

Results for the year ended 31 December 2017

FINANCIAL HIGHLIGHTS	Year ended 31 December		change	change (constant currency)
	2017	2016		
REVENUE	£1,023.4m	£917.0m	+12%	+6%
OPERATING PROFIT	£65.5m	£65.8m	nil	-7%
ADJUSTED OPERATING PROFIT ⁽¹⁾	£82.6m	£85.6m	-4%	-9%
ADJUSTED OPERATING MARGIN ⁽¹⁾	8.1%	9.3%	-1.2ppts	-1.3ppts
PROFIT BEFORE TAX	£52.2m	£55.5m	-6%	-13%
ADJUSTED PROFIT BEFORE TAX ⁽¹⁾	£73.1m	£75.3m	-3%	-9%
BASIC EARNINGS PER SHARE	14.39p	10.84p	+33%	
ADJUSTED EARNINGS PER SHARE ⁽¹⁾	14.39p	14.37p	nil	
TOTAL DIVIDENDS (PAID AND PROPOSED) PER SHARE	6.95p	6.57p	+6%	
FREE CASH FLOW ⁽²⁾	£58.3m	£48.5m	+20%	
NET DEBT ⁽²⁾	£155.3m	£198.1m	£42.8m decrease	

Highlights

- Record sales, exceeding £1 billion for the first time
- Healthy free cash flow of £58.3m after investing £54.8m in capital expenditure for further organic growth
- Adjusted profit before tax of £73.1m, adjusted earnings per share of 14.39p
- Full year dividend proposed to increase by 5.8%
- At current exchange rates, the Board expects good progress to be made in 2018

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

“Senior delivered a solid performance in 2017 with trading slightly ahead of expectations. As anticipated, conditions in some of our markets remained challenging, particularly during the first half of the year, so it was pleasing to see market conditions and performance improving, as expected, in the second half of the year. We had strong order intake, with a book to bill of 1.15x, and sales reached an all-time high. Free cash flow remains healthy and, as anticipated, margin improvements were delivered in the second half of the year as volumes increased and benefits from ongoing cost reduction efforts were realised.

2018 trading has started in line with expectations. Order books across most of our businesses are strong. Although our Flexonics businesses which are exposed to downstream oil and gas and power and energy markets remain at subdued levels, we expect to see improved performance in both divisions. Overall, at current exchange rates, the Board expects good progress to be made in 2018 with performance slightly weighted to the second half.

Looking further ahead, Senior is competitively positioned. We expect to continue to make good progress as more new programmes and products enter production, and as the benefits of the implementation of the high performance Senior Operating System and cost saving actions continue to be delivered.”

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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 2017, together with other information on Senior plc, can be found at: www.seniorplc.com

The information contained in this Release is an extract from the Annual Report & Accounts 2017, 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 2017. Therefore, certain Notes and parts of the Directors' Report reported on are not included within this Release.

- (1) Adjusted operating profit and adjusted profit before tax are stated before £17.1m amortisation of intangible assets from acquisitions (2016 - £19.8m). Adjusted profit before tax is also stated before loss on disposal of £3.8m (2016 - £nil).
- (2) See Notes 11b and 11c for derivation of free cash flow and of net debt, respectively.

The Group's principal exchange rate for the US Dollar applied in the translation of revenue, profit and cash flow items at average 2017 rates was \$1.29 (2016 - \$1.36) and applied in the translation of Balance Sheet items at 31 December 2017 was \$1.35 (31 December 2016 - \$1.24).

Annual Report

The full Annual Report & Accounts 2017 is now available online at www.seniorplc.com. Printed copies will be distributed on or soon after 9 March 2018.

Webcast

There will be a presentation on Monday 26 February 2018 at 11.00am GMT, with a live webcast that is accessible on Senior's website at www.seniorplc.com/investors. The webcast will be made available on the website for subsequent viewing.

Note to Editors

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

Cautionary Statement

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

CHIEF EXECUTIVE'S STATEMENT

Overview of 2017 Results

Senior delivered a solid performance in 2017 with trading slightly ahead of expectations and generated healthy free cash flow.

Group order intake in 2017 was again strong with a book to bill of 1.15x. Group revenue increased by 11.6% to an all-time high of £1,023.4m (2016 - £917.0m). Excluding a favourable exchange rate impact of £45.5m, Group revenue increased by £60.9m (6.3%) on a constant currency basis driven by sales growth across both divisions. The revenue increase in the Aerospace Division was driven by growth in large commercial aerospace. Increased revenue in the Flexonics Division was driven by its sales to the truck & off-highway and upstream oil & gas markets.

Adjusted operating profit decreased by £3.0m (3.5%) to £82.6m (2016 - £85.6m). Excluding a favourable exchange rate impact of £5.0m, adjusted operating profit decreased by 8.8% on a constant currency basis. As expected, the Group's adjusted operating margin reduced by 1.2 percentage points, to 8.1% for the full year. Aerospace Division margins were impacted by the transition from more mature to new aircraft production programmes and margins in the Flexonics Division reflected some of the challenging market conditions in the higher margin segments of the Division. However, it was encouraging to see margins improve in the second half of the year, as predicted, from increased revenues and operational improvements, particularly in the Aerospace Division as we continue our cost reduction focus on our newer programmes.

Adjusted profit before tax decreased to £73.1m (2016 - £75.3m), down 2.9%, or 8.6% on a constant currency basis. Adjusted earnings per share increased by 0.1% to 14.39 pence (2016 - 14.37 pence). As noted in the announcement of 10 January 2018, the Group benefited from a one-off reduction in the effective tax rate for 2017, resulting in an adjusted tax rate of 17.5% for the year (2016 - 20.1%).

Reported operating profit was £65.5m (2016 - £65.8m) and reported profit before tax was £52.2m (2016 - £55.5m). With the Group benefiting from a £16.0m exceptional non-cash tax credit related to US tax reform, basic earnings per share increased by 32.7% to 14.39 pence (2016 - 10.84 pence).

The Group continues to generate healthy cash flows and delivered free cash inflow of £58.3m (2016 - £48.5m) after gross investment in capital expenditure of £54.8m (representing 1.3x depreciation). Working capital as a percentage of sales improved to 13.4% at the end of 2017 (2016 - 15.1%). The level of net debt at the end of December 2017 reduced to £155.3m (December 2016 - £198.1m). This decrease was principally due to free cash inflow of £58.3m and favourable currency movements of £11.0m, and was after £27.9m of dividend payments. The ratio of net debt to EBITDA was 1.3x.

