

Chairman's Statement



Senior made good progress in 2005.

The large civil aircraft market had a buoyant year with increased deliveries and a record number of new aircraft being ordered. In automotive, whilst the demand for passenger vehicles in Europe and the USA remained steady, Senior made significant progress in getting its new diesel products in North America ready for the start of production scheduled for late 2006. The Industrial Division benefited from the recovery in the oil and gas market.

The year ended with an 18.4% improvement in adjusted profit before taxation and solid order books with which to enter 2006.

Financial Results

Group revenue on continuing operations increased by 10.4% to £338.6m (2004 – £306.8m). Operating profit increased by 18.1% to £19.6m (2004 – £16.6m), whilst trading profit (which excludes any profit or loss on the sale of fixed assets) rose by 23.0% to £19.8m (2004 – £16.1m). Adjusted profit before tax, the measure which the Board believes best reflects the true underlying performance of the business, increased by 18.4% to £14.8m (2004 – £12.5m). Adjusted earnings per share increased by 11.7% to 4.01p per share (2004 – 3.59p). The results for 2005, and the comparatives for 2004, have been prepared for the first time under International Financial Reporting Standards. The derivation of trading profit, adjusted earnings per share and other non-statutory information is explained in the Business Review.

Trading profits in most of the Group's aerospace operations improved compared to 2004 as a result of the generally healthier marketplace, with those providing parts for the wide-bodied commercial aircraft seeing the greatest gains. Operations exposed to the regional jet market found trading conditions more challenging as a result of the decline in build rates in this sector. Overall, the Aerospace Division improved trading profits by 16.1% over 2004 (at constant currency).

As a result of the corrective actions taken early in the year, the French automotive operation recovered from its 2004 difficulties. Its improved financial performance assisted the Automotive Division to report trading profits 9.9% ahead of 2004 (at constant currency). The Division accounted for £13.2m of the Group's total

£16.6m of capital expenditure in the year, as plant and machinery began to be installed to produce the new heavy duty diesel engine parts for the North American market. Start of production remains firmly on track for late 2006 onwards.

In the Industrial Division, trading profit more than doubled in a year of contrasting fortunes. On the one hand, the year contained the loss-making Wembley Stadium contract at Senior Hargreaves but, more significantly, the lower cost base and very buoyant oil and gas market helped the North American operations, particularly Pathway, to have a much improved year.

Net debt at the end of the year was £62.4m (2004 – £50.6m), with the increase due to the increased Automotive capital expenditure and the effect of the strengthening US dollar on the Group's reported borrowings.

Acquisition

Senior made its first acquisition in six years, Sterling Machine, in January 2006 and I am particularly pleased to be able to welcome all the employees of this company to the Group. Sterling Machine, which will join the Aerospace Division, is a key supplier of critical components to the military helicopter market, a sector that has very good growth prospects. The acquisition further widens the customer spread as well as increasing the military content of the Division. It is profitable, well run and respected by its main customer, Sikorsky, and it is expected to contribute to Group earnings in 2006. The acquisition was partially funded by a share placing of 15 million new shares in Senior plc at 60p per share.

Dividend

The Board is recommending an unchanged final dividend of 1.35p per share in respect of 2005, bringing the total paid and proposed dividends for the year to 2.00p per share (2004 – 2.00p).

Employees and the Board

Ian Much joined the Board in December 2005 after Gordon Campbell stood down due to his other commitments. I would like to thank Gordon for his contribution and welcome Ian who brings with him international experience of both the aerospace and automotive markets. He will stand for election at the forthcoming Annual General Meeting.

I would like to thank all the Group's employees for another year of unstinting effort and commitment in dealing with the challenges our operations faced in 2005, a year of improving market outlook, but one of unrelenting pressure on performance.

Outlook

Recovery in the large civil aircraft market is well underway and build rates are being increased significantly. The business jet and the military and defence sectors are strong although the regional jet market is weak. Overall, notwithstanding the current difficulty in sourcing raw materials, the aerospace market sector is well positioned for Senior. In Automotive, whilst the build rates of passenger cars may remain flat in the Group's markets, production of the new heavy duty diesel products is on schedule for late 2006 and represents the beginning of significant organic growth potential. The strong oil and gas market will continue to sustain the industrial operations and the Wembley Stadium contract should be finished in the first half of 2006.

Trading in the first two months of 2006 has been satisfactory and in line with the Board's expectations. The Group can anticipate that 2006 will bring new challenges but improved prospects and further growth opportunities.