of £1.5m for its working capital.

On 17 December 2015, the Group acquired 100% of the issued share capital and trading facilities of Steico through a business combination. The consideration was £50.2m, after taking account of £0.1m working capital adjustment, for the issued share capital and £10.1m for the trading facility. There is no contingent consideration related to the acquisition. The acquisition was funded using the Group's existing borrowing facilities and $80.0m private placements.

Dividend

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

A final dividend of 4.36 pence per share is proposed for 2015 (2014 - 3.96 pence), payment of which, if approved, would total £18.3m (2014 final dividend - £16.6m) and would be paid on 31 May 2016 to shareholders on the register at close of business on 29 April 2016. This would bring the total dividends paid and proposed in respect of 2015 to 6.20 pence per share, an increase of 10% over 2014. At the level recommended, the full-year dividend would be covered 3.1 times (2014 - 3.5 times) by adjusted earnings per share. The cash outflow incurred during 2015 in respect of the final dividend for 2014 and the interim dividend for 2015 was £24.3m (2014 - £21.9m).

Goodwill

The change in goodwill from £262.5m at 31 December 2014 to £284.5m at 31 December 2015 reflects an increase of £2.5m due to foreign exchange differences, an increase of £17.1m and £21.2m due to the goodwill recognised on the acquisition of LPE and Steico, respectively and a reduction of £18.8m due to the impairment of the goodwill relating to GA.

Retirement benefit obligations

Aggregate retirement benefit liabilities at 31 December 2015 were £12.6m in excess of the value of pension assets, representing a decrease in the deficit of £7.2m from 31 December 2014. The deficit in respect of the Group’s UK defined benefit pension plan decreased by £8.8m to £0.6m (31 December 2014 - £9.4m), primarily due to contributions in excess of service costs made by the Group. The deficit in North America and other territories increased by £1.6m.

Net debt

Net debt increased by £89.6m to £194.6m at 31 December 2015 (31 December 2014 - £105.0m). This increase was principally due to the acquisitions of LPE and Steico (initial cash consideration of £44.6m plus net debt acquired of £2.7m and cash consideration of £60.3m, respectively). These acquisitions were funded using the Group's existing borrowing facilities, a new two-year £20.0m revolving credit facility, new one-year term loans totalling £25.0m and $80.0m private placements. Other movements included £24.3m of dividend payments, £0.9m purchase of own shares, £0.1m loan to the joint venture, £8.4m of unfavourable currency movements and a free cash inflow of £51.7m.

The ratio of net debt to EBITDA at the end of December 2015 was 1.4x, within the Group’s target range of 0.5x to 1.5x and comfortably below the Group’s bank covenant level of 3.0x.

Funding and Liquidity

As at 31 December 2015, the Group’s gross borrowings excluding finance leases were £207.2m (2014 - £117.5m), with 75% of the Group’s gross borrowings denominated in US dollars (31 December 2014 - 87%). Cash and bank balances were £14.4m (31 December 2014 - £13.2m).

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

	Gross borrowings [1]	Committed facilities
	£m	£m
Within one year	28.6	25.0
In the second year	56.6	64.4
In years three to five	67.6	111.0
After five years	54.4	68.0
	207.2	268.4

(1) Gross borrowings include the use of bank overdrafts, other loans and committed facilities, but exclude finance leases of £1.8m.

At the year-end, the Group had committed facilities of £268.4m with a weighted average maturity of 3.7 years. These facilities comprise private placement debt of £139.4m, term loans of £25.0m, and revolving credit facilities of £104.0m The Group is in a strong funding position, with headroom of £73.8m under its facilities.

The Group has £3.6m of uncommitted borrowings which are repayable on demand.

The Group's committed borrowing facilities contain a requirement that the ratio of EBITDA (adjusted profit before interest, tax, depreciation and amortisation) to net interest costs must exceed 3.5x, and that the ratio of net debt to EBITDA must not exceed 3.0x. At 31 December 2015, the Group was operating well within these covenants as the ratio of EBITDA to net interest costs was 16.7x (31 December 2014 – 16.2x) and the ratio of net debt to EBITDA was 1.4x (31 December 2014 - 0.8x).

