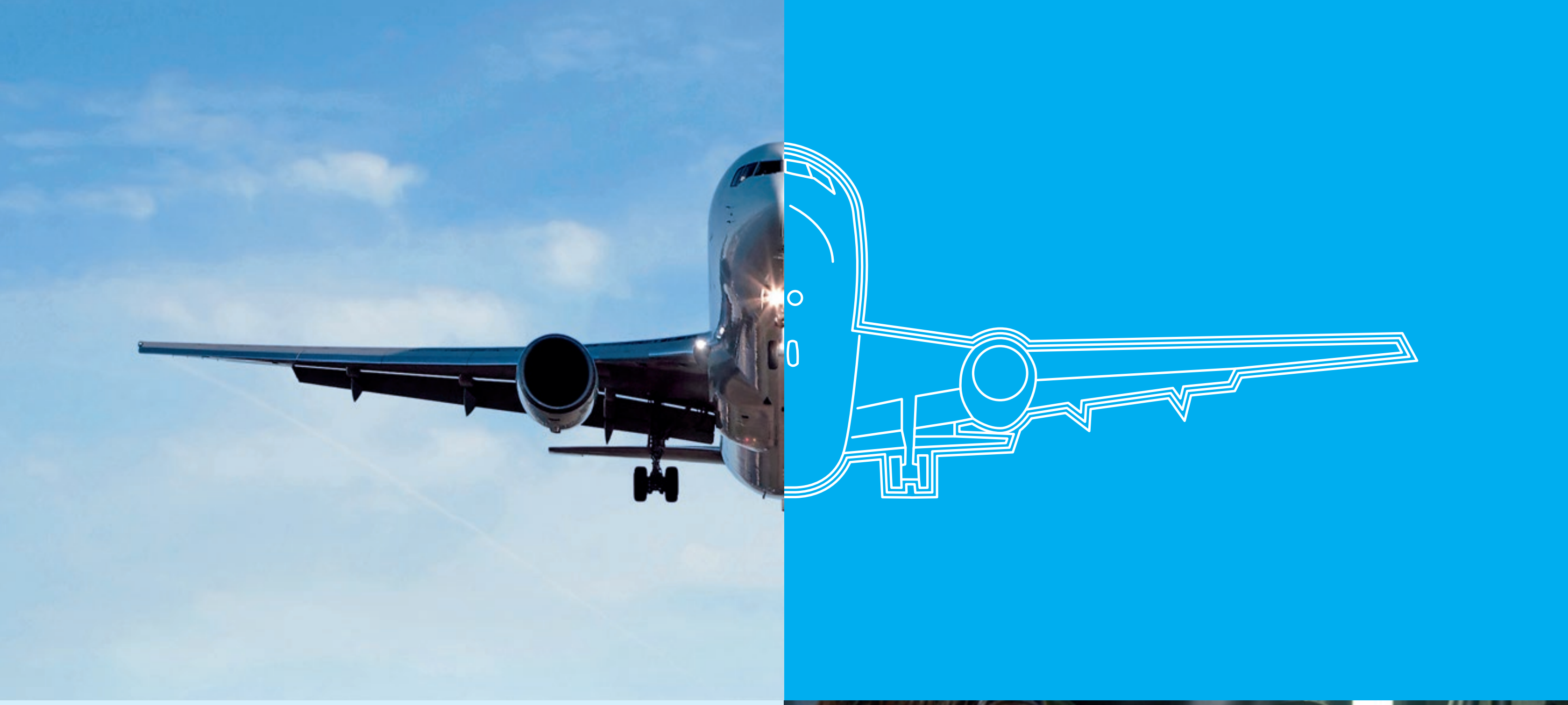
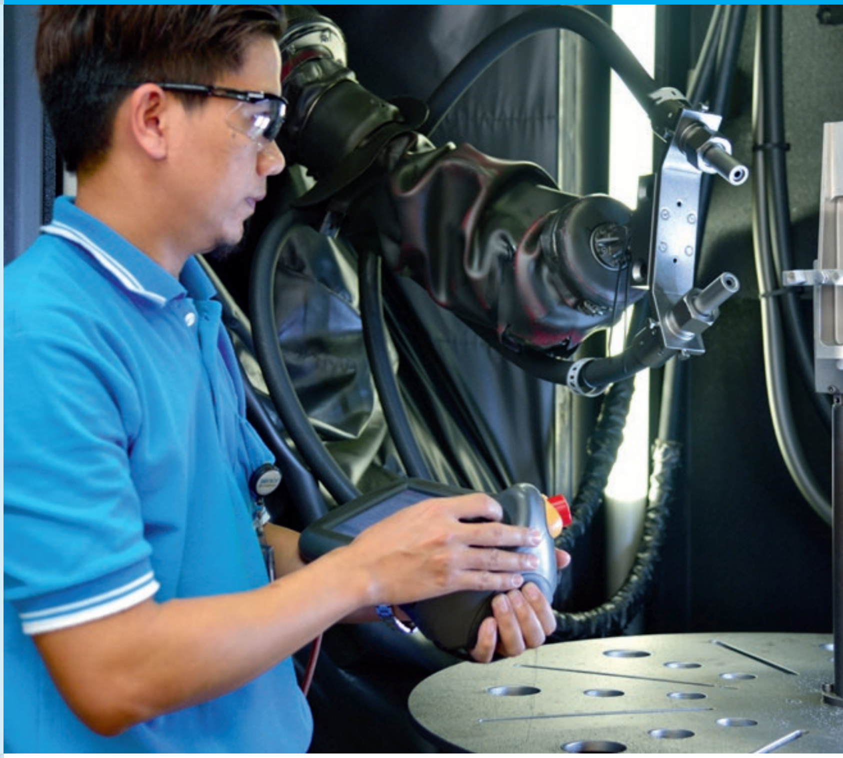




SENIOR PLC ANNUAL REPORT
& ACCOUNTS 2018

WHO WE ARE

Senior is an international, market-leading, engineering solutions provider with 33[(1)] operating businesses in 14 countries.

Senior designs, manufactures and markets high-technology components and systems for the principal original equipment producers in the worldwide aerospace, defence, land vehicle and power & energy markets.

Senior's vision is to be a trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, cash flow and shareholder value.

The Group is split into two divisions, Aerospace and Flexonics, servicing five key sectors.

To find out more visit
www.seniorplc.com

OUR VALUES

SAFETY
We operate safely, protecting people and the environment

INTEGRITY
We operate with integrity and in an ethical manner

CUSTOMER FOCUS
We put the customer at the heart of everything we do

RESPECT AND TRUST
We work together with mutual respect and trust

ACCOUNTABILITY
We do what we say

EXCELLENCE
We continually strive to do better in every aspect of our business

(1) Including Senior Flexonics Blois which was disposed in February 2019

FINANCIAL HIGHLIGHTS

REVENUE
+6%
£1,082.1m
(2017 – £1,023.4m)

ADJUSTED PROFIT BEFORE TAX[1]
+14%
£83.0m
(2017 – £73.1m)

ADJUSTED EARNINGS PER SHARE[2]
+12%
16.08p
(2017 – 14.39p)

DIVIDEND PER SHARE
+7%
7.42p
(2017 – 6.95p)

FREE CASH FLOW[3]
-22%
£45.3m
(2017 – £58.3m)

ADJUSTED OPERATING MARGIN[4]
+40BPS
8.5%
(2017 – 8.1%)

PROFIT BEFORE TAX
+17%
£61.3m
(2017 – £52.2m)

BASIC EARNINGS PER SHARE
-17%
11.99p
(2017 – 14.39p)

RETURN ON CAPITAL EMPLOYED[5]
+110BPS
13.0%
(2017 – 11.9%)

NET DEBT[3]
£153.0m
(2017 – £155.3m)

Adjusted operating profit and adjusted profit before tax are stated before £15.4m amortisation of intangible assets from acquisitions (2017 – £17.1m), £2.4m charge for UK Guaranteed Minimum Pensions (2017 – £nil) and £3.9m costs associated with the US class action lawsuits (2017 – £nil). Adjusted profit before tax is also stated before loss on disposal of £nil (2017 – £3.8m).

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

(1) A reconciliation of adjusted profit before tax to profit before tax is shown in Note 9.
(2) A reconciliation of adjusted earnings per share to basic earnings per share is shown in Note 12.
(3) See Notes 32b and 32c for the derivation of free cash flow and of net debt respectively.
(4) Adjusted operating margin is the ratio of adjusted operating profit to revenue. A reconciliation of adjusted operating profit to operating profit is shown in Note 9.
(5) See page 19 for the derivation of return on capital employed.

The US Dollar exchange rate applied in the translation of revenue, profit and cash flow items at average rates for 2018 was $1.34 (2017 – $1.29). The US Dollar exchange rate applied to the balance sheet at 31 December 2018 was $1.28 (2017 –$1.35).

Cautionary statement
The Annual Report & Accounts 2018 contains certain forward-looking statements. Such statements are made by the Directors in good faith based on the information available to them at the date of this Report and they should be treated with caution due to the inherent uncertainties underlying any such forward-looking statements.

READ MORE ABOUT OUR PEOPLE AND CULTURE ON PAGE 5

READ MORE ABOUT OUR INVESTMENT CASE ON PAGE 9

READ MORE ABOUT OUR STRATEGIC PRIORITIES ON PAGE 14

READ MORE ABOUT HOW WE ARE PERFORMING IN AEROSPACE ON PAGE 30

READ MORE ABOUT HOW WE ARE PERFORMING IN FLEXONICS ON PAGE 32

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

GROUP AT A GLANCE

The Group aims to create long-term sustainable growth in shareholder value through a culture of empowerment of autonomous and collaborative operations working within an effective control framework. Our vision is to be a trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, cash flow and shareholder value.

14 COUNTRIES WE OPERATE IN

33 WORLDWIDE OPERATING BUSINESSES(1)

8,185 EMPLOYEES

OUR PEOPLE WORLDWIDE

1. NORTH AMERICA
43%

2. UK AND EUROPE
32%

3. ASIA
21%

4. REST OF THE WORLD
4%

READ MORE ABOUT OUR PEOPLE AND CULTURE ON PAGE 5

(1) Including Senior Flexonics Blois which was disposed in February 2019

OUR BUSINESS DIVISIONS

AEROSPACE

Serving both the commercial aerospace and defence markets with a range of products and systems for structures, fluid conveyance, and gas turbine engines.

GROUP REVENUE
70%

REVENUE
£760.4m (+7%)(2)

ADJUSTED OPERATING PROFIT
£80.4m (+7%)(2)

ADJUSTED OPERATING MARGIN
10.6%

EMPLOYEES WORLDWIDE
5,356

READ MORE ABOUT AEROSPACE ON PAGE 30

FLEXONICS

Serving markets with products for land vehicle emission control thermal management and industrial process control applications.

GROUP REVENUE
30%

REVENUE
£322.9m (+10%)(2)

ADJUSTED OPERATING PROFIT
£26.1m (+33%)(2)

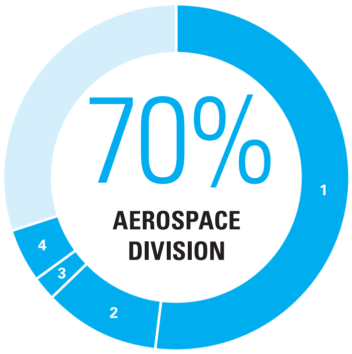
ADJUSTED OPERATING MARGIN
8.1%

EMPLOYEES WORLDWIDE
2,790

(2) At constant currency

READ MORE ABOUT FLEXONICS ON PAGE 32

OUR GLOBAL MARKETS

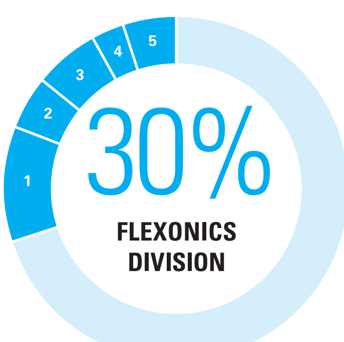


1. CIVIL AIRCRAFT
52%

2. MILITARY/DEFENCE AEROSPACE
11%

3. SPACE & NON MILITARY HELICOPTER
2%

4. OTHER AEROSPACE DIVISION
5%



1. TRUCK & OFF-HIGHWAY
11%

2. PASSENGER VEHICLES
5%

3. OIL & GAS
6%

4. POWER GENERATION
3%

5. OTHER
5%

OUR CUSTOMERS

KEY AEROSPACE CUSTOMERS INCLUDE:

Customer	Share	Customer	Share
Boeing	11%	GKN	2%
Spirit	10%	GE	2%
Rolls-Royce	10%	Bombardier	1%
UTC	5%	MTU	1%
Airbus	3%	Embraer	1%
Lockheed Martin	3%	Lam Research	1%
Safran	3%	Other Aerospace Division	17%

FLUID CONVEYANCE SYSTEMS
- High-pressure and low-pressure engineered ducting systems (metal and composite)
- Engineered control bellows, sensors and assemblies

GAS TURBINE ENGINES
- Precision-machined and fabricated engine components (rotating and structural)
- Fluid systems ducting and control products

STRUCTURES
- Precision-machined airframe components and assemblies

KEY FLEXONICS CUSTOMERS INCLUDE:

Customer	Share	Customer	Share
Cummins	4%	Faurecia	1%
Caterpillar	3%	Daimler	1%
Other Land Vehicle	4%	Schlumberger	2%
Renault	1%	Emerson	1%
Sauer Danfoss	1%	Other Industrial & Aerospace	11%
PSA	1%		

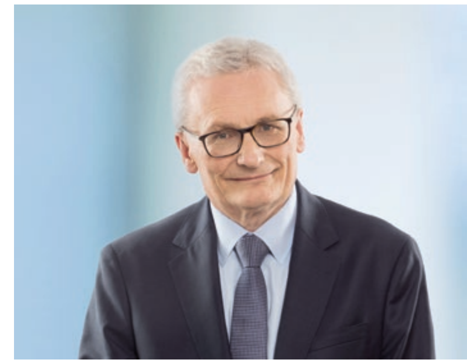
LAND VEHICLE EMISSION CONTROL
- Exhaust gas recycling coolers
- Fuel mixing and distribution systems
- Flexible couplings

INDUSTRIAL PROCESS CONTROL
- Engineered expansion joints, dampers and diverters
- Flexible hose assemblies and control bellows
- Fuel cells and heat exchangers
- Precision-machined components

READ THE GROUP CHIEF EXECUTIVE'S STATEMENT ON PAGES 6 TO 8

CHAIRMAN'S STATEMENT

2018: A year delivering profitable growth



IAN KING
CHAIRMAN

DIVIDEND PER SHARE GROWTH

6.8%

Increase in paid and proposed dividend per share.

SAFETY IMPROVEMENT

25%

Improvement in lost time incident rate.

EMPLOYEES

8,185

Employees worldwide.

I was pleased to assume the role of Chairman at the AGM in April 2018 after the retirement of my predecessor, Charles Berry. I would like to thank Charles, David, Bindi, the executive team and the Board in helping me in my induction phase.

STRATEGY

The Group has a well-defined strategy with a vision to be a trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, cash flow and shareholder value. We aim to achieve this through a culture of empowerment of autonomous and collaborative operations working within an effective control framework. Senior's businesses operate within its five market sector framework: three in the Aerospace Division (Fluid Conveyance Systems, Gas Turbine Engines and Structures) and two in the Flexonics Division (Land Vehicle Emission Control and Industrial Process Control), with each market sector offering deliverable growth opportunities.

The Group's strategy, whilst retaining flexibility as market conditions change, continues to provide a solid foundation for Senior's future growth aspirations.

STAKEHOLDER ENGAGEMENT

In my first year, I have had detailed engagement with the executive team, visited many of the Senior sites and also had meetings with our major shareholders. After visiting over 20 of the major operations across the globe, I was heartened with the openness, transparency, objectiveness and accountability of the teams. This is a great cultural strength of Senior, something our shareholders rely on which came out clearly and positively during the shareholder feedback meetings. It is my intention to continue this type of stakeholder engagement during 2019.

2018 PERFORMANCE

Senior delivered revenue of £1,082.1m, up 5.7% over the prior year, or 7.8% up on a constant currency basis, driven by sales growth across both Aerospace and Flexonics Divisions. Adjusted profit before tax increased to £83.0m, up 13.5%, or 15.3% on a constant currency basis, over the prior year. Margins in the Aerospace Division were stable as operational efficiencies and learning curve improvements offset the impact of volume reduction on mature programmes and product introduction costs on new programmes. Margin improvement in the Flexonics Division reflected the volume growth in the truck, off-highway and upstream oil and gas markets. Adjusted earnings per share increased by 11.7% to 16.08 pence.

Group cash generation continued to be healthy, with free cash flow of £45.3m for the year resulting in a strong financial position for the Group at the end of 2018.

DIVIDEND

The Board is proposing a final dividend of 5.23 pence per share which would bring total dividends, paid and proposed, for 2018 to 7.42 pence per share. The increase of 6.8% over 2017 reflects the Group's encouraging prospects. Dividend cover is 2.2 times adjusted earnings per share.

GOVERNANCE

The Board, in recognising the importance of setting the right tone from the top of the organisation, undertook to implement a governance framework encompassing Group Policies, the Code of Conduct and delegated authorities appropriate to the Group's strategy and the Board's risk appetite. During 2018, the Group rolled out a compulsory 2018 Code of Conduct online training course across the Group to all employees and training on the General Data Protection Regulation was also provided to all UK and relevant overseas employees. The Group also continued with Anti-Bribery and Corruption Act training.

The Board has continued to maintain oversight of capital allocation, performance and risk management. These have been covered on pages 20 to 25 of this Annual Report.