The Board is proposing a final dividend of 4.90 pence per share. This would bring total dividends, paid and proposed for 2017 to 6.95 pence per share, representing an increase of 5.8% over the prior year.

Delivery of Group Strategy

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

During 2017, the Group made good progress against our six strategic priorities which were identified as key elements of our business model, driving the creation of shareholder value:

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

Further details including our plans for 2018 are noted on pages 16 and 17 of the Annual Report & Accounts 2017. However, some of the 2017 highlights include those set out below.

Multi-site collaboration efforts have led to important new business awards as demonstrated by recently announced new contracts. Senior has been successful in growing its market share by supporting key customers with their cost down activities, particularly leveraging our cost competitive country strategy.

In 2017 we hired a new VP of Operational Excellence and launched the Senior Operating System, incorporating lean manufacturing, initially focused in our Aerospace Structures business. The early results are encouraging and will be key to improving margins and working capital across the business.

Having disposed of a small non-core business in Wichita in 2016 we disposed of a second non-core business in Ilkeston, UK, in 2017. We will continue to “prune to grow” where it makes sense to do so while maintaining a disciplined approach to additions to our portfolio.

Market Conditions

The production ramp-up of new, more efficient, large commercial aircraft programmes means the outlook for the commercial aerospace sector is both strong and visible. Air traffic grew by 7.6% in 2017 and demand for new aircraft remains robust with Boeing, Airbus and independent forecasters predicting air traffic to grow in excess of 4% per annum over the next 20 years. Senior has healthy shipset content on all the large commercial aircraft platforms and has further increased its content on the new engine versions during 2017. With higher content on the new engine A320neo, 737 MAX, A330neo and 777X than the current engine versions, the Group is expected to outgrow the large commercial aircraft market as these new engine versions come into service and production ramps up. Customer deliveries of the 737 MAX began in May 2017 and production of the A320neo and A350 continues to ramp up, whilst the A330neo and 777X are scheduled to enter service in 2018 and 2020 respectively.

In the regional and business jet market, the C Series and HondaJet continue to ramp up deliveries and the Group is also expected to benefit from the Embraer E2-Jet, the Bombardier Global 7000 and the Mitsubishi MRJ, with the first two due to enter service in 2018 and MRJ in 2020. In the defence sector, Senior is well positioned on major growth platforms, for example the Joint Strike Fighter and CH-53K which are scheduled to ramp up significantly over the next five years.

North American truck and off-highway market conditions improved through the latter half of 2017, resulting in North American heavy-duty truck production increasing 11.9% in 2017, with further growth forecast for 2018. The off-highway market continues to benefit from improved levels of activity in end markets such as oil and gas, mining and agriculture. Upstream oil and gas related markets are seeing increasing drilling activity in North America. The downstream oil and gas market remains subdued as anticipated, with few major projects being launched; however, repair and overhaul activities have been reasonable and we believe recovery in this sector will lag the upstream recovery by at least a year.

Operational Review

We are continuing to invest in capacity in our existing cost competitive country locations for both our Flexonics and Aerospace businesses to enable us to meet increasing order levels from our customers and to ensure we remain competitive and profitable. In December 2017 we opened an extension to our highly efficient Flexonics plant in the Czech Republic to support organic growth and new business opportunities. As a direct consequence of winning new commercial aerospace business, work has commenced on adding a new Aerospace factory in Malaysia, close to our existing operations, and is anticipated to be completed towards the end of 2018. Additionally, we are reviewing capacity plans in our Flexonics India business and our Flexonics JV in China as both these facilities have continued to win new long term business. We plan to relocate our Crumlin South Wales operation to a smaller high-tech facility with building commencing in 2018 and completing in 2019. The new facility will focus on design, development, test and qualification of new products, which will be built around the world in our existing cost competitive locations. In North America, our Aerospace Fluid Systems Metal Bellows business continues to perform well and we will be expanding their facility in Massachusetts for planned growth.

Good progress has been made in 2017 to further reduce costs, particularly in reducing both labour and material costs on some of our largest new aerospace programmes. Cost reductions are being achieved through our lean manufacturing programme and through the use of the state-of-the-art high speed and high performance equipment that we have been investing in. We launched our Senior Operating System in our Aerospace Structures businesses and held targeted performance improvement workshops. The early benefits of these actions together with increased revenue, delivered improved margins in the second half of 2017 for the Group. We will continue to see the benefits of these actions incrementally helping margins in 2018 and beyond.

Outlook

2018 trading has started in line with expectations. Order books across most of our businesses are strong. Although our Flexonics businesses which are exposed to downstream oil and gas and power and energy markets remain at subdued levels, we expect to see improved performance in both divisions. Overall, at current exchange rates, the Board expects good progress to be made in 2018 with performance slightly weighted to the second half.

Looking further ahead, Senior expects to continue to make good progress as new programmes and products continue to ramp up, and as the benefits of the implementation of the high performance Senior Operating System and cost saving actions continue to be delivered. Senior is competitively positioned with exposure to strong growing end markets which enable it to grow organically on a sustainable basis. 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 71% (2016 - 73%) 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. This Divisional review is on a constant currency basis, whereby 2016 results have been translated using 2017 average exchange rates and excludes the impact of amortisation of intangible assets from acquisitions. The Division's operating results on a constant currency basis are summarised below:

	2017	2016 ⁽¹⁾	Change
	£m	£m	
Revenue	725.3	695.6	+4.3%
Adjusted operating profit	76.6	78.4	-2.3%
Adjusted operating margin	10.6%	11.3%	-0.7ppts

⁽¹⁾ 2016 translated using 2017 average exchange rates – constant currency.

Divisional revenue increased by £29.7m (4.3%) to £725.3m (2016 - £695.6m) whilst adjusted operating profit decreased by £1.8m (2.3%) to £76.6m (2016 - £78.4m).