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability and have continued to adopt the going concern basis in preparing the Financial Statements. The full viability statement can be found on page 29 of the Annual Report & Accounts 2015.

Risks and uncertainties

The principal risks and uncertainties faced by the Group are set out in detail on pages 28 to 31 of the Annual Report & Accounts 2015, which is available at www.seniorplc.com.

DEREK HARDING
Group Finance Director

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

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

By Order of the Board

David Squires
Group Chief Executive

26 February 2016

Derek Harding
Group Finance Director

26 February 2016

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Consolidated Income Statement

For the year ended 31 December 2015

	Notes	Year ended 2015 £m	Year ended 2014 £m
Revenue	3	849.5	820.8
Trading profit before one-off items		94.0	102.6
Goodwill impairment	8	(18.8)	(9.4)
Impairment of assets held for sale	15	(1.8)	-
Write-down of L85 inventory		-	(1.8)
Restructuring costs		-	(1.5)
Trading profit		73.4	89.9
Loss on sale and write-down of fixed assets		(1.5)	-
Share of joint venture profit/(loss)	14	0.4	(0.3)
Operating profit [(1)]	3	72.3	89.6
Investment income		0.3	0.1
Finance costs		(8.8)	(9.1)
Profit before tax [(2)]		63.8	80.6
Tax	5	(15.3)	(17.1)
Profit for the period		48.5	63.5
Attributable to:			
Equity holders of the parent		48.5	63.5
Earnings per share			
Basic [(3)]	7	11.59p	15.25p
Diluted [(4)]	7	11.47p	15.06p

[(1)] Adjusted operating profit	4	107.8	111.6
[(2)] Adjusted profit before tax	4	99.3	102.6
[(3)] Adjusted earnings per share	7	18.98p	19.84p
[(4)] Adjusted and diluted earnings per share	7	18.78p	19.59p

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Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Year ended 2015 £m	Year ended 2014 £m
Profit for the period	48.5	63.5
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Losses on cash flow hedges during the period	(5.6)	(2.3)
Reclassification adjustments for losses included in profit	3.8	0.6
Losses on cash flow hedges	(1.8)	(1.7)
Exchange differences on translation of foreign operations	(4.3)	7.9
Tax relating to items that may be reclassified	0.4	0.2
	(5.7)	6.4
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on defined benefit pension schemes	(1.1)	(0.9)
Tax relating to items that will not be reclassified	0.8	0.4
	(0.3)	(0.5)
Other comprehensive (expense) / income for the period, net of tax	(6.0)	5.9
Total comprehensive income for the period	42.5	69.4
Attributable to:		
Equity holders of the parent	42.5	69.4

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Consolidated Balance Sheet

As at 31 December 2015

	Notes	Year ended 2015 £m	Year ended 2014 £m
Non-current assets			
Goodwill	8	284.5	262.5
Other intangible assets		72.1	28.3
Investment in joint venture	14	1.1	0.7
Property, plant and equipment	9	206.6	167.6
Deferred tax assets		6.7	6.5
Loan to joint venture	14	1.1	0.4
Trade and other receivables		0.3	0.4
Total non-current assets		572.4	466.4
Current assets			
Inventories		126.9	119.3
Loan to joint venture	14	0.1	0.7
Current tax receivables		5.1	0.6
Trade and other receivables		140.6	137.1
Cash and bank balances	11c)	14.4	13.2
Assets classified as held for sale	15	1.8	-
Total current assets		288.9	270.9
Total assets		861.3	737.3
Current liabilities			
Trade and other payables		138.2	146.8
Current tax liabilities		20.5	13.3
Obligations under finance leases		0.8	0.3
Bank overdrafts and loans		28.6	24.1
Provisions		1.4	2.0
Liabilities classified as held for sale	15	1.1	-
Total current liabilities		190.6	186.5
Non-current liabilities			
Bank and other loans	11c)	178.6	93.4
Retirement benefit obligations	12	12.6	19.8
Deferred tax liabilities		46.9	24.8
Obligations under finance leases		1.0	0.4
Others		0.7	0.8
Total non-current liabilities		239.8	139.2
Total liabilities		430.4	325.7
Net assets		430.9	411.6
Equity			
Issued share capital	10	41.9	41.8
Share premium account		14.8	14.8
Equity reserve		4.5	5.7
Hedging and translation reserve		(12.9)	(7.2)
Retained earnings		384.7	359.0
Own shares		(2.1)	(2.5)
Equity attributable to equity holders of the parent		430.9	411.6
Total equity		430.9	411.6