Michelle Yorke, Director of Risk and Compliance, has joined the Group Executive Committee reflecting the importance the company places on managing risk and creating a proactive control environment.

SAFETY

The health, well-being and safety of our employees is of critical importance and is one of our core values. The inclusion of behavioural based safety in our Zero Harm program is helping us to reduce our injury rate. In 2018 we reduced the lost time injury rate by 25% and the total recordable injury rate by 16%. These significant reductions mean we have now achieved our 2020 target for lost time injury rate. In 2019 we have plans to further embed our behavioural safety program and have targeted further reductions in both lost time and recordable injury rates.

SUSTAINABILITY

In Senior conducting our operations with integrity in an ethical, sustainable and socially responsible manner is seen as core to the ongoing success of the Group. In 2018 we met our 2020 Sustainability targets for carbon intensity, waste and environmental certification (to ISO 14001). We achieved a reduction of 8% in our carbon intensity (CO_2 per £m revenue), as well as a reduction of 7% in the total carbon emitted (CO_2e). Our manufacturing facilities recycled 92% of waste materials in 2018. Further details can be found on page 37 of this report. In 2019 we will look to create new targets to take us beyond our 2020 Sustainability program.

THE BOARD

As previously announced, Charles Berry retired from the Board at the conclusion of the Company's Annual General Meeting in April 2018.

Rajiv Sharma was appointed to the Board with effect from 1 January 2019. Rajiv has been the Group Chief Executive of Coats Group plc since January 2017, having served as an executive director since March 2015. During his career, Rajiv has held senior roles in various companies

A SPECIAL THANKYOU TO CHARLES BERRY

I would like to take this opportunity to thank Charles Berry for his contribution in leading the Board for the past six years. With his service to the Board and the Group during his tenure, Charles has helped develop the company into the robust position that exists today.

including Honeywell, GE and Shell. He holds a degree in Mechanical Engineering, as well as an MBA from the University of Pittsburgh, USA. Rajiv's background and experience in Asian markets will complement and further strengthen the current Board membership and prove invaluable to us in Senior's continued development.

OUR PEOPLE AND CULTURE

Senior's continued strength is a reflection of the quality of the people within the Group. At the end of 2018, Senior employed 8,185 people with 43% located in North America, 32% in UK and Europe, 21% in Asia and 4% in the rest of the world reflecting the global footprint of the Group. The Board and Executive strongly believe that diversity and inclusion is vital to a healthy business. We are proud of our diverse workforce and have set ambitious goals to improve gender diversity in the Senior population.

On behalf of the Board, I would like to thank all of the Group's employees for their substantial contribution to Senior over the past year.

Finally, I look forward to serving as Chairman of your Board. Senior plc has a world class management team, led by David Squires and Bindi Foyle, and I look forward to supporting them in our pursuit of long-term value creation for all our stakeholders.

IAN KING
CHAIRMAN

OUR PEOPLE AND CULTURE

Senior's continued strength is a reflection of the quality of the people within the Group. In our autonomous and collaborative business model, the capabilities and skills of our people drive our success. We recognise the importance of attracting the best talent into the business and retaining and developing individuals to enable them to do their best work. We have continued to run our Group development programmes which include Operational Excellence (see Strategic Objectives, pages 16 and 17) and Leadership training, enhancing these programmes by utilising virtual learning techniques, collaboration software, and business focused projects.

Our culture is one of openness and transparency. We value and are proud of our diverse workforce: we strongly believe that wide diversity and inclusion is vital to a healthy business. Everyone's opinion matters, and we gather feedback via employee engagement surveys, openly sharing the results, consulting with colleagues regarding their feedback and developing appropriate action plans. We hold ourselves accountable, we do what we say.

In May 2018, we held a global Senior Leadership Conference with the theme of Collaborating for Success. This provided an opportunity to showcase how collaboration

has enhanced our customer delivery. We heard from customers, discussed new technologies, operational excellence and talent development and agreed actions to help deliver our strategy and meet stakeholders expectations. It was a packed agenda and enabled over 100 business leaders to share best practice, new ideas and leave with a shared vision for the future. Feedback collected from the delegates demonstrated that there is a renewed passion for working together across business and country boundaries, as well as a focus on collaborating and working in partnership to provide solutions for the benefit of all our stakeholders.

CHIEF EXECUTIVE'S STATEMENT

Senior delivered a solid performance in 2018

DAVID SQUIRES
GROUP CHIEF EXECUTIVE

REVENUE
£1,082.1m
(2017 – £1,023.4m)

ADJUSTED PROFIT BEFORE TAX
£83.0m
(2017 – £73.1m)

ADJUSTED EARNINGS PER SHARE(1)
16.08p
(2017 – 14.39p)

OVERVIEW OF 2018 RESULTS

Senior delivered profitable growth in 2018 and generated healthy free cash flow.

Group revenue increased by 5.7% to another record level of £1,082.1m (2017 – £1,023.4m). Excluding the adverse exchange rate impact of £19.8m, Group revenue increased by £78.5m (7.8%) on a constant currency basis as sales grew across both Divisions. Group order intake in 2018 was encouraging with a book-to-bill of 1.1x. The revenue increase in the Aerospace Division was driven by growth across all key market sectors, particularly large commercial aerospace. Increased revenue in the Flexonics Division was driven by higher revenue from the truck, off-highway and power & energy markets, particularly in upstream oil & gas and power generation markets.

We measure the Group on an adjusted basis which excludes Group items that do not impact the operating performance (see Note 9). References below therefore focus on these adjusted measures. Adjusted operating profit increased by £9.0m (10.9%) to £91.6m (2017 – £82.6m), after charging research and development expenditure of £29.7m, an increase of £4.1m (16.0%) over the prior year. Excluding the adverse exchange rate impact of £1.5m, adjusted operating profit increased by 12.9% on a constant currency basis. The Group's adjusted operating margin increased by 40 basis points, to 8.5% for the full year. Margins in the Aerospace Division were stable as operational efficiencies and learning curve improvements offset the impact of volume reductions on mature programmes and product introduction costs on new programmes. Margin improvement in the Flexonics Division reflected the volume growth in the truck, off-highway and upstream oil & gas markets.

Adjusted profit before tax increased to £83.0m (2017 – £73.1m), up 13.5%, or 15.3% on a constant currency basis. Adjusted earnings per share increased by 11.7% to 16.08 pence (2017 – 14.39 pence).

Reported operating profit was £69.9m (2017 – £65.5m) and reported profit before tax was £61.3m (2017 – £52.2m). Basic earnings per share was 11.99 pence (2017 – 14.39 pence), with the Group benefiting in the prior year from a £16.0m exceptional non-cash tax credit related to US tax reform.

The Group continues to generate healthy cash flows and delivered free cash inflow of £45.3m (2017 – £58.3m) after gross investment in capital expenditure of £56.3m (representing 1.4x depreciation). As previously guided, working capital as a percentage of sales remained under the target ceiling of 15%, and was 14.4% at the end of 2018 (2017 – 13.4%). The year over year increase was to support new product introductions. The level of net debt at the end of December 2018 reduced to £153.0m (December 2017 – £155.3m). This decrease was principally due to free cash inflow of £45.3m, offset by £29.6m dividend payments, £7.2m purchase of shares by the employee benefit trust and adverse currency movements of £6.7m. The ratio of net debt to EBITDA at 31 December 2018 was 1.1x (31 December 2017 – 1.3x). Return on capital employed (ROCE) increased by 110 basis points to 13.0% (2017 – 11.9%).

The Board is proposing a final dividend of 5.23 pence per share. This would bring total dividends, paid and proposed for 2018 to 7.42 pence per share, representing an increase of 6.8% over the prior year.

DELIVERY OF GROUP STRATEGY

From a strategic perspective, the Group continues to benefit from retaining a balance between Aerospace and Flexonics, drawing on shared technology and intellectual property. We are investing in new technology and product developments that will underpin future growth in 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 2018, the Group made good progress against our six strategic priorities which were identified as key elements of our business model, underpinning the continued delivery of shareholder value:

(1) A reconciliation of adjusted earnings per share to basic earnings per share is shown in Note 12.

From a strategic perspective, the Group continues to benefit from retaining a balance between Aerospace and Flexonics, drawing on shared technology and intellectual property.

STRATEGIC PRIORITIES

01 **ENHANCE SENIOR'S AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL**

02 **FOCUS ON GROWTH**

03 **INTRODUCE A HIGH PERFORMANCE OPERATING SYSTEM**

04 **COMPETITIVE COST COUNTRY STRATEGY**

05 **CONSIDERED AND EFFECTIVE CAPITAL DEPLOYMENT**

06 **TALENT DEVELOPMENT**

READ MORE ABOUT OUR STRATEGIC PRIORITIES ON PAGE 14

Further details including our plans for 2019 are noted on pages 14 to 17 of the Annual Report & Accounts 2018. However, some of the 2018 highlights include those set out below.

Under our Focus on Growth strategic priority we have made good progress on technology projects that will lead to future growth in the medium and long term:

- We have commenced investment in our Advanced Additive Manufacturing Centre in Burbank, California and secured a launch customer for first parts.
- We have been developing our thermal management capability to cool battery packs for electric vehicles. First prototype orders have been received and initial deliveries made.
- Our novel RT2i™ process for designing and manufacturing lightweight low pressure ducts has been proven and the first development and production contract incorporating RT2i™ parts has been secured.

In 2018 we continued with the deployment of the Senior Operating System across the business with a focus on driving efficiencies and learning curve improvements through rollout of the best in class processes and lean manufacturing.

In February 2019, the Group sold its French Flexonics land vehicle business, Senior Flexonics Blois ("Blois"). Blois' main end market was European passenger vehicles and the sale enables us to have greater focus on our core activities.

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

Our Aerospace end markets remain healthy. We are watching with care for any geopolitical impact from the ongoing trade discussions, which could impact our Flexonics markets in particular.

The outlook for the civil commercial aerospace sector continues to be strong with good visibility due to the production ramp-up of new aircraft programmes. IATA reported air traffic growth of 6.5% in 2018 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 good shipset content on all key commercial aircraft platforms. 2018 was a cross-over year with a significant increase in production of newer aircraft platforms and a similar significant decrease in production of mature aircraft platforms. Production of the 737 MAX and A320neo, as well as the 787 and A350 ramped up during 2018; however, as anticipated, production of the classic 737, A320, A330 as well as the 777, 747 and A380 ramped-down in the year. The A330neo entered into service in November 2018 and Airbus delivered three A330neos in 2018. The 777X is scheduled to enter service in 2020.

In the regional and business jet market, 2018 saw significant momentum with Embraer's E2-Jet entering into service in April and Bombardier's Global 7500 securing US certification and entering into service at the end of 2018. The A220 continues to ramp-up deliveries. The Group expects to benefit from the Mitsubishi Regional Jet (MRJ), which is scheduled to enter into service in 2020. In the defence sector, market growth is being supported by the F-35 Joint Strike Fighter, CH-53K King Stallion helicopter and T-X trainer programmes which are expected to grow significantly over the long term, while the near-term outlook for the UH-60 Black Hawk helicopter programme has been reaffirmed in the Budget Act of 2018.

Our Flexonics Division end markets are less certain and somewhat dependent on geopolitical factors such as the ongoing trade discussions between the US and China. Market production of North American heavy-duty trucks increased 26.9% in 2018. Industry analysts are currently forecasting a low level of production growth in this market in 2019, with growth in the first half of the year partly offset by a decrease in the second half of the year. In the upstream oil and gas market, we saw improved drilling activity in the US Permian Basin in 2018, however, output may be restricted in the first half of 2019 due to infrastructure constraints. These constraints are currently expected to alleviate in the second half of 2019. Downstream oil and gas activity remains stable.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

Looking further ahead, the Group is well-positioned, financially robust and expects to continue to make good progress.

OPERATIONAL REVIEW

To enable us to meet increasing customer demand and to ensure we remain competitive and profitable, the Group continues to invest in capacity for both our Aerospace and Flexonics businesses.

- Construction of our new Aerospace factory in Malaysia is at an advanced stage. This investment was a direct consequence of winning new commercial aerospace business and the new facility is anticipated to be operational during the second half of 2019.
- To support upcoming planned growth, construction has commenced on the expansion of the Aerospace Fluid Systems Metal Bellows facility in Massachusetts. This expansion is anticipated to complete in the first half of 2020.
- In 2020, we will also be increasing the footprint of our Aerospace Fluids Systems BWT facility in the UK from 112,000 sq. feet to 140,000 sq. feet, as a direct consequence of winning new civil aerospace business.
- Our plans to relocate our Flexonics Crumlin operation in South Wales to a new dedicated high-tech, design and development centre are continuing. We anticipate construction to commence in the second half of 2019.

In 2018, we continued to balance ongoing cost reduction and learning curve improvements on newer programmes, with the cost of further new product introductions and industrialisation. We will see a similar pattern in 2019 based on the work we have already won. As we have consistently outlined, any new work packages we take on meet our return on capital targets and are in line with our capital deployment strategy.

OUTLOOK

2019 trading has started in line with expectations. Overall, our visibility in the Aerospace Division remains good and our future prospects remain strong.

Market conditions in our Flexonics Division are less certain. After adjusting for the sale of Blois, we expect a slight decline in Flexonics top line which is potentially due to softer demand in some of our industrial markets. However, we currently expect margin progression in this Division in 2019 to offset the sales decline.

The Board anticipates that, even with changeable geopolitical conditions, 2019 will be another year of improvement in performance for the Group. Looking further ahead, the Group is well-positioned, financially robust and expects to continue to make good progress.

DAVID SQUIRES
GROUP CHIEF EXECUTIVE

INVESTMENT CASE

High value-added engineering and manufacturing solutions provider with a solid platform for sustainable growth in operating profit, cash flow and shareholder value.

A DIFFERENTIATED BUSINESS MODEL

- Design, manufacture and market high-technology components and systems for principal original equipment manufacturers (OEMs)
- Specialists in providing engineering solutions to customers for fluid systems and structural products and systems
- Integrated global footprint operating in the aerospace, defence, land vehicle and power & energy markets
- Autonomous and collaborative culture enables entrepreneurial approach within a strong control framework
- Strong and enduring relationships with key customers built on technical innovation and excellent operational performance

READ MORE ON PAGES 12 AND 13

LEADING POSITIONS IN ATTRACTIVE MARKETS

- Commercial aerospace
  – Long-term growth trends from increasing air traffic driving need for new and replacement aircraft
- US military aerospace
  – Defence remains a priority for the US, key positions on major funded programmes
- Land vehicle
  – Demand driven by tightening global emission control regulations for truck, off-highway and passenger vehicles
- Power & Energy
  – Market leader of complex fluid systems and products

READ MORE ON PAGES 10 AND 11

STRATEGIC PRIORITIES

- Focus on growth through innovation and operational excellence for our customers
- Implement and embed high performance operating system across the Group to optimise profitability and returns on capital
- Established global competitive cost country strategy
- Continuously invest in the best leadership talent

READ MORE ON PAGES 14 TO 17

LONG-TERM GROWTH AND VALUE CREATION

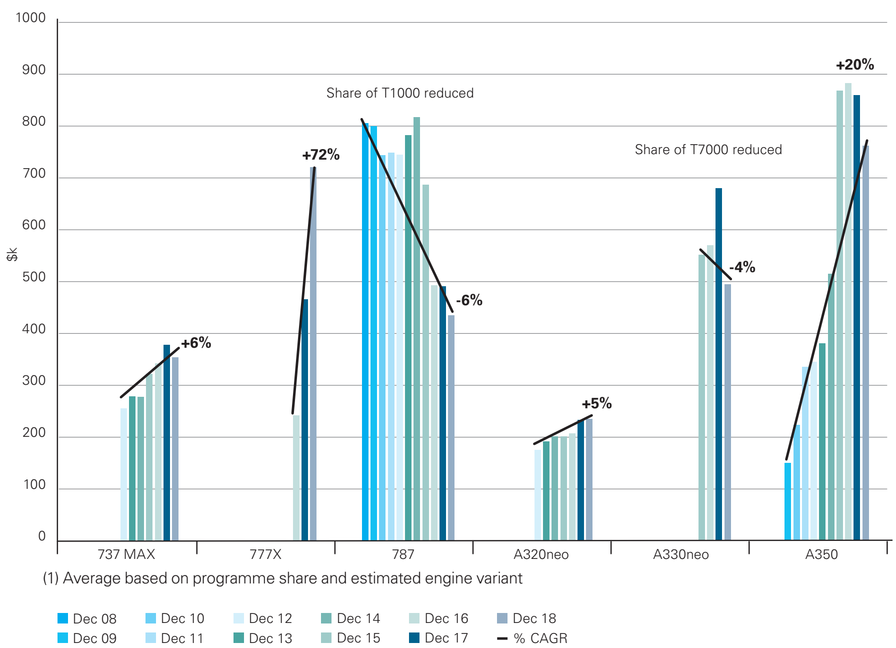
- Primary strategic objective to create long-term sustainable growth in stakeholder value
- Considered and effective capital deployment to maximise returns
- Financial objective to maintain an overall return on capital employed (ROCE) in excess of the Group's cost of capital
- Robust financial platform and cash-generative nature
- Actively manage the portfolio; disciplined acquisition and "prune to grow" strategy

READ MORE ON PAGES 16 AND 17

MARKET OVERVIEW

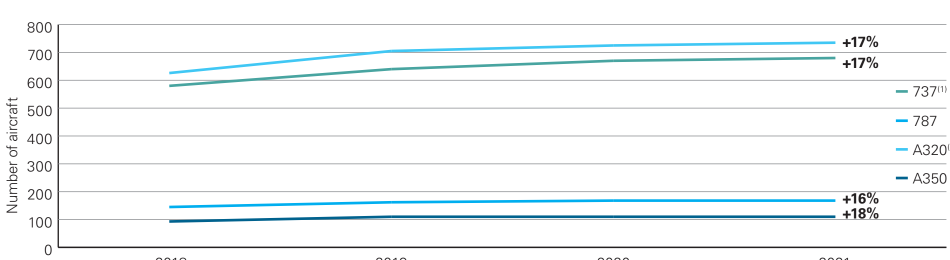
Senior designs, manufactures and markets high-technology components and systems for the principal original equipment producers in the worldwide aerospace, defence, land vehicle and power & energy markets.