Revenue Reconciliation	£m
2016 revenue	695.6
Large commercial	29.9
Regional & business jets	0.2
Military	(8.5)
Other	8.1
2017 revenue	<u>725.3</u>

The Division's most important market is large commercial aircraft where Boeing and Airbus collectively delivered 1,481 aircraft in 2017, 3.1% more than the prior year. Senior's sales in the large commercial aircraft sector increased by 6.9% during the year. The Group benefited from increased production of the A350, A320neo and 737 MAX, which began customer deliveries in May 2017; however, these increases were partly offset by decreased production of the 777, A380, and the current engine versions of the 737 and A320.

The Division's sales to the regional and business jet markets were flat year-on-year as increased production of Bombardier's C Series and HondaJet was offset by lower production of legacy jets.

Revenue from the military and defence sector decreased by 6.4% in the year, primarily due to reduced A400M sales due to lower levels of inventory being held in the supply chain, lower Joint Strike Fighter content and fewer B variants, and the anticipated Black Hawk build rate reductions.

Around 9% of the Aerospace Division's revenue was derived from other markets such as space, non-military helicopters, power and energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products. Revenue derived from these markets increased by 13.5%, mainly due to strong demand for Senior's proprietary products for the semi-conductor equipment market.

The divisional adjusted operating margin declined by 0.7 percentage points to 10.6% (2016 - 11.3%). As anticipated, margins were impacted by the year-on-year volume reductions on mature programmes such as the 777, A380, and the current engine versions of the 737 and A320, and costs associated with the ramp-up of new aircraft production programmes such as the 737 MAX, A320neo and C Series. However, it was encouraging to see margins improve in the second half of the year (H1 2017 - 9.5%; H2 2017 - 11.6%) from operational improvements, as we continue our focus in reducing both labour and material costs on some of our newer programmes.

During 2017, Senior successfully won additional content on 737 MAX (+11%), A320neo (+13%) and A330neo (+19%) all of which are forecasting significant increases in production over the coming years. Significant additional content was also won on the 777X (+51%), which is scheduled to enter service in 2020.

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

Flexonics Division

The Flexonics Division represents 29% (2016 - 27%) 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 product joint venture. This Divisional review is on a constant currency basis, whereby 2016 results have been translated using 2017 average exchange rates and excludes the impact of amortisation of intangible assets from acquisitions. The Division's operating results on a constant currency basis are summarised below:

	2017	2016 ⁽¹⁾	Change
	£m	£m	
Revenue	298.8	267.2	+11.8%
Adjusted operating profit	20.0	22.2	-9.9%
Adjusted operating margin	6.7%	8.3%	-1.6ppts

⁽¹⁾ 2016 results translated using 2017 average exchange rates – constant currency.

Divisional revenue increased by £31.6m (11.8%) to £298.8m (2016 - £267.2m) and adjusted operating profit declined by £2.2m (9.9%) to £20.0m (2016 - £22.2m).

Revenue Reconciliation	£m
2016 revenue	267.2
Truck and off-highway	19.8
Passenger vehicles	1.6
Industrial	8.7
Other	1.5
2017 revenue	<u>298.8</u>

Group sales to truck and off-highway markets increased by 23.7%. Senior's sales to the North American truck and off-highway market increased by £13.6m (22.0%), primarily due to launch of new off-highway EGR cooler programmes and improved replacement demand. Sales to European truck and off-highway markets grew by £2.1m (13.1%), due to the launch of new programmes and the Group benefited by £4.1m (71.9%) increased sales from new truck and off-highway programmes in India and China.

Group sales to passenger vehicle markets increased by 3.0% in the year benefiting from the launch of new European programmes.

Sales from the Group's industrial markets increased by 7.0%. Sales to oil and gas markets were up £13.6m (28.4%) primarily due to upstream oil and gas related markets seeing increasing drilling activity in North America. Sales to power and energy markets decreased by £1.8m (5.1%) due to continued weakness in North American coal and gas fired power generation markets. Sales from other industrial markets decreased by £3.1m (7.4%) due to lower sales to renewables and medical markets.

The adjusted operating margin declined by 1.6 percentage points to 6.7% (2016 - 8.3%) principally due to volume reductions in the higher margin segments, particularly downstream oil and gas and power and energy, as well as a change in mix of passenger vehicles. Although the Group benefited from higher volumes from truck and off-highway and upstream oil and gas, this was primarily from lower margin and newer products. As a result, overall margins for the division decreased year-on-year. The Group continues to focus on cost management and efficiency initiatives.

Production of North American heavy-duty trucks is forecast to improve further in 2018 and the off-highway market continues to benefit from improved levels of activity in end markets such as oil and gas, mining and agriculture. Upstream oil and gas related markets are seeing increasing drilling activity in North America. The downstream oil and gas market remains subdued as anticipated, with few major projects being launched; however, repair and overhaul activities have been reasonable and we believe recovery in this sector will lag the upstream recovery by at least a year. Overall, we expect modest growth in our Flexonics top line in 2018 compared to 2017 with the emphasis on improving margins faster than sales in this Division.

Looking further ahead, global emissions standards and environmental legislation continues to tighten, which 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 more efficient internal combustion engines, as well as electrified land vehicle applications. As a result of its global footprint, technical innovation and customer relationships, the Group remains well positioned for the future as new Flexonics programmes and products enter production.

OTHER FINANCIAL INFORMATION

Central costs

Central costs increased to £14.7m (2016 - £10.6m) due to dilapidation costs relating to the sub-lease of a legacy site in the UK, the effects of strengthening the Group HR and Health, Safety & Environmental capabilities, legal costs incurred related to actions as described in Note 15, and adverse foreign exchange movements on translation of non-Sterling costs.

Finance costs

Total finance costs, net of investment income of £0.2m (2016 - £0.2m) decreased to £9.5m (2016 - £10.3m) mainly due to lower interest rates on private placement loans. The net IAS 19 pension finance charge of £0.2m remained consistent with 2016.

Tax charge

The adjusted tax rate for the year was 17.5% (2016 - 20.1%), being a tax charge of £12.8m (2016 - £15.1m) on adjusted profit before tax of £73.1m (2016 - £75.3m). The reduction in rate is attributed to prior year adjustments following the completion of tax audits in the US as well as the geographic mix of profits in the year.

The reported tax rate was 15.5% credit (2016 - 18.2% charge), being a tax credit of £8.1m (2016 - £10.1m charge) on reported profit before tax of £52.2m (2016 - £55.5m). The reported tax credit for the year included the tax effect of items excluded from adjusted operating profit of £4.9m (2016 - £5.0m), and an exceptional non-cash tax credit related to US tax reform of £16.0m (2016 - £nil).