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Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

All equity is attributable to equity holders of the parent

	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Balance at 1 January 2014	41.6	13.8	5.2	(13.6)	316.4	(1.9)	361.5
Profit for the year 2014	-	-	-	-	63.5	-	63.5
Losses on cash flow hedges	-	-	-	(1.7)	-	-	(1.7)
Exchange differences on translation of foreign operations	-	-	-	7.9	-	-	7.9
Actuarial losses on defined benefit pension schemes	-	-	-	-	(0.9)	-	(0.9)
Tax relating to components of other comprehensive income	-	-	-	0.2	0.4	-	0.6
Total comprehensive income for the period	-	-	-	6.4	63.0	-	69.4
Issue of share capital	0.2	1.0	(0.1)	-	-	-	1.1
Share-based payment charge	-	-	2.3	-	-	-	2.3
Tax relating to share-based payments	-	-	-	-	(0.1)	-	(0.1)
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.7)	(0.7)
Use of shares held by employee benefit trust	-	-	-	-	(0.1)	0.1	-
Transfer to retained earnings	-	-	(1.7)	-	1.7	-	-
Dividends paid	-	-	-	-	(21.9)	-	(21.9)
Balance at 31 December 2014	41.8	14.8	5.7	(7.2)	359.0	(2.5)	411.6
Profit for the year 2015	-	-	-	-	48.5	-	48.5
Losses on cash flow hedges	-	-	-	(1.8)	-	-	(1.8)
Exchange differences on translation of foreign operations	-	-	-	(4.3)	-	-	(4.3)
Actuarial losses on defined benefit pension schemes	-	-	-	-	(1.1)	-	(1.1)
Tax relating to components of other comprehensive income	-	-	-	0.4	0.8	-	1.2
Total comprehensive income for the period	-	-	-	(5.7)	48.2	-	42.5
Issue of share capital	0.1	-	(0.1)	-	-	-	-
Share-based payment charge	-	-	2.2	-	-	-	2.2
Tax relating to share-based payments	-	-	-	-	(0.2)	-	(0.2)
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.9)	(0.9)
Use of shares held by employee benefit trust	-	-	-	-	(1.3)	1.3	-
Transfer to retained earnings	-	-	(3.3)	-	3.3	-	-
Dividends paid	-	-	-	-	(24.3)	-	(24.3)
Balance at 31 December 2015	41.9	14.8	4.5	(12.9)	384.7	(2.1)	430.9

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Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Notes	Year ended 2015 £m	Year ended 2014 £m
Net cash from operating activities	11a)	99.4	88.6
Investing activities			
Interest received		0.2	0.1
Proceeds on disposal of property, plant and equipment		0.7	0.2
Purchases of property, plant and equipment		(46.4)	(29.6)
Purchases of intangible assets		(2.2)	(1.5)
Acquisition of Steico	13	(60.3)	-
Acquisition of LPE	13	(43.6)	-
Acquisition of Upeca		-	(60.1)
Loan to joint venture		(0.1)	(1.1)
Net cash used in investing activities		(151.7)	(92.0)
Financing activities			
Dividends paid		(24.3)	(21.9)
Repayment of borrowings		(98.2)	(34.5)
Repayments of obligations under finance leases		(0.6)	(1.4)
Share issues		-	1.1
Purchase of shares held by employee benefit trust		(0.9)	(0.7)
New loans raised		179.9	16.1
Net cash from / (used in) financing activities		55.9	(41.3)
Net increase / (decrease) in cash and cash equivalents		3.6	(44.7)
Cash and cash equivalents at beginning of period		8.5	53.1
Effect of foreign exchange rate changes		(0.5)	0.1
Cash and cash equivalents at end of period	11c)	11.6	8.5