SHIPSET VALUE[1] PROGRESSION – LARGE COMMERCIAL AIRCRAFT



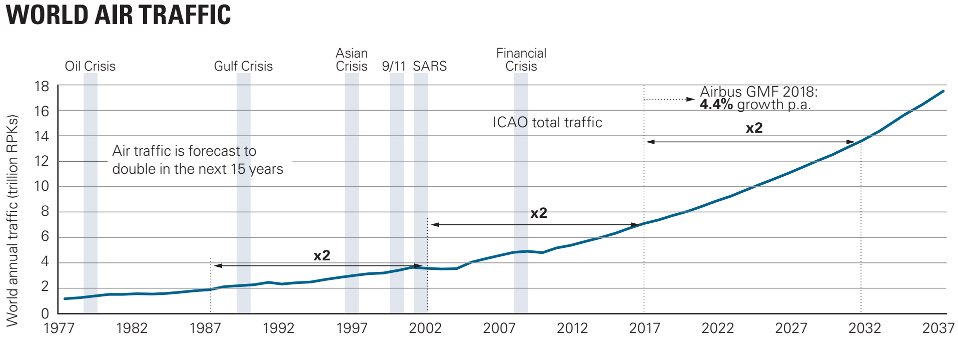
(1) Average based on programme share and estimated engine variant

ESTIMATED ANNUAL PRODUCTION



SOURCE: Customers, Teal Group and internal estimates
(1) Estimates include 737 MAX and A320neo respectively

WORLD AIR TRAFFIC



SOURCE: ICAO, Airbus GMF 2018

AEROSPACE KEY MARKETS

Civil Aircraft (52% of Group)
Senior continues to benefit from strong demand in the civil aircraft sector due to the production ramp-up of new aircraft programmes.

Large Commercial Aircraft (45% of Group)
At current build rates, Boeing and Airbus order books represent over eight years' production. Senior maintains a good shipset content on all the key large commercial aircraft platforms and will continue to benefit from expected increases in build rates of all the key platforms including the new engine versions of the leading narrow-bodied aircraft and the wide-bodied 777X and A330neo, as well as the A350.

The charts opposite illustrate the growth in Senior's shipset values over the past 10 years and the estimated annual production volumes of the major platforms.

Forecast annual growth in global passenger air traffic is a significant driver of demand for new commercial aircraft, and hence for many of Senior's core aerospace products. Boeing and Airbus are predicting air traffic to grow in excess of 4% per annum over the next 20 years.

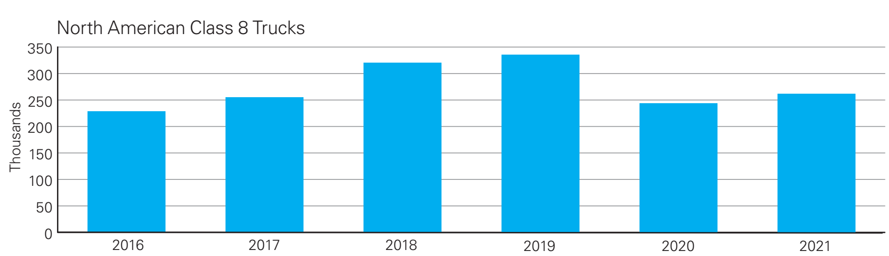
Regional and Business Jets (7% of Group)
Senior has significantly higher shipset content on new regional jet platforms such as the A220 (previously known as the CSeries), Mitsubishi MRJ and Embraer E2-Jet than legacy regional jets. Production of the A220 and the E2-Jet, which entered into service in April 2018, continues to ramp-up, whilst the MRJ is anticipated to enter into service in 2020. Senior also has healthy shipset content on Bombardier's Global 7500 business jet which entered into service in December 2018. Therefore, the Group's regional and business jet market revenue is expected to benefit in the medium term.

Military Aerospace (11% of Group)
European and US defence budgets are growing as a result of increased geopolitical tensions and Senior's revenue from the military and defence sector is expected to benefit from the F-35 Joint Strike Fighter, CH-53K and T-X trainer, which is scheduled to ramp-up significantly over the long term. Production of the Black Hawk helicopter is expected to decrease over the short to medium term.

GLOBAL EMISSIONS STANDARDS

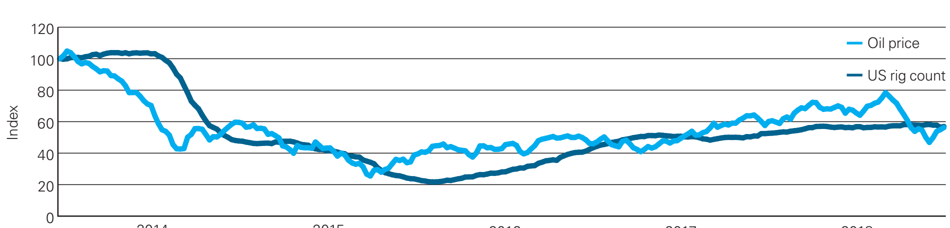
<table>
<tr><th>REGION</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td colspan="6">Light-Duty Engines – Car & Truck</td></tr>
<tr><td>CHINA</td><td>China 4</td><td colspan="2">China 5</td><td colspan="2">China 6</td></tr>
<tr><td>EUROPE</td><td colspan="5">Euro 6</td></tr>
<tr><td>INDIA</td><td colspan="3">BS IV</td><td colspan="2">BS VI</td></tr>
<tr><td>US</td><td colspan="5">Tier 3</td></tr>
<tr><td colspan="6">Heavy-Duty Engines – On Highway</td></tr>
<tr><td>CHINA</td><td colspan="3">China V</td><td colspan="2">China VI</td></tr>
<tr><td>EUROPE</td><td colspan="5">Euro VI</td></tr>
<tr><td>INDIA</td><td colspan="2">BS IV</td><td>BS V</td><td colspan="2">BS VI</td></tr>
<tr><td>US</td><td colspan="5">EPA2013</td></tr>
<tr><td colspan="6">Engines – Off Road</td></tr>
<tr><td>CHINA</td><td colspan="3">Stage III</td><td colspan="2">Stage IV</td></tr>
<tr><td>EUROPE</td><td colspan="2">Stage IV</td><td colspan="3">Stage V</td></tr>
<tr><td>INDIA</td><td colspan="3">BS III</td><td colspan="2">Stage IV</td></tr>
<tr><td>US</td><td colspan="5">Tier 4</td></tr>
</table>

LAND VEHICLE PRODUCTION FORECAST



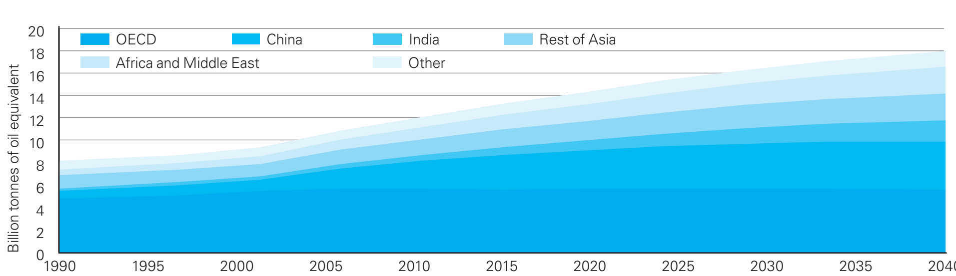
SOURCE: ACT Research

OIL PRICE AND US RIG COUNT



SOURCE: Rig count data from Baker Hughes

WORLD ENERGY DEMAND



SOURCE: BP Energy Outlook 2035

FLEXONICS KEY MARKETS

Land Vehicles (16% of Group)
The increasingly stringent global requirements for reduced carbon emissions influences the demand for the majority of the Group's products in the land vehicles market which arises in the form of reduction targets for emissions from cars, trucks and off-highway vehicles and through increased fuel efficiency from their engines. The chart opposite highlights the deployment of emissions standards in major geographies.

Our Flexonics Division end markets are less certain and somewhat dependent on geopolitical factors such as the ongoing trade discussions between the US and China.

In the truck and off-highway sector (11% of Group), Senior's revenue arises predominantly from North America, where the heavy-duty truck and off highway markets have grown in 2018. Production of North American heavy-duty trucks is anticipated to improve in the medium to longer term as demand for replacement capacity is driven by regulatory changes.

In the passenger car sector (5% of Group), Senior's revenue currently arises predominantly from European markets. However, the Group is expected to benefit from new programme launches in India and China over the medium term.

In the medium to longer term, as a result of growth in GDP and as emissions regulations continue to tighten, demand for the Group's products in the land vehicle sectors is anticipated to increase, particularly in geographies outside of North America and Europe. Senior is developing solutions for the next generation of more efficient internal combustion engines, as well as electrified land vehicle applications.

Power and Energy (14% of Group)
Senior designs and manufactures products for global industrial process control markets including petrochemical and power generation markets, to meet an increasingly stringent regulatory environment. In the upstream oil and gas market, we saw improved drilling activity in the US Permian Basin in 2018, however, output may be restricted in the first half of 2019 due to infrastructure constraints. These constraints are currently expected to alleviate in the second half of 2019. Downstream oil and gas activity remains stable.

Over the longer term, projected increases in global energy usage, tightening emission control regulations and emerging changes in power generation will drive increased global demand for the Group's industrial products.

OUR BUSINESS MODEL

Our vision is to be a trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, cash flow and shareholder value.

WHAT WE DO

Senior designs, manufactures and markets highly engineered, technology rich components and systems for principal original equipment producers in the worldwide aerospace, defence, land vehicle and power & energy markets.

The Group has a global footprint with 33[(1)] operating businesses located in 14 countries servicing blue-chip customers.

READ MORE ABOUT OUR OPERATIONAL REVIEW

FOR AEROSPACE
PAGE 30

FOR FLEXONICS
PAGE 32

(1) Including Senior Flexonics Blois which was disposed in February 2019

OUR CORE VALUES
THE "SENIOR WAY"

SAFETY
We operate safely, protecting people and the environment.

INTEGRITY
We operate with integrity and in an ethical manner.

CUSTOMER FOCUS
We put the customer at the heart of everything we do.

RESPECT AND TRUST
We work together with mutual respect and trust.

ACCOUNTABILITY
We do what we say.

EXCELLENCE
We continually strive to do better in every aspect of our business.

OUR STRENGTHS

ORGANISATION
- A culture of autonomous collaboration
- Active sharing of best practices
- Complementary capabilities
- Leverage common customer and supplier relationships

FINANCIAL
- Financial strength supporting investment and innovation for customer benefit

GLOBAL FOOTPRINT
- 33[(1)] operating businesses in 14 countries covering five market sectors
- An integrated global footprint providing customers with market proximity and cost competitiveness

PEOPLE AND CULTURE
- Integrity and high ethical standards
- Maintaining a safe and healthy workplace
- Empowerment of local management, within a well-defined control framework
- Ongoing investment in personal and professional development at all levels throughout the business

INNOVATION
- Focusing on technology product and process innovation to better serve our customers and enhance our business model

READ MORE ABOUT OUR PEOPLE ON PAGE 5

HOW WE DO IT

AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL

Senior's business model is one of empowering and holding accountable our businesses, operating within a clearly defined divisional structure, to develop and deliver business plans in line with overall Group strategy. Increasing collaboration amongst businesses 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 businesses.

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 organically and through acquisition.

HIGH PERFORMANCE OPERATING SYSTEM

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

- The Senior Operating System: an operational toolkit incorporating best practice processes such as lean and continuous improvement techniques; supplier management; new product introduction; 5/6S methodology; factory visual management systems; risk and financial management; and
- A strengthened business review process utilising a balanced scorecard incorporating KPIs with focus on performance, growth, operational excellence and talent development.

COMPETITIVE COST COUNTRY STRATEGY

Enhance Senior's global footprint to ensure our businesses stay competitive at a capability and cost level, with key investments 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 are actively moving products and establishing increasingly sophisticated capabilities in these competitive cost economies which frees up capacity in our European and North American factories, which is needed to satisfy increasing levels of demand.

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. 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%.

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 businesses. We are working with capable external partners to deliver tailored training and development programmes for Senior's top talent.

READ MORE ABOUT OUR STRATEGIC PRIORITIES ON PAGES 14 TO 17

LONG-TERM SUSTAINABLE VALUE

CREATE VALUE FOR ALL OUR STAKEHOLDERS THROUGH OUR BUSINESS MODEL

SHAREHOLDERS

Generating value through our sustainable growth in operating profit, cash flow and shareholder value

CUSTOMERS

Continuously delivering competitive products and solutions to customers with outstanding quality and delivery performance

OUR PEOPLE

Inspiring entrepreneurial and operational leadership directs a highly motivated and skilled workforce

OUR COMMUNITIES

Actively participating and helping to improve the quality of life in our local communities. Minimising our environmental impact through peer leading sustainable programmes

STRATEGIC PRIORITIES

In 2015, the following six strategic priorities were identified as key elements of our business model, which will drive the creation of stakeholder value. They will receive specific attention and focus over the coming years.

01 ENHANCE SENIOR'S AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL

WHAT WE'VE DONE SINCE 2015

- Implemented engagement guidelines to help optimise the transfer of work to cost competitive locations and to facilitate higher level solutions to meet customer needs;
- Customer Relationship Managers appointed for key customers;
- Updated management incentive schemes to encourage greater collaboration: all senior managers across the Company now have part of their incentive tied to Group performance as well as their business unit;
- Multi-site collaboration efforts have led to important new business awards;
- Rolled out an online Group-wide interactive communication tool;
- Launched Senior Health & Safety Essential Behavioural Standard across the Group; and
- Brought together three Aerospace businesses in Pacific Northwest under one leadership team and brought together Southern California Aerospace Structures businesses under one leadership team.

OUR PLANS FOR 2019

- Continue to focus front end collaboration efforts on multi-site business opportunities;
- Deliver supply chain savings from Procurement Council collaboration; and
- Accelerate collaboration between Asian and North American businesses to achieve increased market share.

02 FOCUS ON GROWTH

WHAT WE'VE DONE SINCE 2015

- Customer Relationship Managers appointed for key customers;
- Established a Group-wide technology council to focus on advanced engineering and manufacturing methods such as additive manufacturing;
- Continued to win more new business and launched new production programmes in China, India, Malaysia and Thailand;
- Opened a Thermoplastic Composites Development Centre in the UK;
- Secured first development contracts for electric vehicle applications;
- Approved investment in our Advanced Additive Manufacturing Centre to be set up in Burbank, CA; and
- Commenced construction of new Aerospace facilities in Malaysia and in Massachusetts, USA.

OUR PLANS FOR 2019

- Commence build of a new high tech facility in Crumlin, South Wales, focused on design, development, test and qualification of new Flexonics products;
- Establish our Advanced Additive Manufacturing Centre in Burbank, CA;
- Successfully commence operations at new Aerospace facility in Malaysia; and
- Complete expansion of Aerospace facility in Massachusetts, USA.

03 INTRODUCE A HIGH PERFORMANCE OPERATING SYSTEM

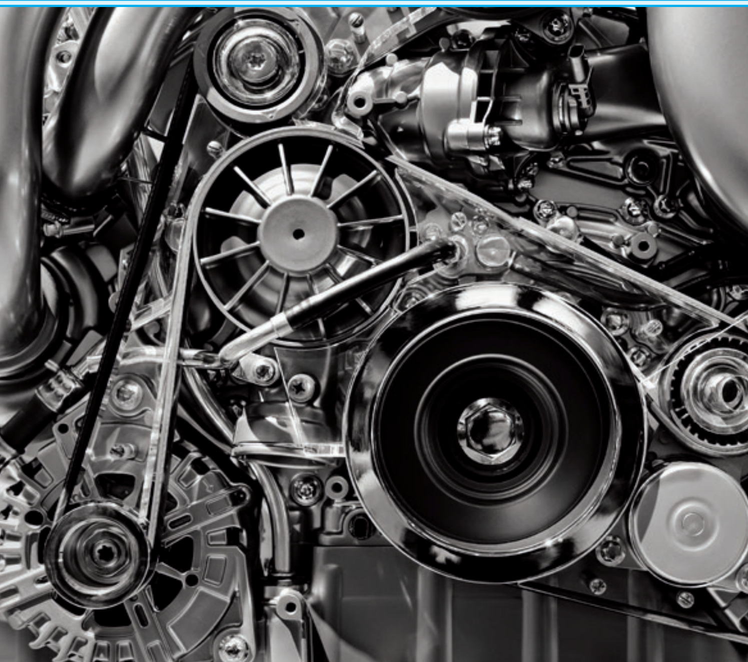
WHAT WE'VE DONE SINCE 2015

- Implemented a new and more intensive business review process; updated the Group's reporting systems to incorporate best in class real-time digital dashboard; and established Group-wide balanced scorecard with KPI's;
- Established a procurement council to leverage our global spend;
- Launched the Senior Operating System in Aerospace Structures and Aerospace Fluid Systems;
- Held targeted performance improvement workshops focused on margin expansion;
- Delivered a more comprehensive operational excellence leadership development programme; and
- Appointed Director of Technology for Aerospace Structures to implement advanced technologies in our machining and assembly operations.