Following the enactment of the US Tax Cuts and Jobs Act in December 2017, Senior expects that the benefit from a reduction in the US Federal corporate income tax rate from 1 January 2018 will be largely offset by a widening of the tax base as a result of new US tax measures also introduced in this Act.

Further guidance on the Group's expected tax rate over the medium term will be provided once we have completed our review of the full impact of changes ensuing from tax reforms in the US, UK and other jurisdictions we operate in.

Cash tax paid was £4.9m (2016 - £2.7m) and is stated net of refunds received of £1.9m (2016 - £3.5m) of tax paid in prior periods. The rate of cash tax paid is lower than our adjusted tax rate in both years due to accelerated tax relief for capital expenditure in the US, the availability of tax losses and tax deductible items that do not affect adjusted profit.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 418.9 million (2016 - 418.8 million). The increase arose principally due to vesting of share awards. Adjusted earnings per share increased by 0.1% to 14.39 pence (2016 - 14.37 pence). Basic earnings per share increased by 32.7% to 14.39 pence (2016 - 10.84 pence). See Note 7 for details of the basis of these calculations.

Research and development

The Group's expenditure on research and development increased to £25.6m during 2017 (2016 - £18.7m). Expenditure was incurred mainly on funded and unfunded development work, which relates to designing and engineering products in accordance with individual customer specifications and developing specific manufacturing processes for their production. The Group also incurs costs on general manufacturing improvement processes. Unfunded costs in the year have been expensed, consistent with the prior year, as they did not meet the strict criteria required for capitalisation.

Exchange rates

A high proportion of the Group's operating profit in 2017 was generated outside the UK and consequently, foreign exchange rates, principally the US Dollar against Sterling, can significantly affect the Group's results.

The 2017 average exchange rate for the US Dollar applied in the translation of income statement and cash flow items was \$1.29 (2016 - \$1.36). The exchange rate for the US Dollar applied to the translation of Balance Sheet items at 31 December 2017 was \$1.35 (31 December 2016 - \$1.24).

Using 2017 average exchange rates would have increased 2016 revenue by £45.5m and increased 2016 adjusted operating profit by £5.0m. A 10 cents movement in the £:\$ exchange rate is estimated to affect forward full-year revenue by £45m, adjusted operating profit by £5m and net debt by £8m.

Cash flow

The Group generated healthy free cash flow of £58.3m in 2017 (2016 - £48.5m) as set out in the table below:

	2017	2016
	£m	£m
Operating profit	65.5	65.8
Depreciation and amortisation	57.9	54.0
Share of joint venture	(0.7)	(0.7)
Working capital movement	12.4	(0.4)
Pension payments above service cost	(9.7)	(8.8)
Other items	0.4	3.3
Cash generated by operations	125.8	113.2
Interest paid (net)	(9.6)	(10.0)
Income tax paid	(4.9)	(2.7)
Capital expenditure	(54.8)	(52.8)
Sale of fixed assets	1.8	0.8
Free cash flow	58.3	48.5
Dividends	(27.9)	(26.4)
Proceeds on disposals	0.4	1.3
Loan to joint venture	0.3	0.5
Purchase of shares held by employee benefit trust	(0.1)	(1.1)
Foreign exchange variations	11.0	(26.3)
Movement in non-cash items	0.8	-
Opening net debt	(198.1)	(194.6)
Closing net debt	(155.3)	(198.1)

Capital expenditure

Gross capital expenditure increased by 3.8% in 2017 to £54.8m (2016 - £52.8m), principally due to investment in future growth programmes. The Group's operations remain well capitalised. The disposal of assets raised £1.8m (2016 - £0.8m). Capital expenditure is anticipated to be higher in 2018, as investments continue to support future growth programmes already won.

Working capital

Working capital decreased by £1.3m in 2017 to £137.2m (2016 - £138.5m). Working capital as a percentage of sales improved by 1.7ppts from 15.1% at 31 December 2016 to 13.4% at 31 December 2017, due to 0.7ppts reduction from payables, 0.6ppts reduction from receivables, 0.2ppts reduction from inventory and 0.2ppts reduction from exchange differences.

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, free cash flow generation and dividend cover over the medium term.

A final dividend of 4.90 pence per share is proposed for 2017 (2016 - 4.62 pence), payment of which, if approved, would total £20.5m (2016 final dividend - £19.4m) and would be paid on 31 May 2018 to shareholders on the register at close of business on 4 May 2018. This would bring the total dividends paid and proposed in respect of 2017 to 6.95 pence per share, an increase of 5.8% over 2016. At the level recommended, the full-year dividend would be covered 2.1 times (2016 - 2.2 times) by adjusted earnings per share. The cash outflow incurred during 2017 in respect of the final dividend for 2016 and the interim dividend for 2017 was £27.9m (2016 - £26.4m).

Goodwill

The change in goodwill from £318.8m at 31 December 2016 to £302.4m at 31 December 2017 reflects a decrease of £16.4m, of which £14.7m is due to foreign exchange differences and £1.7m is related to the sale of the Aerospace business linked to the BWT Ilkeston facility. A loss of £3.8m arose on disposal after taking into account exit costs together with fair value of net assets disposed totalling £4.2m, offset by cash consideration of £0.4m.

Retirement benefit obligations

The retirement benefit surplus in respect of the Group's UK defined benefit pension funded scheme increased by £15.4m to £19.4m (31 December 2016 - £4.0m), principally due to £8.2m cash contributions in excess of running costs made by the Group and £7.0m net actuarial gains, mainly relating to returns from scheme assets. Retirement benefit obligations in respect of the US and other territories increased by £0.3m to £14.7m (31 December 2016 - £14.4m).

Net debt

Net debt decreased by £42.8m to £155.3m at 31 December 2017 (31 December 2016 - £198.1m). This decrease was due to free cash inflow of £58.3m, £11.0m favourable foreign currency movements, £0.8m movement in non-cash items, £0.4m proceeds from the disposal of the Aerospace BWT Ilkeston facility and £0.3m loan repayment from the joint venture, partially offset by £27.9m dividend payments and £0.1m purchase of own shares held by the employee benefit trust.