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Notes to the above Financial Statements

For the year ended 31 December 2015

1. General information

These results for the year ended 31 December 2015 are an excerpt from the Annual Report & Accounts 2015 and do not constitute the Group's statutory accounts for 2015 or 2014. Statutory accounts for 2014 have been delivered to the Registrar of Companies, and those for 2015 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 2015 which is available at www.seniorplc.com, hard copies of which will be distributed on or soon after 11 March 2016.

During the year, no new accounting standards or amendments to existing standards became effective which had a material impact on the Group's Financial Statements. At the date of authorisation of the Group's Financial Statements, a number of new standards and amendments to existing standards have been issued but are not yet effective and, in some cases, have not yet been endorsed by the EU. They have not been adopted early in the Group's Financial Statements. Management is in the process of reviewing the impact of the following new standards:

- IFRS 9 Financial instruments. Effective for annual periods beginning 1 January 2018, subject to EU endorsement.

- IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning 1 January 2018, subject to EU endorsement.

- IFRS 16 Leases. Effective for annual periods beginning 1 January 2019, subject to EU endorsement.

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

3. Segment information

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

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3. Segment information continued

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

	Aerospace	Flexonics	Elimination / central costs	Total	Aerospace	Flexonics	Elimination / central costs	Total
	Year ended 2015 £m	Year ended 2015 £m	Year ended 2015 £m	Year ended 2015 £m	Year ended 2014 £m	Year ended 2014 £m	Year ended 2014 £m	Year ended 2014 £m
External revenue	574.9	274.6	-	849.5	536.5	284.3	-	820.8
Inter-segment revenue	0.1	0.3	(0.4)	-	0.1	0.3	(0.4)	-
Total revenue	575.0	274.9	(0.4)	849.5	536.6	284.6	(0.4)	820.8
Adjusted trading profit	76.8	39.4	(8.8)	107.4	77.9	43.5	(9.5)	111.9
Share of joint venture profit /(loss)	-	0.4	-	0.4	-	(0.3)	-	(0.3)
Adjusted operating profit	76.8	39.8	(8.8)	107.8	77.9	43.2	(9.5)	111.6
Exceptional pension charge	-	-	-	-	-	-	(1.5)	(1.5)
Loss on sale and write-down of fixed assets	(1.1)	(0.4)	-	(1.5)	-	-	-	-
Goodwill impairment	-	(18.8)	-	(18.8)	(9.4)	-	-	(9.4)
Restructuring costs	-	-	-	-	(1.5)	-	-	(1.5)
Amortisation of intangible assets from acquisitions	(5.3)	(6.9)	-	(12.2)	(4.8)	(2.4)	-	(7.2)
Impairment of assets held for sale	(1.8)	-	-	(1.8)	-	-	-	-
Write-down of L85 inventory	-	-	-	-	(1.8)	-	-	(1.8)
Acquisition costs	(0.4)	(0.8)	-	(1.2)	(0.3)	(0.3)	-	(0.6)
Operating profit	68.2	12.9	(8.8)	72.3	60.1	40.5	(11.0)	89.6
Investment income				0.3				0.1
Finance costs				(8.8)				(9.1)
Profit before tax				63.8				80.6
Tax				(15.3)				(17.1)
Profit after tax				48.5				63.5
Adjusted operating profit (Note 4)				107.8				111.6

3. Segment information continued

Segment information for assets and liabilities is presented below:

Assets	Year ended 2015 £m	Year ended 2014 £m
Aerospace	346.6	293.0
Flexonics	128.9	130.7
Corporate	4.4	3.0
Segment assets for reportable segments	479.9	426.7
Unallocated		
Goodwill	284.5	262.5
Intangible customer relationships	67.9	25.1
Cash	14.4	13.2
Deferred and current tax	11.8	7.1
Others	2.8	2.7
Total assets per balance sheet	861.3	737.3

Liabilities	Year ended 2015 £m	Year ended 2014 £m
Aerospace	91.3	84.7
Flexonics	37.8	51.2
Corporate	9.4	11.2
Segment liabilities for reportable segments	138.5	147.1
Unallocated		
Debt	207.2	117.5
Finance leases	1.8	0.7
Deferred and current tax	67.4	38.1
Retirement benefit obligations	12.6	19.8
Others	2.9	2.5
Total liabilities per balance sheet	430.4	325.7

4. Adjusted operating profit and adjusted profit before tax

The provision of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of goodwill impairment, impairment of assets held for sale, write-down of L85 inventory, restructuring costs, amortisation of intangible assets acquired from acquisitions, acquisition costs, loss on sale and write-down of fixed assets and exceptional pension charge. These items have been excluded from the adjusted measures in order to show the underlying current business performance of the Group in a consistent manner. This also reflects how the business is managed on a day-to-day basis.

	Year ended 2015 £m	Year ended 2014 £m
Operating profit	72.3	89.6
Goodwill impairment	18.8	9.4
Impairment of assets held for sale	1.8	-
Write-down of L85 inventory	-	1.8
Restructuring costs	-	1.5
Amortisation of intangible assets from acquisitions	12.2	7.2
Acquisition costs	1.2	0.6
Loss on sale and write-down of fixed assets	1.5	-
Exceptional pension charge	-	1.5
Adjustments to operating profit	35.5	22.0
Adjusted operating profit	107.8	111.6
Profit before tax	63.8	80.6
Adjustments to profit as above before tax	35.5	22.0
Adjusted profit before tax	99.3	102.6

5. Taxation

	Year ended 2015 £m	Year ended 2014 £m
Current tax:		
Current year	11.3	12.4
Adjustments in respect of prior periods	(1.0)	(0.5)
	10.3	11.9
Deferred tax:		
Current year	5.4	6.2
Adjustments in respect of prior periods	(0.4)	(1.0)
	5.0	5.2
	15.3	17.1

UK Corporation Tax is calculated at an effective rate of 20.25% (2014 - 21.5%) 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 2015 £m	Year ended 2014 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014 of 3.96p (2013 - 3.60p) per share	16.6	15.0
Interim dividend for the year ended 31 December 2015 of 1.84p (2014 - 1.67p) per share	7.7	6.9
	24.3	21.9
Proposed final dividend for the year ended 31 December 2015 of 4.36p (2014 - 3.96p) per share	18.3	16.6

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting 2016 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 2015 million	Year ended 2014 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	418.3	416.3
Effect of dilutive potential ordinary shares:		
Share options	4.4	5.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	422.7	421.6

	Year ended 2015		Year ended 2014	
Earnings and earnings per share	Earnings £m	EPS pence	Earnings £m	EPS pence
Profit for the period	48.5	11.59	63.5	15.25
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £2.2m (2014 - £1.3m)	10.0	2.39	5.9	1.42
Acquisition costs net of tax of £0.1m (2014 - £nil)	1.1	0.27	0.6	0.14
Goodwill impairment net of tax of £1.0m (2014 - £nil)	17.8	4.25	9.4	2.26
Exceptional pension charge net of tax of £nil (2014 - £0.3m)	-	-	1.2	0.29
Loss on sale and write-down of fixed assets net of tax of £0.6m (2014 - £nil)	0.9	0.22	-	-
Impairment of assets held for sale net of tax of £0.7m (2014 - £nil)	1.1	0.26	-	-
Write-down of L85 inventory net of tax of £nil (2014 - £0.7m)	-	-	1.1	0.26
Restructuring costs net of tax of £nil (2014 - £0.6m)	-	-	0.9	0.22
Adjusted earnings after tax	79.4	18.98	82.6	19.84
Earnings per share				
- basic		11.59p		15.25p
- diluted		11.47p		15.06p
- adjusted		18.98p		19.84p
- adjusted and diluted		18.78p		19.59p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2014 - £nil).