OUR PLANS FOR 2019

- Continue to embed the Senior Operating System across the Group; and
- Undertake targeted performance workshops in businesses with biggest improvement opportunities.

STRATEGY IN ACTION



- Since 2015, Senior Flexonics Crumlin has been working with a large car manufacturer on a heat exchanger application for emissions reduction on their diesel engine. This was a technically challenging development due to the specific requirements of the customer.
- Senior Flexonics Crumlin collaborated closely with Senior Flexonics New Delhi to develop a technically advanced product and robust business plan, capable of successfully delivering this high volume programme.
- Senior was successfully awarded serial production of this part out of the Senior Flexonics New Delhi manufacturing site and both sites have been collaborating to develop the manufacturing process ready for series production in late 2019.
- This joint development and collaboration has brought significant learnings, which will enable Senior to deliver even greater successes in the future.

- 2018 was a year of manufacturing technology advancement as Senior commenced investment in our Advanced Additive Manufacturing Centre (AAMC) located in Burbank, CA.
- As Senior's OEM customers are driving for ever-improving weight, performance and cost targets, the AAMC is a collaborative manufacturing capability to help deliver solutions for our customers.
- AAMC is focused on demanding geometries that historically required either complex castings, or machining to achieve.
- Senior anticipates the AAMC will help to bring about lower costs, lighter weights and higher performance of additively manufactured components.

- Across the Senior Group, teams have been working diligently at implementing the Senior Operating System Lean Toolkit.
- In one business, a Kaizen (continuous improvement) team created a value stream map that detailed the manufacturing process for a key product family. From this map, a new floor layout was designed that incorporated four machines and additional deburring and inspection operations. The new cell allows one operator to run production in one-piece flow fashion to complete a full assembly.
- Utilising a Standardised Work playbook to ensure that the new cell runs properly, the team has managed to reduce work-in-process inventory by more than 75% and improved productivity by 125%.
- Although this was a great achievement, the team is not done yet, as they will continue to improve ergonomics in the cell to help maintain our operators' health and safety.

STRATEGIC PRIORITIES CONTINUED

STRATEGIC PRIORITIES

	WHAT WE'VE DONE SINCE 2015	OUR PLANS FOR 2019
04 **COMPETITIVE COST COUNTRY STRATEGY**	• Opened new airframe structures facility in Thailand in June 2016; • Expanded in the Czech Republic by doubling manufacturing capacity; • Ramped-up new Aerospace programmes in Thailand and Malaysia; • Ramped-up cooler and common rail production at our facilities in India and Mexico; • Transferred Aerospace Fluid Systems work packages to Aerospace Mexico; • Continued to win more new business in China, India, Malaysia and Thailand; and • Commenced construction of new Aerospace facility in Malaysia.	• Successfully commence operations at new Aerospace facility in Malaysia; and • Successfully launch new programmes in Thailand, Malaysia, India and China.
05 **CONSIDERED AND EFFECTIVE CAPITAL DEPLOYMENT**	• Disposed of loss making small commodity composites business based in Wichita; • Sold non-core Aerospace BWT Ilkeston UK site; • In February 2019, sold French Flexonics non-core passenger vehicle parts business, Senior Flexonics Blois; • Invested £164m in organic capital expenditure over the last three years to support growth programmes; • Full year dividend per share (total paid and proposed) increased by 19.7% over last three years; and • Working capital reduced from 15.1% of revenue at the end of 2015 to 14.4% of revenue at the end of 2018.	• Continue to invest in organic capital expenditure to support future growth; • Continue to pay a progressive dividend reflecting earnings per share and free cash flow generation over the medium term; • Continue to review performance of existing portfolio against returns on capital targets and take action as required; and • Invest in acquisitions that meet Heat Map criteria and ROCE targets.
06 **TALENT DEVELOPMENT**	• Jane Johnston joined the Senior Executive team in May 2016 as Group HR Director, responsible for HR strategy across the Group • Continued to work with external partners such as Ashridge, to deliver advanced leadership development for our top talent from around the world; • Improved succession planning process including improving gender diversity in succession plans for senior leadership team; and • Rolled out Performance Development Review process to leadership teams across the Group.	• Ongoing rollout of our Global Performance Management System; • Initiating the implementation of a Global Talent Acquisition System and Learning Management System to attract and develop talent; and • Continue to focus on diversity and inclusion across the business.

STRATEGY IN ACTION

- Senior has been successful at winning new contracts as a direct result of staying competitive at a capability and cost level due to its competitive cost country locations;
- Senior was awarded a five-year contract from Spirit AeroSystems to provide machine details and subassemblies on Boeing commercial aerospace programmes. Senior's capabilities in Malaysia provided the best overall value proposition to the customer on a package of medium to complex machined parts and subassemblies;
- Senior was also awarded a Detail Part Partner contract by Airbus to provide medium-to-complex machine details and sub-assemblies to Airbus and its partner company STELIA Aerospace, on multiple programmes including A320, A330 and ATR. Crucial to the award was Senior's ability to dual source within the Group as the work will be performed at both Senior's world-class cost-competitive South East Asian facilities in Malaysia and Thailand.

- Senior held a ground-breaking ceremony for its new Aerospace manufacturing facility near Kuala Lumpur, Malaysia in March 2018.
- The new facility will complement Senior Aerospace UPECA's existing facility.
- On completion, this new 180,000 sq. feet facility will house highly skilled engineering and technical employees, boast state-of-the-art equipment and will have comprehensive special process and non-destructive testing capabilities.
- The new facility will provide increased options for Senior Aerospace's customers due to the breadth of the new capabilities and provide capacity to support future growth.
- The establishment of this world class facility supports Senior's strategy to enhance its cost competitive country footprint and will complement its customer growth expectations within the region.

- In 2018, Senior delivered an Operational Excellence Programme over a period of nine months;
- The programme included the following key elements:
  - Webinars and action learning sets;
  - Business focused Change Management Projects;
  - Five day face to face workshop, including a one day site visit to a Senior operation to embed learning by putting into practice the tools and techniques learnt, and provide solutions to real operational issues for the business concerned;
- Each individual completed an Operational Excellence project which resulted in significant, measurable business improvements and savings for their operating businesses.

KEY PERFORMANCE INDICATORS

The Group highlights five financial and two non-financial metrics to measure progress in implementing its strategy.

The Group's financial objectives are as follows:

- to achieve organic revenue growth (at constant exchange rates) in excess of the rate of inflation;
- to increase the Group's return on revenue margin each year;
- to increase adjusted earnings per share on an annual basis by more than the rate of inflation;
- to generate sufficient cash to enable the Group to fund future growth and to follow a progressive dividend policy; and
- 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%.

These financial objectives are supported by two non-financial objectives:

- to reduce the Lost Time Injury Rate (per 100 employees) to 0.5 by 2020; and
- to reduce the Group's energy intensity (tonnes CO_2 per £m revenue) to 77 by 2020.

The key performance indicators (KPIs) are determined as follows:

- Organic revenue growth is the rate of growth of Group revenue, at constant exchange rates, excluding the effect of acquisitions and discontinued activities.
- Return on revenue margin is the Group's adjusted operating profit divided by revenue. Adjusted operating profit is defined in Note 9.
- Adjusted earnings per share is defined in Note 12.
- Net cash from operating activities is available from the Consolidated Cash Flow Statement.
- Return on capital employed is the Group's adjusted operating profit divided by the average of the capital employed at the start and end of the period, capital employed being total equity plus net debt (defined in Note 32c).
- CO_2 emissions/£m revenue is an estimate of the Group's carbon dioxide emissions in tonnes divided by the Group's revenue in £ millions.
- Lost time injury frequency rate is the number of OSHA (or equivalent) recordable injury and illness cases involving days away from work per 100 employees.

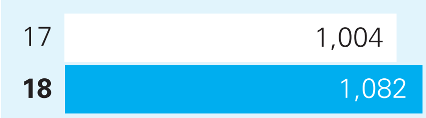
The Group collects its environmental data in accordance with the guidelines specified by the Global Reporting Initiative (GRI), to the extent that this is currently practicable, and has applied the greenhouse gas conversion factors contained within the Energy Agency and US EPA conversion factors 2018. The Group has used the financial control approach to define its organisational boundary and reports data from its wholly-owned or majority-owned operations. Billed or metered sources represent the basis of the majority of our greenhouse gas emissions.

In 2018 all five financial targets were met. Good progress was made towards the two non-financial objectives and the Group was pleased to see both CO_2 emissions and Lost Time Injury Rates decrease in 2018. The Group achieved its 2020 safety and energy goals in 2018, two years earlier than targeted. We are now looking at targets extending past the 2020 initiative. Further details of the Group's performance record in this regard, including its long-term performance trends, are shown on pages 34 to 37.

A summary of the year-on-year movements in these KPIs and the main drivers of the changes are described opposite.

ORGANIC REVENUE GROWTH (£m)

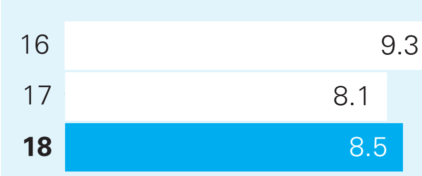
+7.8%



The Group delivered strong organic revenue growth due to positive contribution from both Divisions. In Aerospace, growth was primarily driven by increased build rates on large commercial aircraft programmes. Increased revenue in Flexonics was driven by growth from truck and off-highway and upstream oil and gas markets partly offset by lower revenue from certain passenger cars and light vehicles markets.

RETURN ON REVENUE MARGIN (%)

+40bps



The improvement in the Group's return on revenue margin to 8.5% was primarily attributable to improved operational efficiency and the positive impact of increases in revenue in the Flexonics Division.

ADJUSTED EARNINGS PER SHARE (p)

+11.7%

16	14.37
17	14.39
18	16.08

The Group's adjusted profit before tax (defined in Note 9) improved by 13.5%, partly offset by an increase in the adjusted tax rate (defined on page 27) from 17.5% to 19.0% and resulted in an 11.7% improvement in adjusted earnings per share.

NET CASH FROM OPERATING ACTIVITIES (£m)

-9.2%

16	100.3
17	110.9
18	100.7

The Group's cash conversion was again strong, however it reduced from 2017's level due to an increase in working capital and in income tax paid. Despite the reduction in cash from operating activities, the Group has been able to fund an increased level of gross investment in capital expenditure of 1.4 times (2017 – 1.3 times) depreciation and propose a 6.8% increase in annual dividend per share.

RETURN ON CAPITAL EMPLOYED (%)

+110bps

16	12.9
17	11.9
18	13.0

The Group's return on capital employed improved in 2018 to 13.0% and was in excess of the Group's cost of capital. This was achieved through a combination of earnings enhancements and continued balance sheet efficiency, in particular due to the effective allocation of capital expenditure and asset utilisation on profitable growth programmes, as well as continued effective control over working capital requirements at operational level.

CARBON DIOXIDE EMISSIONS (TONNES/£m REVENUE)

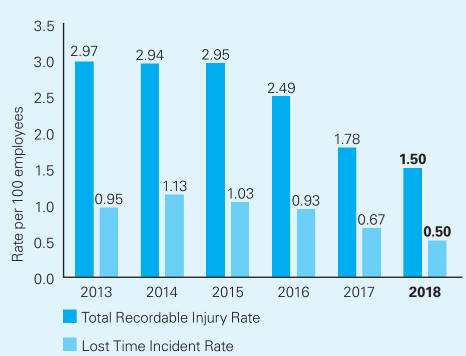
8% DECREASE

16	81.3
17	65.0
18	60.0

The Group has achieved a 8% reduction in carbon dioxide emissions (CO_2e) per £m revenue. This has been achieved with a combination of energy efficiency gains and the reduction in emission factors for electrical (scope 2) emissions in some of our operational regions (due to a different, less carbon intensive fuel mix).

LOST TIME INJURY RATE (INCIDENTS PER 100 EMPLOYEES P.A.)

25% DECREASE



The Group continued to focus on the Zero Harm programme with continuing implementation of behavioural safety through managerial leadership workshops. In 2018 we achieved a 25% reduction in the Lost Time Injury Rate and a 16% reduction in the total Recordable Injury Rate. In 2019 the behavioural safety continues to evolve as we continue to embed our "Essential Behaviours for Health and Safety" into our safety management processes.

RISKS AND UNCERTAINTIES

OUR APPROACH

The Group aims to embed its risk management procedures within its existing business processes and the corporate governance structure. We believe that the benefits of managing risk are best achieved when Enterprise Risk Management is aligned with the strategic and operational priorities of the Group. The foundation of Senior's risk management approach is a half-yearly risk assessment review, although risks are continuously monitored by the Executive Committee and the Board.

OUR RISK MANAGEMENT FRAMEWORK

The Board has ultimate accountability for the Group's risk management framework and for determining the nature and extent of the risk that it is willing to take. Effective management of risks and opportunities is essential to the achievement of the Group's strategic priorities.

The Board has delegated responsibility for the monitoring and review of the effectiveness of the Group's risk management framework to the Audit Committee.

The key elements of our risk management framework are:

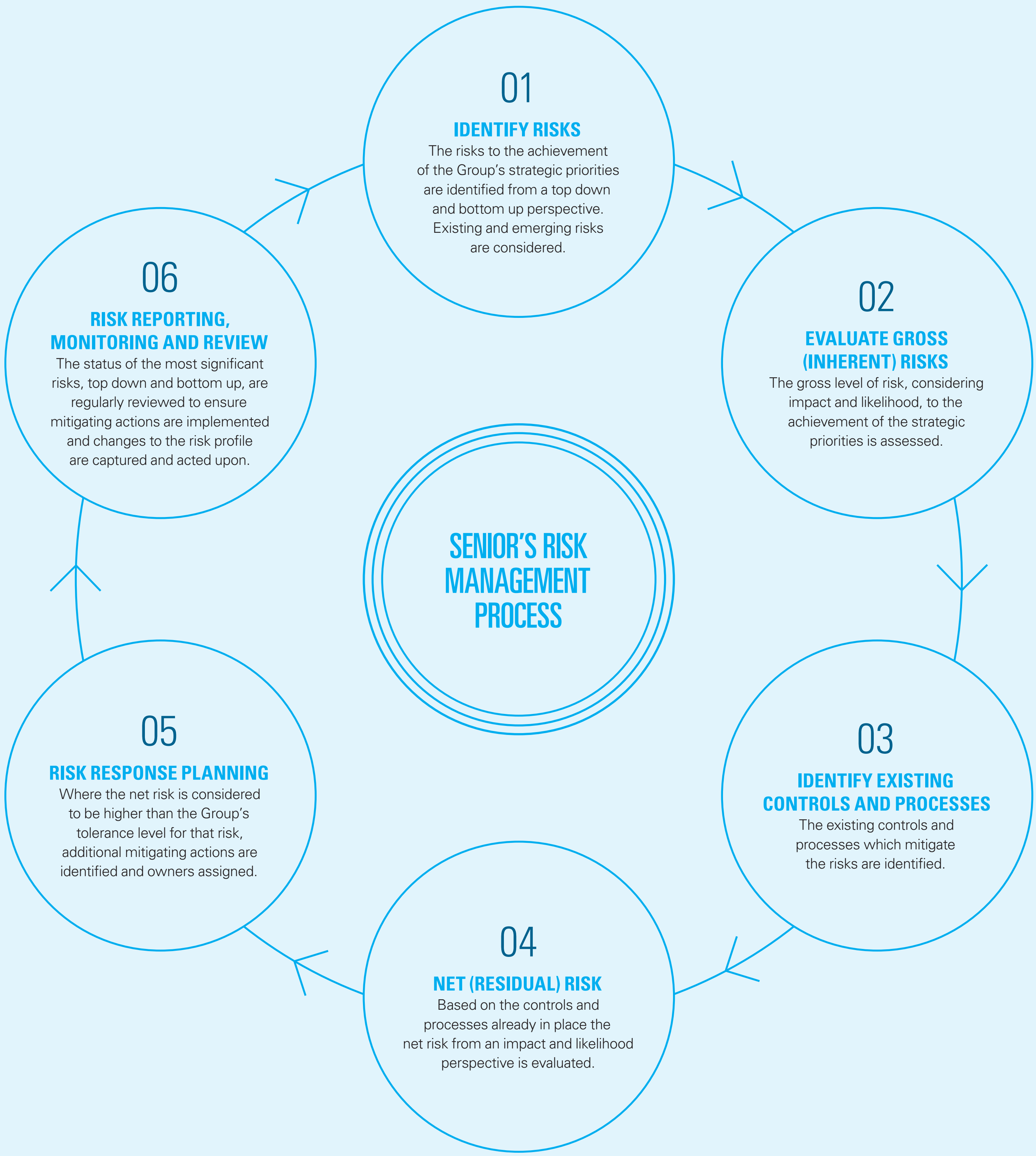
- Identification and ongoing management of risks to the achievement of our strategic priorities, through a top down and bottom up approach, integrated with the annual strategic planning process;
- A Group-wide Corporate Framework comprising policies, a code of conduct and delegation of authority to ensure key controls are adhered to; and
- Ongoing assurance activities, adopting a three lines of defence approach, to confirm that key controls are effective and risks are being managed. In addition, all entities complete an Annual Controls Self-Assessment, which is designed to highlight any significant gaps in the internal control system that require development of improvement initiatives.

The risk management process is agreed annually with the Audit Committee.

The Group and operating unit risk registers are discussed regularly at Quarterly Business Reviews and Executive Committee meetings to ensure that changes to risks are identified and monitored early and to ensure implementation of the mitigating actions. The Board formally discusses the Group's risks twice a year.