Funding and Liquidity

As at 31 December 2017, the Group's gross borrowings excluding finance leases, transaction costs directly attributable to borrowings and foreign exchange contracts – held for trading were £168.0m (31 December 2016 - £214.6m), with 78% of the Group's gross borrowings denominated in US dollars (31 December 2016 - 86%). Cash and bank balances were £12.6m (31 December 2016 - £17.5m).

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	60.6	55.6
In the second year	8.7	55.1
In years three to five	29.6	89.6
After five years	69.1	96.1
	168.0	296.4

(1) Gross borrowings include the use of bank overdrafts, other loans and committed facilities, but exclude finance leases of £0.5m, transaction costs directly attributable to borrowings of (£0.8m) and hedging losses on foreign exchange contracts - held for trading of £0.2m.

At the year-end, the Group had committed facilities of £296.4m comprising private placement debt of £181.3m and revolving credit facilities of £115.1m. The Group is in a strong funding position, with headroom at 31 December 2017 of £141.1m under its facilities.

In January 2017, the Group repaid a \$30.0m (£24.2m) private placement at its due date by drawing a new €28.0m (£24.8m) 10-year private placement carrying interest at the rate of 1.51% per annum. A new £27.0m 7-year private placement agreement carrying interest at the rate of 2.35% per annum was committed in December 2017 and was drawn down in January 2018. Following these transactions, the weighted average maturity of the Group's committed facilities is 4.1 years.

The Group has £5.0m 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 2017, the Group was operating well within these covenants as the ratio of EBITDA to net interest costs was 13.3x (31 December 2016 - 11.8x) and the ratio of net debt to EBITDA was 1.3x (31 December 2016 - 1.7x).

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have concluded that there is a reasonable expectation as to the Group's longer-term viability and have continued to adopt the going concern basis in preparing the Financial Statements. The full viability statement can be found on page 23 of the Annual Report & Accounts 2017.

Risks and uncertainties

The principal risks and uncertainties faced by the Group are set out in detail on pages 24 to 29 of the Annual Report & Accounts 2017.

BINDI FOYLE

Group Finance Director

Responsibility Statement of the Directors in Respect of the Annual Financial Report

We confirm that to the best of our knowledge:

1. the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group 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 Group 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 Group's position and performance, business model and strategy.

By Order of the Board

David Squires
Group Chief Executive

23 February 2018

Bindi Foyle
Group Finance Director

23 February 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	Year ended 2017 £m	Year ended 2016 £m																
Revenue	3	1,023.4	917.0																
Trading profit		64.8	65.1																
Share of joint venture profit	13	0.7	0.7																
Operating profit ⁽¹⁾	3	65.5	65.8																
Investment income		0.2	0.2																
Finance costs		(9.7)	(10.5)																
Loss on disposal	14	(3.8)	-																
Profit before tax ⁽²⁾		52.2	55.5																
Tax credit/(charge)	5	8.1	(10.1)																
Profit for the period		60.3	45.4																
Attributable to:																			
Equity holders of the parent		60.3	45.4																
Earnings per share																			
Basic ⁽³⁾	7	14.39p	10.84p																
Diluted ⁽⁴⁾	7	14.30p	10.83p																
<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding-right: 5px;"> ⁽¹⁾ Adjusted operating profit </td> <td style="width: 10%; text-align: center; padding: 0 5px;">4</td> <td style="width: 20%; text-align: right; padding: 0 5px;">82.6</td> <td style="width: 20%; text-align: right; padding: 0 5px;">85.6</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;"> ⁽²⁾ Adjusted profit before tax </td> <td style="text-align: center; padding: 0 5px;">4</td> <td style="text-align: right; padding: 0 5px;">73.1</td> <td style="text-align: right; padding: 0 5px;">75.3</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;"> ⁽³⁾ Adjusted earnings per share </td> <td style="text-align: center; padding: 0 5px;">7</td> <td style="text-align: right; padding: 0 5px;">14.39p</td> <td style="text-align: right; padding: 0 5px;">14.37p</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;"> ⁽⁴⁾ Adjusted and diluted earnings per share </td> <td style="text-align: center; padding: 0 5px;">7</td> <td style="text-align: right; padding: 0 5px;">14.30p</td> <td style="text-align: right; padding: 0 5px;">14.36p</td> </tr> </table>				⁽¹⁾ Adjusted operating profit	4	82.6	85.6	⁽²⁾ Adjusted profit before tax	4	73.1	75.3	⁽³⁾ Adjusted earnings per share	7	14.39p	14.37p	⁽⁴⁾ Adjusted and diluted earnings per share	7	14.30p	14.36p
⁽¹⁾ Adjusted operating profit	4	82.6	85.6																
⁽²⁾ Adjusted profit before tax	4	73.1	75.3																
⁽³⁾ Adjusted earnings per share	7	14.39p	14.37p																
⁽⁴⁾ Adjusted and diluted earnings per share	7	14.30p	14.36p																

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Year ended 2017 £m	Year ended 2016 £m
Profit for the period	60.3	45.4
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on foreign exchange contracts - cash flow hedges during the period	12.9	(9.8)
Reclassification adjustments for (profits)/ losses included in profit	(1.4)	0.7
Gains/(losses) on foreign exchange contracts - cash flow hedges	11.5	(9.1)
Foreign exchange gain recycled to the Income Statement on disposal	-	(0.4)
Exchange differences on translation of foreign operations	(18.2)	62.6
Tax relating to items that may be reclassified	(2.3)	2.1
	(9.0)	55.2
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit pension schemes	5.2	(5.1)
Tax relating to items that will not be reclassified	0.7	0.5
	5.9	(4.6)
Other comprehensive (expense) /income for the period, net of tax	(3.1)	50.6
Total comprehensive income for the period	57.2	96.0
Attributable to:		
Equity holders of the parent	57.2	96.0