7. Earnings per share continued

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 the Group prior to the impact of goodwill impairment, impairment of assets held for sale, write-down of L85 inventory, restructuring costs, amortisation of intangible assets acquired from acquisitions, acquisition costs, loss on sale and write-down of fixed assets and exceptional pension charges. These items have been excluded from the adjusted measures in order to show the underlying current business performance of the Group in a consistent manner. This also reflects how the business is managed on a day-to-day basis.

8. Goodwill

Goodwill increased by £22.0m during the year to £284.5m (2014 - £262.5m) due to goodwill arising on the acquisitions of LPE of £17.1m and Steico of £21.2m (see note 13), the impairment of goodwill relating to the GA Cash Generating Unit of £18.8m and exchange translation differences of £2.5m.

9. Property, plant and equipment

During the period, the Group spent £46.4m (2014 - £29.6m) on the acquisition of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying value of £2.2m (2014 - £0.2m) for proceeds of £0.7m (2014 - £0.2m).

10. Share capital

Share capital as at 31 December 2015 amounted to £41.9m. During 2015, the Group issued 3,952 shares at an average price of 244.4 per share under share option plans. 1,332,508 shares were also issued during 2015 under the Senior plc 2005 Long-Term Incentive Plan.

Senior plc

11. Notes to the cash flow statement

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

	Year ended 2015 £m	Year ended 2014 £m
Operating profit	72.3	89.6
Adjustments for:		
Depreciation of property, plant and equipment	26.5	24.1
Amortisation of intangible assets	13.5	8.0
Loss on sale and write-down of fixed assets	1.5	-
Goodwill impairment	18.8	9.4
Impairment of assets held for sale	1.8	-
Restructuring costs	-	1.5
Share options	2.3	2.5
Pension payments in excess of service cost	(8.8)	(9.1)
Share of joint venture	(0.4)	0.3
Exceptional pension charge	-	1.5
Operating cash flows before movements in working capital	127.5	127.8
Decrease/(increase) in inventories	3.6	(11.5)
Decrease/(increase) in receivables	5.3	(13.6)
(Decrease)/increase in payables	(20.9)	8.6
Working capital currency movements	(0.1)	(1.5)
Cash generated by operations	115.4	109.8
Income taxes paid	(7.9)	(12.7)
Interest paid	(8.1)	(8.5)
Net cash from operating activities	99.4	88.6

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 2015 £m	Year ended 2014 £m
Net cash from operating activities	99.4	88.6
Interest received	0.2	0.1
Proceeds on disposal of property, plant and equipment	0.7	0.2
Purchases of property, plant and equipment	(46.4)	(29.6)
Purchases of intangible assets	(2.2)	(1.5)
Free cash flow	51.7	57.8

11. Notes to the cash flow statement continued

c) Analysis of net debt

	At 1 Jan 2015 £m	Cash flow £m	Assumed on acquisition £m	Exchange movement £m	At 31 Dec 2015 £m
Cash	13.2	1.9	-	(0.7)	14.4
Overdrafts	(4.7)	1.7	-	0.2	(2.8)
Cash and cash equivalents	8.5	3.6	-	(0.5)	11.6
Debt due within one year	(19.4)	(6.3)	-	(0.1)	(25.8)
Debt due after one year	(93.4)	(75.4)	(1.9)	(7.9)	(178.6)
Finance leases	(0.7)	0.6	(1.8)	0.1	(1.8)
Total	(105.0)	(77.5)	(3.7)	(8.4)	(194.6)