In summary, the Senior Risk Management process is illustrated right:

The Principal Risks the Group faces are identified, agreed and managed through this process.



RISKS AND UNCERTAINTIES CONTINUED

OUR INTEGRATED GROUP RISK AND ASSURANCE FRAMEWORK

Top down and bottom up approach on risk

Oversight from the Board and Executive Committee on all risk identification, assessment and mitigation is undertaken at all levels within the Group.

Key responsibilities

- Has overall **responsibility** for ensuring the Group risk management process and systems of internal control are robust and continuously monitored
- Formulates the Group's **strategy** and defines the Group's **risk appetite and culture**
- Monitors the nature, extent and management of risk exposure for the Group's **principal risks**
- Provides **direction** and **sets the tone** on the importance of risk management

Board and Executive Sub-Committees perform oversight activities in line with their Terms of Reference

Remuneration Committee | Nominations Committee | HSE Committee | Treasury Committee

---

- Supports and challenges the Board in **monitoring** risk exposure in line with its Terms of Reference
- Reviews the **effectiveness** of the Group's risk management and internal control systems and reports to the Board for consideration

Independent Assurance – the Third Line of Defence

Internal Audit | Group Risk and Assurance | Other External Assurance

---

Operational Oversight – the Second Line of Defence

- Development and implementation of strategy, operational plans, policies, procedures and budgets
- Monitoring of operating and financial performance
- Assessment and control of risk – including emerging risks
- Prioritisation and allocation of resources

- Lead and co-ordinate Group risk and control related processes
- Assesses and supports the Group in mitigating the Group's risks including:

Policies and Procedures | Control Self-Assessments | Specialist Support | Business Reviews

---

Operational Management – the First Line of Defence

- Operational units identify, assess and mitigate their key risks
- Risk assessments are reviewed and discussed by Divisional Management

PRINCIPAL GROUP RISKS

During 2018 the principal risks and uncertainties faced by the Group have been reassessed. Following this review two risks identified as principal risks in the 2017 Annual Report & Accounts are no longer considered to be principal risks, one has been amended and one has been added. The two risks which are no longer considered to be principal risks are:

- **Importance of emerging markets**
  Whilst this continues to be monitored, with the Group successfully increasing its presence in cost competitive countries, the focus is on delivering the ramping volumes on the new contracts and platforms the group has already won.
- **Programme participation**
  The likelihood and impact of this risk has reduced as a result of the Group having won positions on new platforms.

The principal potential risks and uncertainties, together with actions that are being taken to mitigate each risk, are:

↑ Increased risk ↓ Decreased risk → Risk unchanged N New risk

Areas of strategic priorities as described on pages 14 to 17.

1 2 3 4 5 6

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK
SUPPLY CHAIN (PREVIOUSLY NEW AIRCRAFT PLATFORM DELAYS) ↑	2 3 5
Significant shipset content has been secured on a number of new aircraft platforms currently under development or in initial phases of production. As new aircraft platforms ramp-up and end markets grow, the business and/or the supply chain is facing challenges in meeting demand due to capacity constraints and/or quality issues. Delays in the ramp-up in production of new platforms could have a material adverse impact on the Group's rate of organic growth.	• The Group monitors programme development and launch timing of new aircraft platforms very closely, utilising internal customer relationships and market intelligence. • A cautious approach is taken to both capital investment in new programmes, to minimise the time between installation and utilisation of new capital equipment, and to the projected build rates and associated revenue in financial projections. • The Senior Operating System will enable operating businesses to become more flexible and responsive to changes in demand from customers. • Work is ongoing with our supply chain to reduce over-reliance on individual suppliers where possible. • The growing breadth of Senior's exposure to a comprehensive and diverse range of aerospace and land vehicle platforms, together with its broad exposure in global industrial markets, means that the Group's future organic growth profile is not overly dependent on any individual new aircraft platform. • The Group monitors market and customer data so that we can be prepared to respond to changing market dynamics.
PRICE-DOWN PRESSURES ↑	1 2 4
Customer pricing pressure is an ongoing challenge within our industries, driven by the expectations of airlines, land vehicle operators and governments seeking to purchase more competitively priced products in the future. This may put some pressure on the Group's future operating margins.	• The Group works closely with its customers to find innovative ways to produce products at a lower cost, thus helping them to meet pricing challenges. • The Group is able to consider bundles of products that in total help achieve customer pricing challenges. • Where appropriate, the Group will actively pass work to some of its cost competitive facilities such as Mexico, Thailand, the Czech Republic, South Africa, India, China and Malaysia with a view to helping satisfy customer challenges. • A project is underway in the Aerospace Division to optimise the use of our machine tools to support the need for competitively priced products.
ACQUISITIONS →	2 5
Failure to execute an effective acquisition and integration programme would have a significant impact on the Group's ability to generate long-term value for shareholders.	• M&A opportunities continue to be evaluated and discussed at the Board's strategic review. Processes are in place to ensure that the Group will be aware of emerging acquisition opportunities. • The Group has a well-established acquisition framework that includes proven valuation, due diligence and integration processes. • Consistently healthy free cash flow generation gives the Group capacity to execute a targeted acquisition programme. • Post-acquisition reviews are conducted as appropriate.

RISKS AND UNCERTAINTIES CONTINUED

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK
CORPORATE GOVERNANCE BREACH	1
Corporate governance legislation (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders and ultimately have a material adverse impact on the Group's enterprise value.	• The Group has well-established governance policies and procedures in all key areas, including a Group Code of Conduct, anti-bribery procedures, a Health & Safety Charter, and various policies and procedures over the review and reporting of risk management and internal control activities. • Governance updates are provided to the Board and the Executive Committee at appropriate intervals, and to key operational management. • All employees are required to complete annual Code of Conduct training. More than 88% of employees have completed the 2018 Code of Conduct training. • All EU sites have received training on the General Data Protection Regulations and employees in other locations have received training as appropriate to their roles. • There has been increased focus on trade compliance at our US sites. • The Board has received an update on Directors' responsibilities.
FINANCING AND LIQUIDITY	2 3 5
The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due. Foreign exchange movements could have a material impact on the Group's financial performance, both on the balance sheet (translation risk) and income statement (transaction risk).	• The Group manages liquidity risk by maintaining adequate reserves, banking facilities and revolving credit facilities, and by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and paying close attention to the projected level of headroom under the covenants contained in its committed borrowing facilities. • The Group's overall treasury risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Group's financial performance. • Compliance with financial policies and exposure limits are reviewed by the Group's Treasury Committee on a regular basis. • The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on operations' trading activities in foreign currencies; however, it does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. • The Group's hedging policy is updated and approved by the Board regularly. The last update was made in June 2018. • In February 2019, the Group refinanced its main revolving credit facilities of £80.0m by increasing the committed facilities to £120.0m and extended the maturity to February 2024.
GEOPOLITICAL IMPACT	2 4
Trade relations, for example imposing of tariffs in the US, the UK decision to leave the EU and other likely geopolitical events have created uncertainty over the future impact on international trade and the ability to retain and recruit foreign nationals.	• The Board ensures that it is kept informed of US trade developments and Brexit so that it can assess the impact on the Group and take action as appropriate. • The Group anticipates that any direct or indirect impact from Brexit will be limited and not significant given the Group's global positioning. • The Group's Brexit Committee has undertaken detailed reviews to identify our exposure to the UK's decision to leave the EU on 29 March 2019 including regulatory, supply chain and workforce aspects. • In a limited number of cases we are undertaking some contingency planning to minimise any potential operational disruption. • The Group monitors potential changes to international tax regulations and tariffs to understand the likely impact.

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK
CYBER/INFORMATION SECURITY	1
The risk that the Group is subjected to external threats from hackers or viruses potentially causing critical or sensitive data to be lost, corrupted, made inaccessible, or accessed by unauthorised users, resulting in financial loss.	• A Group-wide Information Security maturity assessment was conducted in 2018. Plans to further develop maturity have been prepared and a Head of Information Security recruited. • The Group continues to monitor developments in cyber security threats. • The Group has security controls in place including policies and procedures. The Group's IT and Information Security policies have been strengthened. • Employees have received awareness training on cyber-related issues.
INNOVATION AND TECHNOLOGICAL CHANGE	1 2 5
In order to continue to win new business and achieve profitable growth the Group must innovate. There is a risk that the Group does not continue to innovate and implement technological change resulting in its technology becoming uncompetitive or obsolete.	• The Group has a technology council which meets regularly to discuss innovation and technological change. • The Group is establishing an Advanced Additive Manufacturing Centre and has secured a launch customer for first parts. • The Group is a member of the Advanced Manufacturing Research Centre which focuses on advanced machining and materials research. • Global Marketing Teams are engaged to ensure that customer requirements and priorities are considered. • The Group continues to invest in improving technology. • The Senior Operating System will be developed to include best practice tools for innovation and product development.
NEW PRODUCT INTRODUCTION	1 2 3 4 5
The ability to introduce new products in line with the plan at point of contract award is important if the Group is to achieve its strategic objectives. There is a risk that new programmes or products are not introduced to schedule, quality and cost at a time when new programmes are ramping up. This could result in delays, cost overruns and disappointed customers.	• The Group is experienced in bidding and launching new products. Formal New Product Introduction (NPI) processes, such as Advanced Product Quality Planning (APQP), are used in some parts of the Group and are being rolled out. • There is a Group Contract Review Policy which helps to ensure that large, new programme bids have been reviewed by senior managers. Non-advocate support is provided to sites with challenging NPI proposals. • The status of NPI programmes is subject to regular review by divisional and Group management to ensure that any cost, quality or schedule issues are identified and dealt with promptly. • The provision of non-advocate support will continue to be provided as required to ensure appropriate challenge and rigour is applied to the NPI process. • The Senior Operating System will be developed to include best practice tools for new product introduction.
SHORTAGE OF KEY SKILLS N	1 2 3 4 6
Competition for skilled labour has increased. There is a risk that operating businesses will be unable to recruit and retain key skills, particularly machinists and welders.	• A number of sites have established relationships with local colleges and/or developed in-house training programmes to ensure that skilled labour is in place. • Operating businesses are collaborating to understand where parts can be manufactured in more than one location or where there is the possibility of moving labour.

FINANCIAL REVIEW

Another record year of revenue growth
Adjusted profit before tax increased by 14%

BINDI FOYLE
GROUP FINANCE DIRECTOR

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 in the Divisional Review.

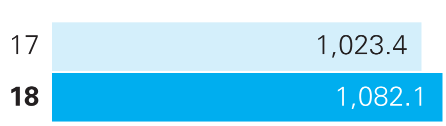
	Revenue		Adjusted operating profit[1]		Margin	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 %	2017 %
Aerospace	**760.4**	725.3	**80.4**	76.6	**10.6**	10.6
Flexonics	**322.9**	298.8	**26.1**	20.0	**8.1**	6.7
Share of results of joint venture	**–**	–	**0.6**	0.7	**–**	–
Inter-segment sales	**(1.2)**	(0.7)	**–**	–	**–**	–
Central costs	**–**	–	**(15.5)**	(14.7)	**–**	–
Group total	**1,082.1**	1,023.4	**91.6**	82.6	**8.5**	8.1

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

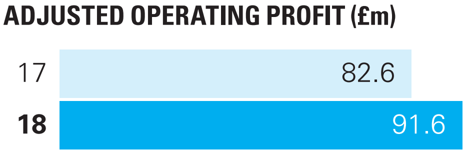
Adjusted operating profit may be reconciled to the operating profit that is shown in the Consolidated Income Statement as follows:

	2018 £m	2017 £m
Adjusted operating profit	**91.6**	82.6
Amortisation of intangible assets from acquisitions	**(15.4)**	(17.1)
UK Guaranteed Minimum Pensions	**(2.4)**	–
US class action lawsuits	**(3.9)**	–
Operating profit	**69.9**	65.5

REVENUE (£m)



ADJUSTED OPERATING PROFIT (£m)



FINANCIAL DETAIL

Revenue

Group revenue increased by 5.7% to another record level of £1,082.1m (2017 – £1,023.4m). Excluding the adverse exchange rate impact of £19.8m, Group revenue increased by £78.5m (7.8%) on a constant currency basis as sales grew across both Divisions. In 2018, 59% of revenue originated from North America, 16% from the UK, 12% from the Rest of Europe and 13% from the Rest of the World.

Operating profit

Operating profit was £69.9m (2017 – £65.5m). Adjusted operating profit increased by £9.0m (10.9%) to £91.6m (2017 – £82.6m). Excluding the adverse exchange rate impact of £1.5m, adjusted operating profit increased by 12.9% on a constant currency basis. The Group's adjusted operating margin increased by 40 basis points, to 8.5% for the full year. Margins in the Aerospace Division were stable as operational efficiencies and learning curve improvements offset the impact of volume reduction on mature programmes and product introduction costs on new programmes. Margin improvement in the Flexonics Division reflected the volume growth in the truck, off-highway and upstream oil and gas markets.

As set out in Note 9, adjusted operating profit and adjusted profit before tax are stated before £15.4m amortisation of intangible assets from acquisitions (2017 – £17.1m), £2.4m charge for UK Guaranteed Minimum Pensions (2017 – £nil) and £3.9m costs associated with the US class action lawsuits (2017 – £nil). Adjusted profit before tax is also stated before loss on disposal of £nil (2017 – £3.8m).

Central costs increased by £0.8m to £15.5m (2017 – £14.7m) due to higher share-based payment charges and consultancy and other costs to strengthen the Group central capabilities, partly offset by lower legal costs incurred related to actions as described in Note 36 of the Financial Statements.

ADJUSTED PROFIT BEFORE TAX (£m)

ADJUSTED EARNINGS PER SHARE (p)

Finance costs
Total finance costs, net of investment income of £0.6m (2017 – £0.2m) decreased to £8.6m (2017 – £9.5m) mainly due to favourable foreign exchange impact on the translation of interest charges on US Dollar denominated borrowings, the repayment in October 2018 of $75.0m (£58.6m) US private placement carrying a high interest rate and net IAS 19 pension finance credit of £0.2m (2017 – £0.2m charge).

Profit before tax
Adjusted profit before tax increased to £83.0m (2017 – £73.1m), up 13.5%, or 15.3% on a constant currency basis. Reported profit before tax increased £9.1m to £61.3m (2017 – £52.2m). The reconciling items between adjusted and reported profit before tax are shown in Note 9 to the Financial Statements.

Tax charge
The adjusted tax rate for the year was 19.0% (2017 – 17.5%), being a tax charge of £15.8m (2017 – £12.8m) on adjusted profit before tax of £83.0m (2017 – £73.1m). The increase in the rate is attributed to changes in the tax treatment of items in the US following the enactment of the US Tax Cuts and Jobs Act in December 2017, which outweigh the positive benefit from the cut in the US Federal corporate income tax rate.

The reported tax rate was 18.3% charge (2017 – 15.5% credit), being a tax charge of £11.2m (2017 – £8.1m credit) on reported profit before tax of £61.3m (2017 – £52.2m). The reported tax charge for the year included the tax credit of items excluded from adjusted operating profit of £4.6m (2017 – £4.9m), and an exceptional non-cash tax credit related to US tax reform of £nil (2017 – £16.0m).

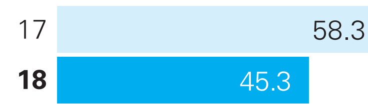
Cash tax paid was £6.0m (2017 – £4.9m) and is stated net of refunds received of £2.0m (2017 – £1.9m) of tax paid in prior periods. The rate of cash tax paid is lower than our adjusted tax rate in both years due to accelerated tax relief for capital expenditure in the US, the availability of tax losses and tax deductible items that do not affect adjusted profit.

Tax policy
The Group acts with integrity in all tax matters, in accordance with the Group's ethics and business conduct programme. 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 manage and control the costs of our business including the taxes we pay for the benefit of all our stakeholders. The Group seeks to achieve this by conducting business affairs in a way that is efficient from a tax perspective, including maintaining appropriate levels of debt in the countries we operate in and claiming available tax reliefs and incentives. The Group is committed to building and maintaining constructive working relationships with the tax authorities of the countries in which it operates. Further details on our approach to tax may be found on Senior's website at www.seniorplc.com.

Earnings per share
The weighted average number of shares, for the purposes of calculating undiluted earnings per share, decreased to 417.8 million (2017 – 418.9 million). The decrease arose principally due to shares purchased by the employee benefit trust. Adjusted earnings per share increased by 11.7% to 16.08 pence (2017 – 14.39 pence). Basic earnings per share decreased by 16.7% to 11.99 pence (2017 – 14.39 pence) primarily due to the benefit of the exceptional non-cash tax credit in 2017 described above. See Note 12 to the Financial Statements for details of the basis of these calculations.

Research and development
The Group's expenditure on research and development increased to £29.7m during 2018 (2017 – £25.6m). Expenditure was incurred mainly on funded and unfunded work, which relates to designing and engineering products in accordance with individual customer specifications and investigating specific manufacturing processes for their production. The Group also incurs costs on general manufacturing improvement processes which are similarly expensed. Unfunded costs in the year have been expensed, consistent with the prior year, as they did not meet the strict criteria required for capitalisation.

FREE CASH FLOW (£m)



DIVIDEND (PAID AND PROPOSED) PER SHARE (p)

Exchange rates
A proportion of the Group's operating profit in 2018 was generated outside the UK and consequently, foreign exchange rates, principally the US Dollar against Sterling, can affect the Group's results.

The 2018 average exchange rate for the US Dollar applied in the translation of income statement and cash flow items was $1.34 (2017 – $1.29). The exchange rate for the US Dollar applied to the translation of Balance Sheet items at 31 December 2018 was $1.28 (31 December 2017 – $1.35).