Consolidated Balance Sheet

As at 31 December 2017

	Notes	Year ended 2017 £m	Year ended 2016 £m
Non-current assets			
Goodwill	8	302.4	318.8
Other intangible assets		41.6	60.5
Investment in joint venture	13	2.4	1.7
Property, plant and equipment	9	256.1	254.2
Deferred tax assets		1.6	6.6
Loan to joint venture	13	0.3	0.9
Retirement benefits	12	19.4	4.0
Trade and other receivables		0.5	0.3
Total non-current assets		624.3	647.0
Current assets			
Inventories		154.5	154.4
Loan to joint venture	13	0.2	-
Current tax receivables		1.0	0.7
Trade and other receivables		154.3	152.5
Cash and bank balances	11c)	12.6	17.5
Assets classified as held for sale	14	3.9	4.2
Total current assets		326.5	329.3
Total assets		950.8	976.3
Current liabilities			
Trade and other payables		173.0	164.8
Current tax liabilities		21.2	21.5
Obligations under finance leases		0.3	0.5
Bank overdrafts and loans	11c)	60.5	44.9
Provisions		5.5	3.6
Total current liabilities		260.5	235.3
Non-current liabilities			
Bank and other loans	11c)	106.7	169.7
Retirement benefits	12	14.7	14.4
Deferred tax liabilities		34.3	55.2
Obligations under finance leases		0.2	0.5
Provisions		0.2	-
Others		2.6	0.7
Total non-current liabilities		158.7	240.5
Total liabilities		419.2	475.8
Net assets		531.6	500.5
Equity			
Issued share capital	10	41.9	41.9
Share premium account		14.8	14.8
Equity reserve		3.9	3.0
Hedging and translation reserve		33.3	42.3
Retained earnings		438.8	400.0
Own shares		(1.1)	(1.5)
Equity attributable to equity holders of the parent		531.6	500.5
Total equity		531.6	500.5

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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 2016	41.9	14.8	4.5	(12.9)	384.7	(2.1)	430.9
Profit for the year 2016	-	-	-	-	45.4	-	45.4
Losses on foreign exchange contracts - cash flow hedges	-	-	-	(9.1)	-	-	(9.1)
Foreign exchange gain recycled to the Income Statement on disposal	-	-	-	(0.4)	-	-	(0.4)
Exchange differences on translation of foreign operations	-	-	-	62.6	-	-	62.6
Actuarial losses on defined benefit pension schemes	-	-	-	-	(5.1)	-	(5.1)
Tax relating to components of other comprehensive income	-	-	-	2.1	0.5	-	2.6
Total comprehensive income for the period	-	-	-	55.2	40.8	-	96.0
Share-based payment charge	-	-	1.1	-	-	-	1.1
Purchase of shares held by employee benefit trust	-	-	-	-	-	(1.1)	(1.1)
Use of shares held by employee benefit trust	-	-	-	-	(1.7)	1.7	-
Transfer to retained earnings	-	-	(2.6)	-	2.6	-	-
Dividends paid	-	-	-	-	(26.4)	-	(26.4)
Balance at 31 December 2016	41.9	14.8	3.0	42.3	400.0	(1.5)	500.5
Profit for the year 2017	-	-	-	-	60.3	-	60.3
Gains on foreign exchange contracts - cash flow hedges	-	-	-	11.5	-	-	11.5
Exchange differences on translation of foreign operations	-	-	-	(18.2)	-	-	(18.2)
Actuarial gains on defined benefit pension schemes	-	-	-	-	5.2	-	5.2
Tax relating to components of other comprehensive income	-	-	-	(2.3)	0.7	-	(1.6)
Total comprehensive income for the period	-	-	-	(9.0)	66.2	-	57.2
Share-based payment charge	-	-	1.9	-	-	-	1.9
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.1)	(0.1)
Use of shares held by employee benefit trust	-	-	-	-	(0.5)	0.5	-
Transfer to retained earnings	-	-	(1.0)	-	1.0	-	-
Dividends paid	-	-	-	-	(27.9)	-	(27.9)
Balance at 31 December 2017	41.9	14.8	3.9	33.3	438.8	(1.1)	531.6

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	Year ended 2017 £m	Year ended 2016 £m
Net cash from operating activities	11a)	110.9	100.3
Investing activities			
Interest received		0.4	0.2
Proceeds on disposal of property, plant and equipment		1.8	0.8
Purchases of property, plant and equipment		(52.3)	(50.7)
Purchases of intangible assets		(2.5)	(2.1)
Proceeds on disposal	14	0.4	1.3
Loan to joint venture	13	0.3	0.5
Net cash used in investing activities		(51.9)	(50.0)
Financing activities			
Dividends paid		(27.9)	(26.4)
New loans		78.7	39.2
Repayment of borrowings		(115.8)	(58.7)
Repayments of obligations under finance leases		(0.5)	(0.8)
Purchase of shares held by employee benefit trust		(0.1)	(1.1)
Net cash used in financing activities		(65.6)	(47.8)
Net (decrease)/increase in cash and cash equivalents		(6.6)	2.5
Cash and cash equivalents at beginning of period		16.8	11.6
Effect of foreign exchange rate changes		(0.5)	2.7
Cash and cash equivalents at end of period	11c)	9.7	16.8

Notes to the above Financial Statements

For the year ended 31 December 2017

1. General information

These results for the year ended 31 December 2017 are an excerpt from the Annual Report & Accounts 2017 and do not constitute the Group's statutory accounts for 2017 or 2016. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 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 2017 which is available at www.seniorplc.com, hard copies of which will be distributed on or soon after 9 March 2018.

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 have not been adopted early. A summary of the impact review performed on each standard is given below. None of these changes will have an effect on net cash from operating activities nor on free cash flow.

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

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

The Group has now completed the implementation of IFRS 15. As expected, the cumulative impact on adoption of IFRS 15 is not material to either the Group's reported revenue or profit before tax. Emerging market practice and industry interpretations of the standard indicate that the Group does not require an adjustment for customer contribution of goods to facilitate the Group's fulfilment of the customer contracts. The Group will continue to monitor the market practice and re-evaluate the accounting position if there are any significant developments which indicate a different treatment should be taken.

- c) IFRS 16 Leases. Effective for annual periods beginning 1 January 2019. This standard, which will replace IAS 17, requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset is low value. As at 31 December 2017, the Group holds a significant number of operating leases which currently, under IAS 17, are expensed on a straight-line basis over the lease term.

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

2. Significant accounting policies continued

The Group has collated the operating lease information across all the Divisions and head office in order to assess the updated cumulative adjustment on transition. If the new requirements were adopted in 2017, profit before tax would change by an immaterial amount, whilst lease liabilities and property plant and equipment are estimated to increase between £50m and £70m (2016 - £50m and £70m). This is expected to result in an increase of the Group's principal lending covenant, the ratio of net debt to EBITDA by 0.2x to 0.5x (2016 - 0.2x to 0.5x), except where it is determined at constant accounting standards. The ranges disclosed reflect the sensitivity of the adjustment to a +/-3 percentage point movement in the discount rate used to calculate the present value of the future cash flow commitments. The discount rate, the renewal of and changes to the lease portfolio and exchange rates on translation of financial statements of non-Sterling operations are all subject to change in future years, which will impact the actual transitional adjustment as at the expected transition date.