	Year ended 2015 £m	Year ended 2014 £m
Cash and cash equivalents comprise:		
Cash	14.4	13.2
Bank overdrafts	(2.8)	(4.7)
Total	11.6	8.5

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

12. Retirement benefit schemes

Defined Benefit Schemes

Aggregate retirement benefit liabilities are £12.6m (2014 - £19.8m). The primary components of this liability are the Group's UK and US defined benefit pension schemes, with deficits of £0.6m (2014 - £9.4m) and £6.5m (2014 - £4.7m) respectively, and a liability on unfunded schemes of £5.5m (2014 - £5.7m). These values have been assessed by independent actuaries using current market values and discount rates. The decrease in the liability from £19.8m at 31 December 2014 to £12.6m at 31 December 2015 is principally due to the positive impact of £8.8m cash contributions in excess of service costs, a decrease in the inflation assumptions and an increase in the discount rate, partially offset by lower asset returns during the year.

Senior plc

13. Acquisitions

Lymington Precision Engineering (LPE) Limited

On 31 March 2015, the Group acquired 100% of the issued share capital of Lymington Precision Engineering (LPE) Limited, and its 100%-owned subsidiary Lymington Precision Engineers Co. Limited (collectively “LPE”) through a business combination. LPE is based in Lymington, Hampshire, UK and manufactures precision-machined components, fabrications, assemblies and kit sets for the oil and gas, telecommunications, aerospace, defence, land and sea systems, nuclear and marine industries. LPE strengthens the Group's precision machining capabilities and provides access to LPE's strong customer relationships and adjacent markets.

The consideration was £44.6m comprising a net consideration of £45.8m after taking account of £2.7m of net debt in the business at acquisition date and a payment of £1.5m for working capital. The acquisition was funded using the Group's existing borrowing facilities, a new two-year £20.0m revolving credit facility and new one-year term loans totalling £25.0m.

Set out below is a provisional summary of the net assets acquired:

Recognised amounts of identified assets acquired and liabilities assumed	£m
Identifiable intangible assets	27.9
Property, plant and equipment	5.0
Inventories	4.5
Financial assets, excluding cash and cash equivalents	6.2
Cash and cash equivalents	1.0
Financial liabilities, excluding borrowings	(7.7)
Borrowings	(3.7)
Deferred tax liability	(5.7)
Net assets acquired	27.5
Goodwill	17.1
Total consideration	44.6
Consideration satisfied by:	
Cash paid	44.6
Total consideration	44.6
Net cash outflow arising on acquisition:	
Cash consideration	44.6
Less: cash and cash equivalents acquired	(1.0)
Net cash outflow arising on acquisition	43.6

The goodwill of £17.1m represents the premium paid in anticipation of future profitability from assets that are not capable of being separately identified and separately recognised such as the assembled workforce as well as the expectation that the Group will be able to leverage its wider market access and strong financial position to generate sustainable financial growth beyond what LPE would have potentially achieved as a stand-alone company. None of the goodwill is expected to be deductible for tax purposes.

The intangible assets acquired as part of the acquisition relate mainly to customer contracts and relationships, the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows, and are being amortised over five years. Fair value has also been assigned to the order book and trade name which are both being amortised over five years.

The financial assets acquired include trade receivables with a provisional fair value of £5.8m and a gross contractual value of £5.8m, all of which is currently expected to be collectible.

Acquisition-related costs of £0.9m are included in administrative expenses within trading profit in the Group’s Consolidated Income Statement for the year ended 31 December 2015.

13. Acquisitions (continued)

The fair value of the acquired identifiable assets and liabilities is provisional pending finalisation of the fair value exercise.

From the date of acquisition to 31 December 2015, LPE contributed £16.9m of external revenue and £0.8m to the Group's operating profit before amortisation of intangible assets from the acquisition of £4.2m. If the acquisition had been completed on 1 January 2015, Group revenue for the year ended 31 December 2015 would have been £862.9m, Group adjusted operating profit would have been £109.8m and Group operating profit would have been £72.9m.