Using 2018 average exchange rates would have decreased 2017 revenue by £19.8m and decreased 2017 adjusted operating profit by £1.5m. A 10 cents movement in the £:$ exchange rate is estimated to affect full-year revenue by £48m, adjusted operating profit by £5m and net debt by £9m.

FINANCIAL REVIEW CONTINUED

Cash flow

The Group generated healthy free cash flow of £45.3m in 2018 (2017 – £58.3m) as set out in the table below:

	2018 £m	2017 £m
Operating profit	**69.9**	65.5
Depreciation (including amortisation of software)	**41.5**	40.8
Amortisation of intangible assets from acquisitions	**15.4**	17.1
Share of joint venture	**(0.6)**	(0.7)
Working capital and provisions movement	**(11.1)**	12.4
Pension payments above service cost	**(10.3)**	(9.7)
Other items	**11.2**	0.4
Cash generated by operations	**116.0**	125.8
Interest paid (net)	**(8.9)**	(9.6)
Income tax paid	**(6.0)**	(4.9)
Capital expenditure	**(56.3)**	(54.8)
Sale of plant, property and equipment	**0.5**	1.8
Free cash flow	**45.3**	58.3
Dividends paid	**(29.6)**	(27.9)
Proceeds on disposal	**–**	0.4
Loan repayment by joint venture	**0.5**	0.3
Purchase of shares held by employee benefit trust	**(7.2)**	(0.1)
Foreign exchange variations	**(6.7)**	11.0
Movement in non-cash items	**–**	0.8
Change in net debt	**2.3**	42.8
Opening net debt	**(155.3)**	(198.1)
Closing net debt	**(153.0)**	(155.3)

Capital expenditure

Gross capital expenditure of £56.3m (2017– £54.8m) was 1.4 times depreciation (2017 – 1.3 times), with the majority of investment related to growth programmes in the Aerospace Division including ramp-up related capacity expansion for 737 MAX, A320neo and A350 as well as investment in setting up our Advanced Additive Manufacturing Centre. The disposal of plant, property and equipment raised £0.5m (2017 – £1.8m). Capital expenditure is anticipated to be higher in 2019, as investments continue to support future growth programmes already won.

Working capital

Working capital increased by £18.9m in 2018 to £156.1m (2017 – £137.2m) to support new product introductions. Working capital as a percentage of sales increased by 100 basis points from 13.4% at 31 December 2017 to 14.4% at 31 December 2018, principally due to 80 basis points increase from exchange differences and 40 basis points increase from inventory, partly offset by 20 basis points reduction from receivables in excess of payables.

Dividend

The Group has a long and stable 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 5.23 pence per share is proposed for 2018 (2017 – 4.90 pence), payment of which, if approved, would total £21.8m (2017 final dividend – £20.5m) and would be paid on 31 May 2019 to shareholders on the register at close of business on 3 May 2019. This would deliver total dividends paid and proposed in respect of 2018 of 7.42 pence per share, an increase of 6.8% over 2017. At the level recommended, the full-year dividend would be covered 2.2 times (2017 – 2.1 times) by adjusted earnings per share. The cash outflow incurred during 2018 in respect of the final dividend for 2017 and the interim dividend for 2018 was £29.6m (2017 – £27.9m).

Goodwill

The change in goodwill from £302.4m at 31 December 2017 to £312.9m at 31 December 2018 is due to foreign exchange differences on translation only.

Retirement benefit schemes

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan increased by £11.5m to £30.9m (31 December 2017 – £19.4m), principally due to £8.2m cash contributions in excess of running costs made by the Group and £5.1m net actuarial gains. This was partly offset by a £2.4m past service charge in relation to the equalisation of historical Guaranteed Minimum Pensions (GMPs) for men and women which follows a High Court ruling in the UK that clarified the legal obligation on pension schemes. Retirement benefit deficits in respect of the US and other territories decreased by £2.3m to £12.4m (31 December 2017 – £14.7m).

Net debt

Net debt decreased by £2.3m to £153.0m at 31 December 2018 (31 December 2017 – £155.3m). This decrease was due to £45.3m free cash inflow and £0.5m loan repayment by the joint venture, partially offset by £29.6m dividend payments, £7.2m purchase of own shares held by the employee benefit trust and £6.7m unfavourable foreign currency movements.

Funding and liquidity

As at 31 December 2018, the Group's gross borrowings excluding finance leases and transaction costs directly attributable to borrowings were £170.8m (31 December 2017 – £168.0m), with 68% of the Group's gross borrowings denominated in US Dollars (31 December 2017 – 78%). Cash and bank balances were £17.2m (31 December 2017 – £12.6m).

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

	Gross borrowings[1] £m	Committed facilities £m
Within one year	2.7	20.0
In the second year	15.6	15.6
In years three to five	29.9	112.8
After five years	122.6	122.6
	170.8	271.0

[1] Gross borrowings include the use of bank overdrafts, other loans and committed facilities, but exclude finance leases of £0.2m and transaction costs directly attributable to borrowings of (£0.8m).

At the year-end, the Group had committed facilities of £271.0m comprising private placement debt of £153.8m and revolving credit facilities of £117.2m. The Group is in a strong funding position, with headroom at 31 December 2018 of £118.0m under its committed facilities.

In January 2018, a new £27.0m seven-year private placement carrying interest at the rate of 2.35% per annum was drawn down and a new $30.0m (£23.4m) 10-year private placement carrying interest at the rate of 4.18% per annum was drawn down in September 2018. These two new private placements have replaced the $75.0m (£58.6m) private placement carrying interest at the rate of 6.84% per annum that matured in October 2018.

In February 2019, the Group refinanced its main UK revolving credit facilities of £80.0m by increasing the committed facilities to £120.0m and extended the maturity to February 2024. Allowing for this transaction and the related cancellation of £80.0m committed revolving credit facilities (£20.0m that had been due to mature in March 2019 and £60.0m that had been due to mature in November 2021), the weighted average maturity of the Group's committed facilities is currently 5.3 years.

The Group has £0.2m of uncommitted borrowings which are repayable on demand.

The Group's committed borrowing facilities at 31 December 2018 contain a requirement that the ratio of EBITDA (as defined on page 1) 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 2018, the Group was operating well within these covenants as the ratio of EBITDA to net interest costs was 15.2x (31 December 2017 – 13.3x) and the ratio of net debt to EBITDA was 1.1x (31 December 2017 – 1.3x).

IFRS 16 Leases

Effective for annual periods beginning 1 January 2019, IFRS 16 Leases will replace IAS 17 Leases and requires lessees to recognise right of use assets and lease liabilities for all leases (be they operating or financing in classification under IAS 17), unless the lease term is 12 months or less or the underlying asset is low value. As at 31 December 2018, the Group holds a significant number of operating leases which under IAS 17 were expensed on a straight-line basis over the lease term (see Note 33).

The Group has undertaken a comprehensive review across all lease commitments and performed the required assessment of its cumulative adjustment on transition to IFRS 16 on 1 January 2019 and applied the standard from the transitional date using the modified retrospective approach and not restating comparatives. As at 1 January 2019, the Group's audited right of use assets were £96.7m, lease liabilities were £96.3m and working capital and non-current liabilities decreased by £0.4m in total.

The estimated annual financial impact has also been updated from prior guidance in order to reflect the lease portfolio and financial conditions at the date of transition; actual financial impacts will differ as these conditions change. From the financial year ending 31 December 2019, depreciation (£10.2m annually as determined at the date of transition) on the right of use assets will be charged to the Consolidated Income Statement while interest (£3.6m annually as determined at the date of transition) will be accrued against the lease liabilities. These charges to the Consolidated Income Statement will be partly offset by operating lease rentals that will no longer be expensed to the Consolidated Income Statement (£11.3m annually as determined at the date of transition).

The adoption of IFRS 16 does not impact the Group's lending covenants, as noted above, as these are currently based on frozen GAAP.

Brexit

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

BINDI FOYLE
GROUP FINANCE DIRECTOR

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in 2016, the Directors have assessed the prospects of the Group over the three-year period to 31 December 2021, reflecting the normal mid-term planning cycle of its business operations while adequately covering customer lead times for both new and expansion investment.

Although this three-year period is shorter than other time horizons, such as the Goodwill impairment assessment, capital investment and the maturities of some longer-term borrowings, the Directors have no reason to believe that the Group will not be viable over a longer period. The principal Group risks and uncertainties on pages 20 to 25 and areas of strategic priorities on pages 14 to 17 take longer-term prospects into consideration; however, given the inherent uncertainty involved, the period over which the Directors consider it possible to form a reasonable expectation and degree of confidence as to the Group's viability is the three-year period to 31 December 2021.

In its assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties and in particular the risks associated with potential delays in the launch or ramp-up in production of new aircraft platforms.

The Directors have adopted a scenario approach supported by financial modelling. The "Base Case Scenario", comprising the Group Budget for 2019 and the Group's Strategy for 2020 and 2021 before future acquisitions, is flexed to reflect the probability weighted and cumulative estimated effects of the Group's principal risks and uncertainties. In addition, the Directors have also carried out a Reverse Stress Analysis by modelling the point at which future viability becomes uncertain.

The scenarios are designed to be severe but plausible, and take account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks and that realistically would be achieved in the circumstances. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, as discussed on pages 20 to 25, is taken into account.

The Directors consider that this stress-testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

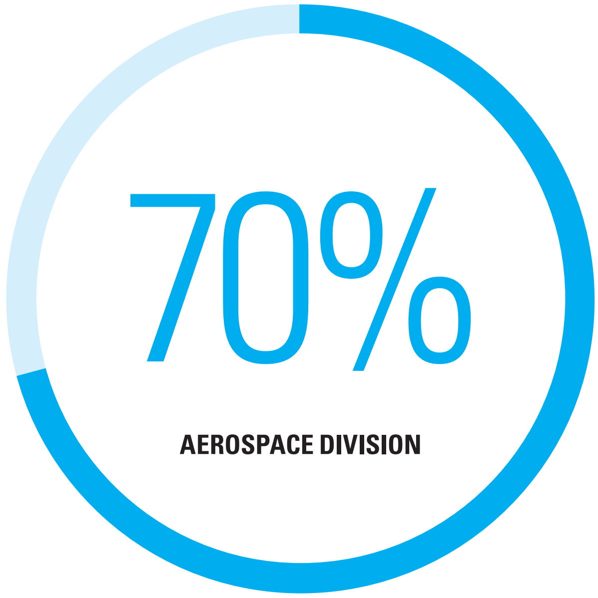
Based upon the robust assessment of the principal risks facing the Group and their stress-testing based assessment of the Group's prospects, all of which are described on pages 20 to 25, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2021, subject to Senior retaining the ability to acquire funding over the three-year period to 2021 in order to refinance committed facilities as they fall due, which is expected to be the case.

GOING CONCERN

As a consequence of the work undertaken to support the viability statement above, the Directors have continued to adopt the going concern basis in preparing the Financial Statements.

DIVISIONAL REVIEW

AEROSPACE



10 North America	4 United Kingdom	3 Continental Europe
1 Thailand	1 Malaysia	

SALES IN LARGE COMMERCIAL AIRCRAFT SECTOR INCREASED BY

6.9%

during the year

REVENUE

£760.4m

(2017 – £711.0m)

ADJUSTED PROFIT BEFORE TAX

£80.4m

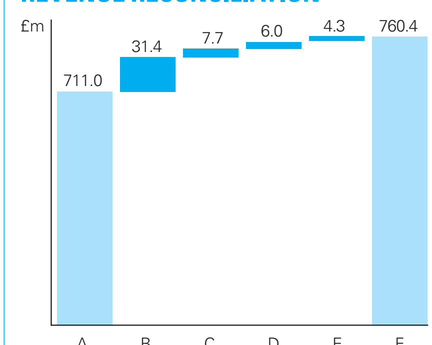
(2017 – £75.2m)

ADJUSTED OPERATING MARGIN[1]

10.6%

(2017 – 10.6%)

REVENUE RECONCILIATION



A 2017 revenue
B Large commercial
C Regional & business jets
D Military
E Other
F 2018 revenue

The Aerospace Division represents 70% (2017 – 71%) 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 2017 results have been translated using 2018 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions. The Division's operating results on a constant currency basis are summarised below:

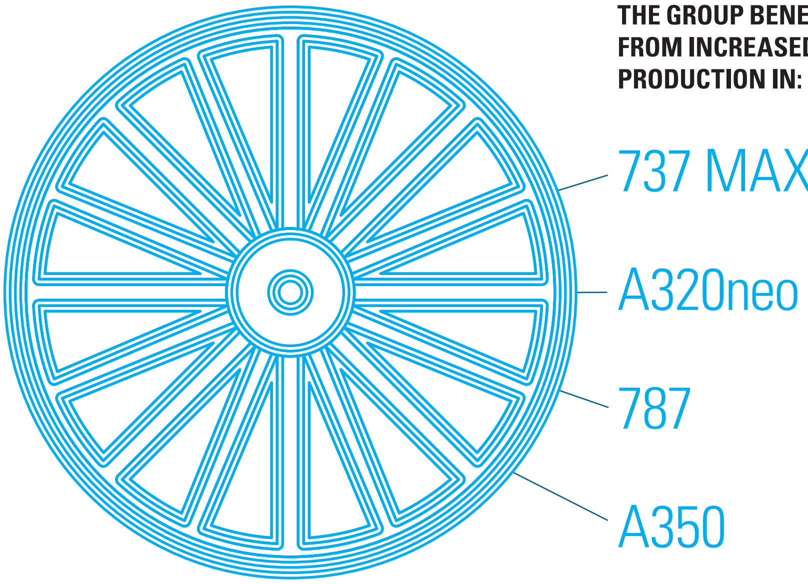
	2018 £m	2017[2] £m	Change
Revenue	760.4	711.0	+6.9%
Adjusted operating profit	80.4	75.2	+6.9%
Adjusted operating margin	10.6%	10.6%	–

Divisional revenue increased by £49.4m (6.9%) to £760.4m (2017 – £711.0m) whilst adjusted operating profit increased by £5.2m (6.9%) to £80.4m (2017 – £75.2m).

(1) Adjusted operating margin is the ratio of adjusted operating profit to revenue. A reconciliation of adjusted operating profit to operating profit is shown in Note 4.

(2) 2017 translated using 2018 average exchange rates – constant currency.

THE GROUP BENEFITED FROM INCREASED PRODUCTION IN:

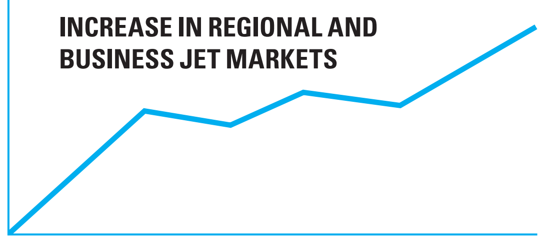


9%

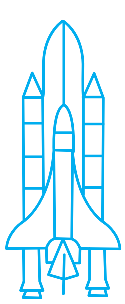
AEROSPACE REVENUE FROM OTHER MARKETS

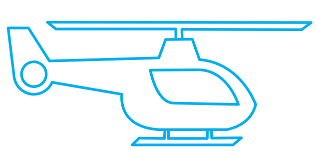
11.4%

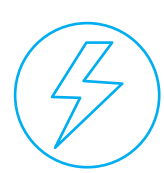
INCREASE IN REGIONAL AND BUSINESS JET MARKETS



OTHER MARKETS IN AEROSPACE INCLUDE:


Space


Non-military helicopters


Power and energy

Senior's sales in the large commercial aircraft sector increased by 6.9% during the year. The Group benefited from increased production of the 737 MAX, A320neo, 787 and A350; however, these increases were partly offset by decreased production of the 777, 747, A330, A380, and the current engine versions of the 737 and A320.

The Division's sales to the regional and business jet markets increased by 11.4% during the year. This reflected the increased production of the A220 and Embraer E2-Jet which were partially offset by lower production of legacy jets.

Revenue from the military and defence sector increased by 5.0% during the year, primarily due to the ramp-up of the Joint Strike Fighter which was partially offset by 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 6.4%, mainly due to demand for Senior's proprietary products for the semi-conductor and medical equipment market.

The divisional adjusted operating margin was stable at 10.6% (2017 – 10.6%). As anticipated, margins were impacted by the year-on-year volume reductions on mature programmes such as the 777, 747, A330, A380, and the current engine versions of the 737 and A320, and the costs associated with the introduction and industrialisation of new programmes. The deployment of the Senior Operating System in 2018 helped to offset these impacts by delivering efficiency and learning curve improvements.

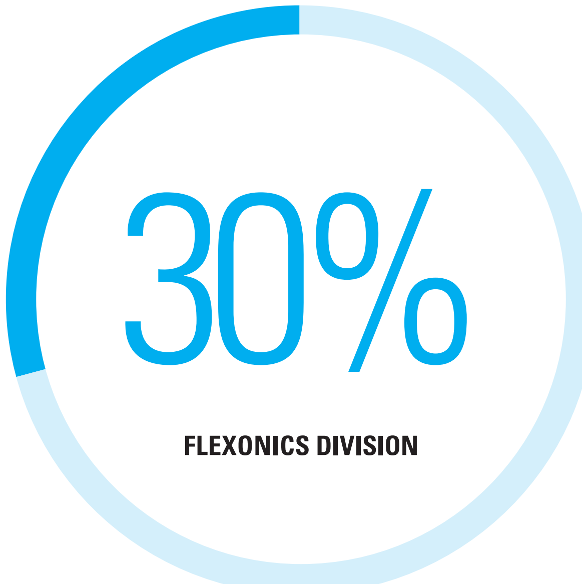
During 2018, Senior successfully won significant additional content on platforms such as the 777X (+55%), which is scheduled to enter service in 2020, and Global 7500 (+91%), which entered into service in December 2018 and will ramp-up over the coming years. Based on the work we have already won, we will continue to balance ongoing cost reduction and learning curve improvements on newer programmes, with the cost of further new product introductions and industrialisation in 2019.