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

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

3. Segment information

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

3. Segment information continued

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

	Aerospace	Flexonics	Eliminations / central costs	Total	Aerospace	Flexonics	Eliminations / central costs	Total
	Year ended 2017 £m	Year ended 2017 £m	Year ended 2017 £m	Year ended 2017 £m	Year ended 2016 £m	Year ended 2016 £m	Year ended 2016 £m	Year ended 2016 £m
External revenue	724.7	298.7	-	1023.4	665.1	251.9	-	917.0
Inter-segment revenue	0.6	0.1	(0.7)	-	0.1	0.2	(0.3)	-
Total revenue	725.3	298.8	(0.7)	1023.4	665.2	252.1	(0.3)	917.0
Adjusted trading profit	76.6	20.0	(14.7)	81.9	74.8	20.7	(10.6)	84.9
Share of joint venture profit	-	0.7	-	0.7	-	0.7	-	0.7
Adjusted operating profit (note 4)	76.6	20.7	(14.7)	82.6	74.8	21.4	(10.6)	85.6
Amortisation of intangible assets from acquisitions	(8.5)	(8.6)	-	(17.1)	(11.3)	(8.5)	-	(19.8)
Operating profit	68.1	12.1	(14.7)	65.5	63.5	12.9	(10.6)	65.8
Investment income				0.2				0.2
Finance costs				(9.7)				(10.5)
Loss on disposal				(3.8)				-
Profit before tax				52.2				55.5
Tax				8.1				(10.1)
Profit after tax				60.3				45.4

3. Segment information continued

Segment information for assets and liabilities is presented below:

Assets	Year ended 2017 £m	Year ended 2016 £m
Aerospace	667.8	693.9
Flexonics	244.2	248.0
Segment assets for reportable segments	<u>912.0</u>	<u>941.9</u>
Unallocated		
Central	3.7	3.8
Cash	12.6	17.5
Deferred and current tax	2.6	7.3
Retirement benefits	19.4	4.0
Others	0.5	1.8
Total assets per Balance Sheet	<u><u>950.8</u></u>	<u><u>976.3</u></u>
Liabilities	Year ended 2017 £m	Year ended 2016 £m
Aerospace	120.3	117.4
Flexonics	48.1	41.6
Segment liabilities for reportable segments	<u>168.4</u>	<u>159.0</u>
Unallocated		
Central	11.0	6.8
Debt	167.2	214.6
Finance leases	0.5	1.0
Deferred and current tax	55.5	76.7
Retirement benefits	14.7	14.4
Others	1.9	3.3
Total liabilities per Balance Sheet	<u><u>419.2</u></u>	<u><u>475.8</u></u>

4. Adjusted operating profit and adjusted profit before tax

The provision of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions and loss on disposal of the BWT Ilkeston facility.

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 2017 £m	Year ended 2016 £m
Operating profit	65.5	65.8
Amortisation of intangible assets from acquisitions	17.1	19.8
Adjusted operating profit	<u>82.6</u>	<u>85.6</u>
Profit before tax	52.2	55.5
Adjustments to profit as above before tax	17.1	19.8
Loss on disposal	3.8	-
Adjusted profit before tax	<u>73.1</u>	<u>75.3</u>

5. Taxation

	Year ended 2017 £m	Year ended 2016 £m
Current tax:		
Current year	11.8	10.8
Adjustments in respect of prior periods	(5.7)	(4.2)
	<u>6.1</u>	<u>6.6</u>
Deferred tax:		
Current year	(15.5)	3.8
Adjustments in respect of prior periods	1.3	(0.3)
	<u>(14.2)</u>	<u>3.5</u>
Total tax (credit)/ charge	<u>(8.1)</u>	<u>10.1</u>

UK Corporation Tax is calculated at an effective rate of 19.25% (2016 – 20.00%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Prior year adjustments to current tax of £5.7m arise from adjustments to amounts provided following tax filing of tax returns and as a result of the expiration of statutes of limitations and closure of tax authority audits.

The deferred tax credit for the year of £15.5m includes a one-off net credit of £16.0m arising in the US following the US Tax Cuts and Jobs Act being brought into law on 22 December 2017. The net credit comprises a £16.7m credit recognised in respect of the revaluation of net deferred tax liabilities to their likely realisable value and a £0.7m charge in respect of the one-off transition tax on unremitted earnings of foreign subsidiaries of the US Group.

6. Dividends

	Year ended 2017 £m	Year ended 2016 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2016 of 4.62p (2015 – 4.36p) per share	19.4	18.3
Interim dividend for the year ended 31 December 2017 of 2.05p (2016 - 1.95p) per share	8.5	8.1
	<u>27.9</u>	<u>26.4</u>
Proposed final dividend for the year ended 31 December 2017 of 4.90p (2016 – 4.62p) per share	<u>20.5</u>	<u>19.4</u>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting for 2017 on 27 April 2018 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 2017 million	Year ended 2016 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	418.9	418.8
Effect of dilutive potential ordinary shares:		
Share options	2.9	0.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>421.8</u>	<u>419.3</u>

Earnings and earnings per share	Year ended 2017		Year ended 2016	
	Earnings £m	EPS pence	Earnings £m	EPS pence
Profit for the period	60.3	14.39	45.4	10.84
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £4.5m (2016 - £5.0m)	12.6	3.01	14.8	3.53
Loss on disposal net of tax of £0.4m (2016 - £nil)	3.4	0.81	-	-
Exceptional non-cash tax credit (2016 - £nil)	(16.0)	(3.82)	-	-
Adjusted earnings after tax	<u>60.3</u>	<u>14.39</u>	<u>60.2</u>	<u>14.37</u>
Earnings per share				
- basic		14.39p		10.84p
- diluted		14.30p		10.83p
- adjusted		14.39p		14.37p
- adjusted and diluted		14.30p		14.36p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2016 - £nil).

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

The provision of adjusted earnings per share, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, loss on disposal of the BWT Ilkeston facility and exceptional non-cash tax credit.