Steico Industries, Inc.

On 17 December 2015, the Group acquired 100% of the issued share capital of Steico Industries, Inc. and its trading facilities (collectively "Steico") through a business combination. Steico is a leading manufacturer of precision tube and duct assemblies for the commercial and defence aerospace industries, located in Oceanside, California, USA. Steico brings new and adjacent capabilities to the Group and enables Senior's Aerospace Fluid Systems Division to offer the full range of tube and duct assemblies covering a wider scope of aerospace fluid systems.

The consideration was £50.2m, after taking account of £0.1m working capital adjustment, for the issued share capital and £10.1m for the trading facility. There is no contingent consideration related to the acquisition. The acquisition was funded using the Group's existing borrowing facilities and $80.0m private placements.

Set out below is a provisional summary of the net assets acquired:

Recognised amounts of identified assets acquired and liabilities assumed	£m
Identifiable intangible assets	28.4
Property, plant and equipment	15.4
Inventories	5.5
Financial assets, excluding cash and cash equivalents	2.4
Cash and cash equivalents	-
Financial liabilities	(2.1)
Net deferred tax liability	(10.5)
Net assets acquired	39.1
Goodwill	21.2
Total consideration	60.3
Consideration satisfied by:	
Cash paid	60.3
Total consideration	60.3
Net cash outflow arising on acquisition:	
Cash consideration	60.3
Less: cash and cash equivalents acquired	-
Net cash outflow arising on acquisition	60.3

The goodwill of £21.2m represents the premium paid in anticipation of future profitability from assets that are not capable of being separately identified and separately recognised such as the assembled workforce as well as the expectation that the Group will be able to leverage its wider market access and strong financial position to generate sustainable financial growth beyond what Steico would have potentially achieved as a stand-alone company. None of the goodwill is expected to be deductible for tax purposes.

The intangible assets acquired as part of the acquisition relate mainly to customer contracts and relationships, the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows, and are being amortised over five years. Fair value has also been assigned to the order backlog, long-term customer contracts, Steico's tradename and non-compete agreements, all of which are being amortised over five years.

13. Acquisitions (continued)

The financial assets acquired include trade receivables with a provisional fair value of £2.1m and a gross contractual value of £2.1m, all of which is currently expected to be collectible.

Acquisition-related costs of £0.3m are included in administrative expenses within trading profit in the Group's Consolidated Income Statement for the 12 months ended 31 December 2015.

The fair value of the acquired identifiable assets and liabilities is provisional pending finalisation of the fair value exercise.

From the date of acquisition to 31 December 2015, Steico contributed £0.9m of external revenue and £nil to the Group's operating profit before amortisation of intangible assets from the acquisition of £0.2m. If the acquisition had been completed on 1 January 2015, Group revenue for the 12 months ended 31 December 2015 would have been £871.7m, Group adjusted operating profit would have been £109.2m and Group operating profit would have been £68.4m.

14. Investment in joint venture

During 2012, the Group set up and has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China. The Group's investment of £1.1m represents the Group's share of the joint venture's net assets as at 31 December 2015.

At the year end, the Group had provided loans of £1.2m to the joint venture. This is reported as £0.1m within current assets and £1.1m in non-current assets.

15. Assets held for sale

On 21 December 2015, the Group entered into a sale agreement to dispose of its Senior Aerospace Composites business which is based in Wichita, Kansas, USA and is included in the Aerospace Division. The sale, which was completed on 16 February 2016, enables management to place greater focus on opportunities in its core activities in the Aerospace and Flexonics Divisions.

This business has been classified as held for sale and presented separately in the balance sheet. An impairment loss of £1.8m has been recognised after taking into account the proceeds from the disposal and associated exit costs. The previously recorded foreign exchange differences on translation will be recycled to the income statement on the date of disposal.

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

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