Overall, the future prospects for the Group's Aerospace Division are

VISIBLE AND STRONG

DIVISIONAL REVIEW CONTINUED

FLEXONICS



4
North America

3(1)
Continental Europe

2
United Kingdom

1
South Africa

1
India

1
Brazil

1
Malaysia

1
China

GROUP SALES TO TRUCK AND OFF-HIGHWAY MARKETS INCREASED

17.3%

SALES TO NORTH AMERICAN TRUCK AND OFF-HIGHWAY MARKETS GREW BY

19.8%

(1) Including Senior Flexonics Blois which was disposed in February 2019

REVENUE

£322.9m

(2017 – £293.3m)

ADJUSTED PROFIT BEFORE TAX

£26.1m

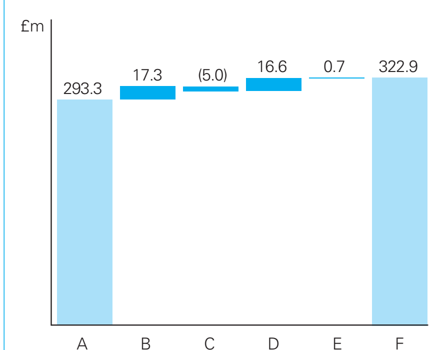
(2017 – £19.7m)

ADJUSTED OPERATING MARGIN(2)

8.1%

(2017 – 6.7%)

REVENUE RECONCILIATION



A 2017 revenue
B Truck and off-highway
C Passenger vehicles
D Power and energy
E Other
F 2018 revenue

The Flexonics Division represents 30% (2017 – 29%) of Group revenue and prior to the sale of Blois in February 2019, consisted 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 2017 results have been translated using 2018 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions. The Division's operating results on a constant currency basis are summarised below:

	2018 £m	2017(3) £m	Change
Revenue	322.9	293.3	+10.1%
Adjusted operating profit	26.1	19.7	+32.5%
Adjusted operating margin	8.1%	6.7%	+140bps

Divisional revenue increased by £29.6m (10.1%) to £322.9m (2017 – £293.3m) and adjusted operating profit increased by £6.4m (32.5%) to £26.1m (2017 – £19.7m).

(2) Adjusted operating margin is the ratio of adjusted operating profit to revenue. A reconciliation of adjusted operating profit to operating profit is shown in Note 4.

(3) 2017 translated using 2018 average exchange rates – constant currency.

Group sales to truck and off-highway markets increased by 17.3%. Senior's sales to the North American truck and off-highway market increased by £14.3m (19.8%), primarily due to higher sales of EGR coolers for new vehicles as heavy-duty truck and off-highway production increased, partly offset by the expected decrease in sales of service parts for older models. Sales to European truck and off-highway markets grew by £4.0m (21.7%), due to ramp-up of new programmes. Sales to India and China decreased by £1.0m (10.5%) as growth from the ramp-up in new programmes in India was offset by lower direct sales to China as some products transitioned to our China joint venture.

Group sales to passenger vehicle markets decreased by £5.0m (9.2%) in the year. As mentioned previously, we elected not to add new business at low margins with high capital requirements in passenger vehicle, electing instead to deploy capital in other parts of the Group with higher returns.

Sales from the Group's power and energy markets increased by £16.6m (12.7%). Sales to oil and gas markets were up £6.9m (11.4%) primarily due to increased drilling activity in upstream oil and gas related markets in North America, while downstream oil and gas related activity was stable. Sales to power generation markets increased by £6.9m (21.5%) due to higher North American and European activity. Sales from other power and energy markets increased by £2.8m (7.3%).

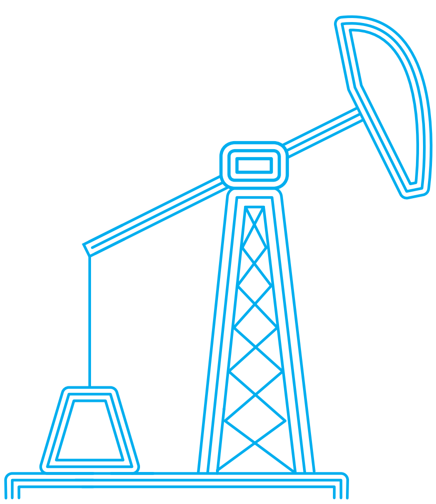
The adjusted operating margin increased by 140 basis points to 8.1% (2017 – 6.7%) principally due to higher demand and volume from trucks, off-highway and upstream oil and gas. This was also coupled with benefits from our focus on cost management and efficiency initiatives.

In February 2019, the Group sold its French Flexonics land vehicle business, Senior Flexonics Blois ("Blois"). Blois' main end market was European passenger vehicles and the sale enables us to have greater focus on our core activities.

Our Flexonics Division and markets are less certain and somewhat dependent on geopolitical factors such as the ongoing trade discussions between the US and China. Industry analysts are currently forecasting a low level of production growth for North American heavy-duty trucks in 2019, with growth in the first half of the year partly offset by a decrease in the second half of the year. In the upstream oil and gas related markets output in the first half of 2019 may be restricted due to infrastructure constraints in the US Permian Basin, with these expected to alleviate in the second half of 2019. Downstream oil and gas activity remains stable for 2019.

After adjusting for the sale of Blois, we expect a slight decline in Flexonics top line which is potentially due to softer demand in some of our industrial markets. However, we currently expect margin progression in this Division in 2019 as a consequence of our continued focus on cost management and efficiency initiatives, coupled with our "prune to grow" strategy.

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.



SALES TO OIL AND GAS MARKETS WERE UP BY

11.4%

GLOBAL ENERGY USAGE, WILL DRIVE INCREASED DEMAND FOR MANY OF THE FLEXONICS DIVISION'S PRODUCTS.

Overall, the future prospects for the Group's Flexonics Division are

INNOVATIVE AND EFFICIENT

CORPORATE RESPONSIBILITY

Operating in an ethical, environmentally and socially sustainable manner is a key driver in value creation

20/20 OBJECTIVES

In 2015, we launched our 20/20 vision for sustainability, a five-year strategy.

Our vision has three core themes: Workplace, Environment and Community.

WORKPLACE

HEALTH & SAFETY

Objectives

Continue towards our goal of zero harm through effective management systems, employee engagement and defining safe behaviours.

Progress

A 25% reduction in our Lost Time Injury Rate and a 16% reduction in our Total Recordable Injury Rate compared with 2017.

This means we have accomplished the 2020 objective of reducing our Lost Time Injury Rate by 50%, two years earlier than targeted.

ETHICS

Objectives

Act in accordance with Senior's business principles and values, upholding a zero tolerance approach to bribery and corruption.

Progress

Rolled out advanced ethics and compliance programmes training across the Group.

Plans have been made to use an external provider for handling whistle-blowing notifications.

EMPLOYEE ENGAGEMENT

Objectives

Develop a Group HR Framework with improvement objectives for learning, diversity and equality.

Progress

The Group continues to partner with world class training providers to develop our leadership pipeline and capability. We have launched Perform, our new global performance management system to our leadership teams across our businesses. We continue to identify high potential individuals and talent through our robust succession planning and talent management process and ensure that they have appropriate development plans in place.

SUPPLY CHAIN

Objectives

Implement a Responsible Supply Chain Management Policy and communicate it to all suppliers.

Progress

A Responsible Sourcing Policy has been adopted. Key suppliers have been included in the assessment process.

ENVIRONMENT

CARBON EMISSIONS

Objectives

Reduce carbon emissions through improved energy consumption and efficiency measures.

Progress

Emissions of CO_2 (tonnes per £m revenue) have decreased from 65 in 2017 to 60 for 2018.

WATER CONSUMPTION

Objectives

Limit the environmental impacts of our products and processes through more efficient water consumption.

Progress

Water consumption for 2018 was 0.31 megalitres/£m turnover compared with 0.26 in 2017.

WASTE RECYCLED

Objectives

Reduce the overall quantity of waste generated and improve proportion of materials reused and recycled.

Progress

Through continual improvement 92% of our waste produced was recycled in 2018 compared to 91% in 2017.

CERTIFICATION

Objectives

Establish formalised environmental management systems in all businesses to reduce the environmental impacts.

Progress

All businesses in Senior now have ISO 14001 accreditation, with the last two achieving accreditation in 2018.

COMMUNITY

COMMUNITY GIVING

Objectives

Establish positive and meaningful relationships with all the communities in which Senior operates and provide financial support to local charities and good causes.

Progress

Our businesses continue to interact in a positive way with communities local to the facility.

2018 TOTAL RECORDABLE INJURY RATE FELL BY

16%

LOST TIME INJURY RATE REDUCED BY

25%

WORKPLACE

HEALTH & SAFETY

Health & Safety is one of our core values in Senior, it is an upmost priority and remains one of our core business objectives.

When compared to our 2017 annual figure the 2018 Total Recordable Injury Rate fell by 16% and the Lost Time Injury Rate reduced by 25% with no work-related employee fatalities.

The inclusion of behavioural based safety in our Zero Harm program is now showing tangible benefits and continues to drive down the injury rates. The significant reduction in Lost Time Injury Rate means we have now achieved our 2020 goal to reduce Lost Time Injury Rate to 0.5.

In 2019 we have plans to further embed our behavioural safety program and have targeted further reductions in both lost time and recordable injury rates.

We believe that leadership in health and safety is key to driving the world class health and safety culture we aspire to. All of our business leadership teams have attended a workshop around our Essential Behaviours, the key themes of the workshop sessions were:

- to understand why a Behaviour Standard supports a strong safety culture and how it works;
- to see the connection between behaviours and "real" incidents;
- to compare the current management behaviours with the Essential Behaviours using a gap analysis method;
- to choose two of these behaviours and create Action Plans that address these (Doing Our Bit);
- to develop and lead a communication and engagement strategy to launch the Behaviour Standard on site; and
- to commit to improving a single behaviour personally (Doing My Bit).

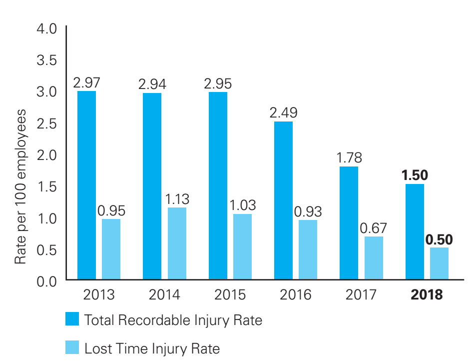
Focus on leadership through behavioural safety has resulted in benefits to existing safety programs including near-miss reporting. We promote near miss reporting as a proactive way to identify and rectify potential hazards. This has resulted in an unprecedented number of near miss reports across the Group in 2018; 8,392, an increase of over 60% compared to 2017 and a record year.

All of our businesses have been subjected to a Group health, safety and environment audit in 2018. Areas of improvement are identified and actions tracked centrally. In 2019 this program will be revised to align the format with the recent ISO 45001 standard Health and Safety Management.

In 2018 a fire occurred in one of our European businesses. No staff were injured in the event which was confined to a particular processing area. The business contingency plan is proving effective in mitigating the event and all Group businesses have been required to examine similar plant with learning taken from the event.

For 2019 we have plans to extend our behavioural safety program with "My Team My Responsibility", a workshop and coaching program for our first line business leaders. In addition, we will be strengthening our communication network for HSE professionals with a revised intranet as well as global networking opportunities.

INJURY RATES



ETHICS

The highest ethical standard

Senior remains committed to the highest standard of ethics and a zero tolerance towards bribery and corruption. Our ethics and business conduct programme commits us to conducting business fairly, impartially and in compliance with local laws and regulations and to acting with integrity and honesty in our business relationships. The programme is underpinned by the Code of Conduct, which provides a clear framework on which to base decisions when conducting day-to-day business. It does this by:

- clearly setting out the behaviour expected of all employees;
- providing guidelines which help employees to apply our values; and
- enabling employees to raise a concern or ask a question if in doubt.

Acting ethically is an enabler of our business, providing competitive advantage by strengthening long-term relationships and protecting the Group's reputation.

We use various forms of communication and training, both in-person and through electronic media, to embed the ethics and integrity requirement across the Group. We investigate any alleged violations or complaints and take the necessary action. A register of reported incidents is maintained by the Group Company Secretary and the Board receives regular updates.

The Group recognises that the use of third-party intermediaries can increase potential bribery and corruption risks within the markets in which we operate. All external sales agents working on behalf of Senior across the world are required to operate in compliance with the Code of Conduct. The Code requires a pre-appointment due diligence and risk assessment to be undertaken, prior to engaging or re-appointing any sales agent and requires them to be issued with the Code, ensuring that they understand, acknowledge and accept its requirements.

Theme	Everyone	Supervisors & Team Leaders	Managers & Leadership
Standards	Follow Rules	Ensure Compliance	Set High Standards
Communication	Speak Up	Encourage the Team	Communicate Openly
Risk Management	Be Mindful	Promote Risk Awareness	Confront Risk
Involvement	Get Involved	Engage the Team	Involve the Workforce

Businesses have worked hard to embed our "essential behaviours" for health and safety.

CORPORATE RESPONSIBILITY CONTINUED

Please refer to the Corporate Governance Report on pages 44 to 47 for further information on Corporate Ethics and the Code of Conduct.

2018 update

- The 2018 Code of Conduct training programme was completed by all employees
- The Senior Code of Conduct was updated and reissued to all employees
- The Group Responsible Sourcing Policy was updated and reissued
- Training on GDPR was delivered to employees as appropriate

Our plans for 2019

- All employees will be required to complete the 2019 Code of Conduct training programme
- A Learning Management System will be implemented, facilitating the delivery of ethics and other training

EMPLOYEE ENGAGEMENT

In our autonomous and collaborative structure our operating businesses actively engage via a range of activities that are culturally appropriate for the business. These include: meetings with employee representative bodies, long service awards, an employee App, holiday parties and employee assistance programmes. Our businesses assess engagement at a local level via engagement surveys, providing feedback to the participants and develop action plans based on the feedback. As well as our annual Spring Roadshow when members of the Executive Team visit all our sites to present a business update, our operations hold regular meetings with groups of employees such as All-hands meetings, Behavioural Safety sessions, Values workshops and Kaizen events.

Having considered the increased emphasis of the new UK Corporate Governance Code 2018 on stakeholder engagement, the Board has nominated Celia Baxter as a designated non-executive Director responsible for engagement with the workforce.

SUPPLY CHAIN

Our businesses have communicated the requirements of the Group Responsible Sourcing Policy to key suppliers.

COMMUNITY

COMMUNITY GIVING

We continue to establish positive and meaningful relationships with all the communities in which Senior operates and provide financial support to local charities and good causes. Our businesses continue to interact in a positive way with communities local to their facility.

DIVERSITY AND INCLUSION

Senior plc is committed to ensuring equal opportunities, fairness of treatment, dignity, work-life balance and the elimination of all forms of discrimination in the workplace for employees and job applicants. Senior aims to create a working environment in which all individuals can make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

The Group's Equality, Diversity and Inclusion policy is contained within the Code of Conduct and requires Senior's employees to treat everyone they meet in the course of business with respect, fairness and dignity. Employees are required to comply with the Code of Conduct and the policies included therein. During the year, all employees received training on the Code of Conduct. We have made a commitment to provide a diverse and inclusive workplace for example by having policies and procedures that support the attraction, selection, retention and promotion of people from a diverse range of candidates based on skills and merit. In addition, Senior's operating businesses adopted local policies as a means of helping to achieve these aims.

The table below shows the diversity of the Senior Group's Board of Directors, Executive Committee and Operational Senior Management in 2018 by gender.

	Gender	
	Male	Female
Total Group	81%	19%
Board of Directors	57%	43%
Executive Committee	66%	33%
Operational Senior Management	86%	14%

The Board seeks to ensure a diverse workforce that supports all employees, irrespective of age, disability, gender, race, religion or sexual orientation. We will not accept any form of unlawful discrimination against our colleagues or any third parties be they potential employees, customers, subcontractors, suppliers or members of the public. All employees have an equal chance to contribute and to achieve their potential. We strive to reflect the diversity of the communities we work in, at all levels across our workforce. Senior plc is an equal opportunities employer.

In accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, Senior publishes its Gender Pay Gap report on the Company's website.

COMMUNITY ENGAGEMENT IN INDIA

At Senior Flexonics New Delhi, it is our firm belief to give back to society through engaging with our local community, which also supports two of Senior's Corporate Responsibility Objectives: Employee Engagement and Community Giving.

Our aim is to improve the quality of life through effective partnership on a sustainable basis.

Keeping the above objectives in mind, we collaborated with a government school in a deprived area of the Haryana state to resolve issues of unsafe drinking water causing water borne diseases and related health issues to 850 students.

A water purification system with capacity of 250 litres per hour was installed with maintenance back up to ensure the sustainability of the project.

This has brought immense delight to school students along with the elimination of water borne diseases.

A formal inauguration ceremony was organised by the school principal on 17 December 2018 which had active participation from the school students and the village representatives who were present for the thanksgiving.

This was a moment of pride for all the Senior India employees.

WATER PURIFICATION SYSTEM WITH CAPACITY OF

250 litres per hour

ENVIRONMENT

Environmental management remains a strong focus in our businesses. We achieved a reduction of 8% in our carbon intensity (CO_2 per £m revenue), as well as a reduction of 7% in the total carbon emitted (CO_2e).