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

8. Goodwill

Goodwill decreased by £16.4m during the year to £302.4m (2016 - £318.8m) due to exchange translation differences of £14.7m and the disposal of £1.7m (see note 14).

9. Property, plant and equipment

During the period, the Group spent £52.3m (2016 - £50.7m) on the acquisition of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying value of £1.6m (2016 - £0.8m) for proceeds of £1.8m (2016 - £0.8m).

10. Share capital

Share capital as at 31 December 2017 amounted to £41.9m. 1,832 shares were issued during 2017. No shares were issued during 2016.

11. Notes to the cash flow statement

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

	Year ended 2017 £m	Year ended 2016 £m
Operating profit	65.5	65.8
Adjustments for:		
Depreciation of property, plant and equipment	38.8	32.5
Amortisation of intangible assets	19.1	21.5
Profit on sale of fixed assets	(0.2)	-
Share options	1.9	1.1
Pension payments in excess of service cost	(9.7)	(8.8)
Costs on disposal	(0.8)	(0.3)
Pension curtailment gain	-	(1.0)
Share of joint venture	(0.7)	(0.7)
Operating cash flows before movements in working capital	113.9	110.1
Increase in inventories	(7.9)	(6.4)
(Increase)/decrease in receivables	(7.6)	7.3
Increase/(decrease) in payables and provisions	27.9	(1.3)
Working capital currency movements	(0.5)	3.5
Cash generated by operations	125.8	113.2
Income taxes paid	(4.9)	(2.7)
Interest paid	(10.0)	(10.2)
Net cash from operating activities	110.9	100.3

11. Notes to the cash flow statement continued

b) Free cash flow

Free cash flow, a non-statutory item, enhances the reporting of the cash-generating ability of the Group prior to corporate activity such as acquisitions, disposals, financing and transactions with shareholders. It is derived as follows:

	Year ended 2017 £m	Year ended 2016 £m
Net cash from operating activities	110.9	100.3
Interest received	0.4	0.2
Proceeds on disposal of property, plant and equipment	1.8	0.8
Purchases of property, plant and equipment	(52.3)	(50.7)
Purchases of intangible assets	(2.5)	(2.1)
Free cash flow	<u>58.3</u>	<u>48.5</u>

c) Analysis of net debt

	At 1 Jan 2017 £m	Cash flow £m	Non-cash items £m	Exchange movement £m	At 31 Dec 2017 £m
Cash	17.5	(4.4)	-	(0.5)	12.6
Overdrafts	(0.7)	(2.2)	-	-	(2.9)
Cash and cash equivalents	<u>16.8</u>	<u>(6.6)</u>	<u>-</u>	<u>(0.5)</u>	<u>9.7</u>
Debt due within one year	(44.2)	41.8	(60.5)	5.3	(57.6)
Debt due after one year	(169.7)	(4.7)	61.3	6.4	(106.7)
Finance leases	(1.0)	0.5	-	-	(0.5)
Foreign exchange contracts - held for trading	-	-	-	(0.2)	(0.2)
Total	<u>(198.1)</u>	<u>31.0</u>	<u>0.8</u>	<u>11.0</u>	<u>(155.3)</u>

	Year ended 2017 £m	Year ended 2016 £m
Cash and cash equivalents comprise:		
Cash	12.6	17.5
Bank overdrafts	(2.9)	(0.7)
Total	<u>9.7</u>	<u>16.8</u>

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

12. Retirement benefit schemes

Defined Benefit Schemes

Aggregate retirement benefit liabilities are £14.7m and the aggregate retirement benefit surplus is £19.4m (2016 - £14.4m liabilities, £4.0m surplus). The primary components of these liabilities and surplus are the Group's UK and US defined benefit pension schemes, with a surplus of £19.4m (2016 – surplus of £4.0m) and deficit of £7.2m (2016 - £7.4m) respectively, and a liability on unfunded schemes of £7.5m (2016 - £7.0m). These values have been assessed by independent actuaries using current market values and discount rates.

The retirement benefit surplus in respect of the Group's UK defined benefit pension funded scheme increased by £15.4m to £19.4m (31 December 2016 - £4.0m), principally due to £8.2m cash contributions in excess of running costs made by the Group and £7.0m net actuarial movements, mainly relating to returns from scheme assets. Retirement benefit obligations in respect of the US and other territories increased by £0.3m to £14.7m (31 December 2016 - £14.4m).

13. Investment in joint venture

During 2012, the Group set up and has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China. The Group's investment of £2.4m (2016 - £1.7m) represents the Group's share of the joint venture's net assets as at 31 December 2017.

At the year end the Group had provided loans of £0.5m (2016 - £0.9m) to the joint venture, £0.2m (2016 - £nil) is reported as a current asset and £0.3m (2016 - £0.9m) as a non-current asset.

During the year, £0.3m of the loans were repaid (2016 - £0.5m repaid), with £0.1m of foreign exchange losses.

14. Disposal and assets held for sale

On 9 September 2017, the Group sold the BWT Ilkeston facility. The sale enabled management to have greater focus on opportunities in its core activities. A loss of £3.8m arose on disposal after taking into account exit costs together with fair value of net assets disposed (£4.2m including £0.9m of inventories, £0.7m of property, plant and equipment and £1.7m of goodwill), offset by cash consideration of £0.4m.

The Group is in an advanced stage of negotiating a sale agreement to dispose of a property (land and building) in the Senior Flexonics Bartlett operation, which is classified as held for sale and presented separately in the Balance Sheet, consisting of property, plant and equipment of £3.9m as at 31 December 2017 (31 December 2016 - £4.2m).

15. Contingent liabilities

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for product delivery, performance and reliability. Various Group undertakings are parties to legal actions or claims which arise in the ordinary course of business, some of which could be for substantial amounts. In May 2015, Senior Aerospace Ketema was named as co-defendant in a putative class action lawsuit and a related lawsuit alleging property damage filed against Ametek, Inc. in the USA. On 25 January 2017, 27 March 2017 and 1 February 2018, Senior Aerospace Ketema was named as a co-defendant in similar lawsuits filed by additional plaintiffs. Each of the lawsuits claim that Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located, allegedly causing harm to neighbouring properties and/or creating health risks. While the outcome of some of these matters cannot precisely be foreseen, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.