It is a requirement for all Senior businesses to attain an accreditation to ISO 14000. The last two businesses achieved full accreditation in 2018.

CARBON EMISSIONS

In 2018 we saw a small increase (1%) in our absolute Scope 1 (direct) carbon emissions compared to 2017, the increase may be attributed to heating buildings in lower winter temperatures in some of our larger businesses. Total Scope 2 (indirect) emissions have reduced in 2018, down around 8%, this comes largely from reduced carbon conversion factors in some of our larger businesses.

In terms of carbon intensity we have seen further improvements this year, attributed to a combination of continuing energy saving initiatives and more favourable carbon conversion factors. The intensity measure has reduced from 65 tonnes CO_2e/£m revenue in 2017 to 60 tonnes CO_2e/£m revenue in 2018, down 8%.

Our Scope 1 and 2 emissions have been independently verified in accordance with the International Standard on Assurance Engagements 3410 "Assurance engagements on greenhouse gas statements" (ISAE 3410).

Senior submits data and information related to Climate Change on an annual basis to the CDP. This means that we must detail how we manage our emissions of carbon and describe in detail how we consider carbon and the environment in the way we conduct our business and plan for the future. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Over the past 15 years they have created a system which is used by a broad spectrum of leading companies and institutions.

WATER CONSUMPTION

We continue to monitor and report on water usage. Senior's businesses incorporate water saving initiatives as they continue to refine production processes. In 2018 our water intensity increased from 0.26 in 2017 to 0.31 for 2018 (megalitre/£m turnover). This is attributed in the main to increased activity in some product lines.

WASTE RECYCLED

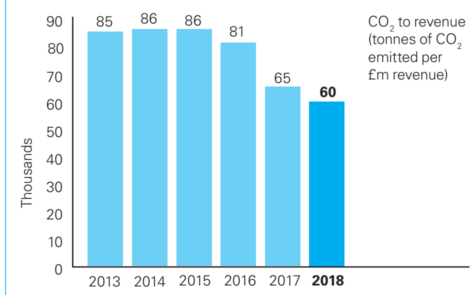
In 2018, we recycled over 92% of our waste with a number of our businesses achieving zero waste to landfill where local conditions are favourable to recycling opportunities. This is a result of a concerted effort by the businesses to examine opportunities to minimise waste and where possible investigate new recycling opportunities. The total volume of waste recycled by the Group in 2018 increased by 9% compared to 2017.

APPROVAL

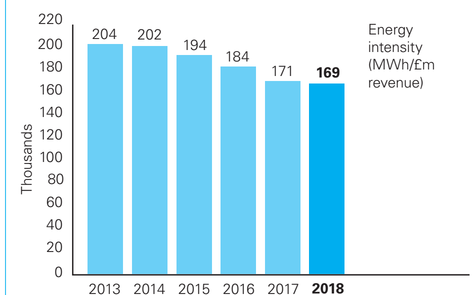
The Strategic Report from pages 1 to 37 was approved by the Board of Directors on 1 March 2019 and signed on its behalf by

DAVID SQUIRES
GROUP CHIEF EXECUTIVE

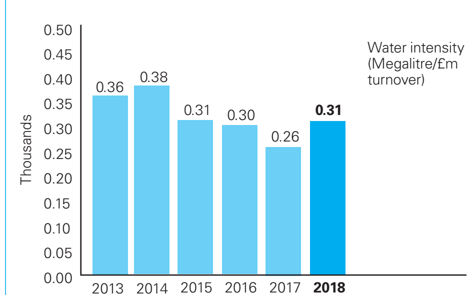
CO_2 TO TURNOVER



ENERGY INTENSITY



WATER CONSUMPTION



SUMMARY OF ENVIRONMENTAL PERFORMANCE

	2013	2014	2015	2016	2017	**2018**
Energy efficiency (MWh/£m revenue)	204	202	194	184	171	**169**
Scope 1 GHG (tCO_2e)	9,466	11,475	12,092	10,906	10,348	**10,414**
Scope 2 GHG (tCO_2e)	51,151	56,787	56,482	59,578	55,941	**51,226**
Scope 3 GHG (tCO_2e)	5,631	2,796	4,130	4,089	4,123	**3,738**
Tonnes CO_2 emitted per £m of revenue	85.47	86.14	85.58	81.28	65	**60**
Water usage (in megalitres)	275	314	264	288	268	**332**
Percentage of waste recycled or recovered	71%	81%	82%	81%	91%	**92%**
Water usage per £m of revenue	0.36	0.38	0.31	0.30	0.26	**0.31**

BOARD OF DIRECTORS

1. IAN KING

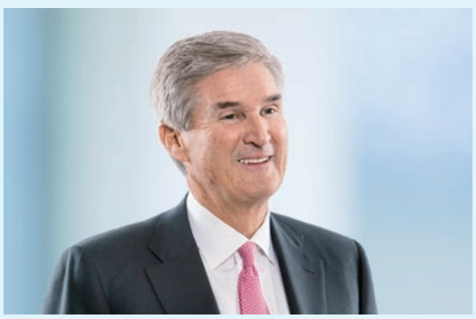
2. CELIA BAXTER

3. SUSAN BRENNAN

4. BINDI FOYLE

5. GILES KERR

6. DAVID SQUIRES



7. MARK VERNON

8. RAJIV SHARMA

9. ANDREW BODENHAM

1. IAN KING

CHAIRMAN

Appointment to the Board

Ian King joined the Board on 13 November 2017 as a non-executive Director and became Chairman in April 2018.

External Appointments

Ian is the senior independent director of Schroders plc, having been appointed to its Board on 1 January 2017, the lead non-executive director for the Department for Transport and a senior adviser to the Board of Gleacher Shacklock LLP.

Previous Experience

He was Chief Executive of BAE Systems plc from September 2008 to June 2017, having been originally appointed to its Board as Chief Operating Officer, UK and Rest of the World in 2007. He also served as a non-executive director and senior independent director of Rotork plc until June 2014.

Qualifications

Fellow of the Chartered Institute of Management Accountants.

2. CELIA BAXTER

INDEPENDENT NON-EXECUTIVE DIRECTOR*

Appointment to the Board

Celia Baxter joined the Board on 2 September 2013 and became Chair of the Remuneration Committee in December 2013.

External Appointments

She is a non-executive director of N.V. Bekaert S.A. and RHI Magnesita N.V.

Previous Experience

Her early HR career was with Ford Motor Company and KPMG. She has held executive HR positions with Hays plc, Enterprise Oil Plc and Tate & Lyle Plc, and most recently was Director of Group HR of Bunzl plc.

Qualifications

Doctor of Philosophy (PhD) and Member of the Chartered Institute of Personnel and Development.

3. SUSAN BRENNAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board
Susan Brennan joined the Board in January 2016.

External Appointments
She is the Executive Vice-President and the Chief Operations Officer of Bloom Energy Corporation.

Previous Experience
She has more than 25 years of manufacturing experience, including automotive vehicle and components assembly. She served as VP of Manufacturing at Nissan North America, Inc. and as Director of global manufacturing at Ford, where she led a global business office for Ford's assembly, powertrain and stamping plants.

Qualifications
BSc in Microbiology and MBA.

4. BINDI FOYLE
GROUP FINANCE DIRECTOR

Appointment to the Board
Bindi Foyle joined the Board as an Executive Director on 3 May 2017 and became Group Finance Director on 1 July 2017.

She joined Senior as Group Financial Controller in January 2006, a role she held until July 2014 when she became responsible for the Group's Investor Relations activities. Prior to her appointment as an Executive Director, Bindi was Director of Investor Relations and Corporate Communications for the Group.

Previous Experience
Prior to joining Senior, Bindi held senior finance roles at Amersham plc and GE, having previously worked with BDO Stoy Hayward.

Qualifications
BSc (Hons) in Economics & Accounting and a Chartered Accountant.

5. GILES KERR
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board
Giles Kerr joined the Board on 2 September 2013 and became Chairman of the Audit Committee in April 2014.

External Appointments
In December 2018, he was appointed a non-executive director of Abcam plc. He is also a non-executive director of Adaptimmune Therapeutics plc, PayPoint plc and Arix Bioscience plc.

Previous Experience
In 2018, he stepped down as Director of Finance of Oxford University and as non-executive director of BTG Plc. He is a former non-executive director of Victrex plc. Giles held a number of positions with Amersham plc within finance and corporate development, culminating in his role as Group Finance Director. He was formerly a Partner with Arthur Andersen & Co.

Qualifications
BA (Hons) in Economics and a Chartered Accountant.

6. DAVID SQUIRES
GROUP CHIEF EXECUTIVE

Appointment to the Board
David Squires was appointed to the Board on 1 May 2015 and became Group Chief Executive on 1 June 2015.

Previous Experience
David started his career in the oil industry working for Shell; however, most of his working life has been spent in the aerospace industry, initially with Hughes Aircraft Company (now Raytheon), then GEC-Marconi/BAE Systems, Eaton Corporation, and Cobham plc, before joining Senior plc in May 2015.

David has held senior posts in operations and procurement, business development, programme management and general management. Prior to joining Senior plc, David was Chief Operating Officer of Cobham plc.

Qualifications
BA in Business Management Studies, a Fellow of the Chartered Institute of Purchasing and Supply and Fellow of the Royal Aeronautical Society.

7. MARK VERNON
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR*

Appointment to the Board
Mark Vernon joined the Board in April 2011 and became Senior Independent Director in April 2016.

External Appointments
He has been a Director of LiqTech International, Inc since 2013 and was appointed its Chairman in July 2018.

Previous Experience
He was the Group Chief Executive of Spirax-Sarco Engineering plc until his retirement in January 2014. He has had a long career in the industrial engineering industry, serving previously as Group Vice-President of Flowserve's Flow Control Business Unit, Vice-President of Durco International and President of Valtek International, a global controls business.

Qualifications
BSc in Chemistry.

8. RAJIV SHARMA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board
Rajiv Sharma was appointed to the Board with effect from 1 January 2019.

External Appointments
Rajiv has been the Group Chief Executive of Coats Group plc since January 2017, having served as an executive director since March 2015. Coats is a leading industrial thread manufacturer with a business spanning 50 countries, including North America and Europe and with a growing presence in Asia.

Previous Experience
During his career, Rajiv has held senior roles in various companies including Honeywell, GE and Shell.

Qualifications
BTech in Mechanical Engineering and MBA, Marketing & Strategy.

9. ANDREW BODENHAM
GROUP COMPANY SECRETARY

Appointment to the Board
Andrew Bodenham joined as Group Company Secretary in 2002. He acts as Secretary to the Senior plc Board and its Committees and also sits on the Group's Treasury Committee and the Executive Committee.

Qualifications
LLB (Hons) and a Chartered Secretary.

CHARLES BERRY

Charles Berry was non-executive Chairman and Chairman of the Nominations Committee until he retired from the Board at the conclusion of the Company's Annual General Meeting in April 2018.

*Celia Baxter will succeed Mark Vernon as Senior Independent Non-executive Director following the close of the 2019 AGM.

EXECUTIVE COMMITTEE


1. DAVID SQUIRES

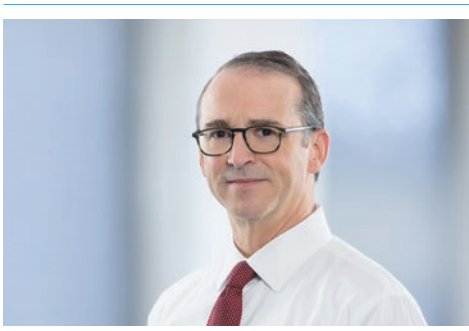

2. DAVID BEAVAN

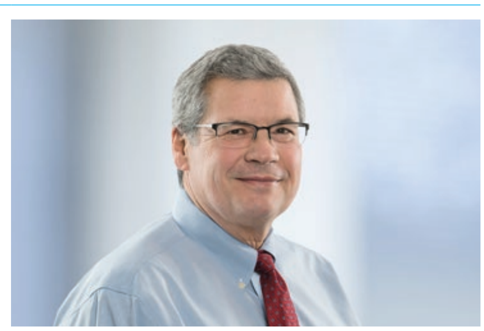

3. ANDREW BODENHAM

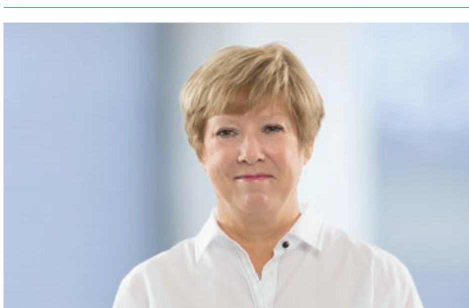

4. LAUNIE FLEMING


5. BINDI FOYLE


6. JANE JOHNSTON


7. JOE MOCKUS


8. MIKE SHEPPARD


9. MICHELLE YORKE

1. DAVID SQUIRES

See biography on page 39.

2. DAVID BEAVAN

David took up the role of Director of Business Development & Strategy (formerly the Head of Business Development) in April 2014. He joined the Group in 2004, when he was appointed the Chief Executive of Senior Aerospace BWT. Prior to joining Senior, David had general management experience within automotive and commercial aircraft Tier 1 supplier industries.

3. ANDREW BODENHAM

See biography on page 39.

4. LAUNIE FLEMING

A US citizen, he has worked for the Group for over 20 years. Launie joined the Executive Committee upon his appointment as Chief Executive of Aerospace Fluid Systems in September 2008. Prior to that appointment, he had been Chief Executive of Senior Aerospace SSP.

5. BINDI FOYLE

See biography on page 39.

6. JANE JOHNSTON

Jane joined the Group on 16 May 2016. A Fellow of the Chartered Institute of Personnel and Development, Jane has considerable experience heading up HR functions across a range of global geographies. She has worked in a number of different sectors including technology, drug development, construction, and professional services and, prior to joining Senior, was Group HR Director at Pace plc.

7. JOE MOCKUS

A US citizen, he joined the Group in October 2010 as the Chief Executive of Senior Flexonics Bartlett and subsequently added responsibility for the Senior Flexonics businesses in Mexico and India. He was appointed Chief Executive of Aerospace Structures in February 2017. Prior to joining Senior, Joe served as President and COO of Femco Holdings LLC.

8. MIKE SHEPPARD

A US citizen, he has worked for the Group for over 30 years and is the Chief Executive of Flexonics. A qualified engineer, Mike's previous positions within the Group included operational roles at the two largest Flexonics businesses, Pathway and Bartlett.

9. MICHELLE YORKE

Michelle took up the role of Director of Risk and Compliance in September 2018. Michelle joined the Group in April 2016 as Head of Risk and Assurance. Prior to joining Senior, Michelle has more than twenty years of experience in the aerospace sector having held a variety of leadership roles. Michelle is a Chartered Accountant.

EXECUTIVE COMMITTEE

The Executive Committee, although not formally appointed as a Committee of the Board, oversees the running of all Senior Group operations.

The purpose of the Executive Committee is to assist the Group Chief Executive in the performance of his duties, including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- the monitoring of operating and financial performance;
- the assessment and control of risk;
- the prioritisation and allocation of resources; and
- the monitoring of competitive forces in each area of operation.

The Committee is also responsible for the consideration of all other matters not specifically reserved for consideration by the Board. A report on the activities of the Executive Committee is provided to the Board by the Group Chief Executive at each Board meeting.

The Committee is comprised of two members of the Board, David Squires and Bindi Foyle, together with Launie Fleming (Chief Executive of Aerospace Fluid Systems), Joe Mockus (Chief Executive of Aerospace Structures), Mike Sheppard (Chief Executive of Flexonics), David Beavan (Director of Business Development & Strategy), Andrew Bodenham (Group Company Secretary), Jane Johnston (Group HR Director) and Michelle Yorke (Director of Risk and Compliance).

HEALTH, SAFETY & ENVIRONMENT (HSE) COMMITTEE

The HSE committee is also not formally appointed as a Committee of the Board, but officially oversees all health, safety and environmental matters across the Group. Its Terms of Reference can be found on the Company's website.

Throughout 2018, the members of this committee were: David Squires (Chairman of the committee), Mike Sheppard (Chief Executive of Flexonics), Joe Mockus (Chief Executive of Aerospace Structures), Launie Fleming (Chief Executive of Aerospace Fluid Systems) and Mark Roden (Group HSE & Sustainability Director). The committee met three times during the year.

REPORT OF THE DIRECTORS

The Directors present their Report and supplementary reports, together with the audited Financial Statements for the year ended 31 December 2018.

ACTIVITIES AND BUSINESS REVIEW

Senior plc is a holding company. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 37. Its Group undertakings are shown on pages 123 to 125. The Strategic Report includes details of the market overview, key growth drivers, Senior's business model, strategic objectives, risks and uncertainties, key performance indicators and a summary of the Group's 2018 performance.

ACQUISITIONS AND DISPOSALS

No acquisitions or disposals were completed during the year. On 15 February 2019, the Group sold its Flexonics operating company in France, Senior Flexonics Blois SAS. Details of the disposal can be found in Note 37 on page 114.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Income Statement on page 78.

An interim dividend of 2.19 pence per share (2017 – 2.05 pence) has already been paid and the Directors recommend a 2018 final dividend of 5.23 pence per share (2017 – 4.90 pence). The final dividend, if approved, will be payable on 31 May 2019 to shareholders on the register at the close of business on 3 May 2019. This would bring the total dividend for the year to 7.42 pence per share (2017 – 6.95 pence).

SHARE CAPITAL

The Company has one class of ordinary shares, which carries no right to a fixed income. Each share carries the right to vote at general meetings of the Company. The Company issued no new shares in 2018.

The total number of shares in issue at 31 December 2018 was 419,418,082.

Further details on share capital are given in Note 25.

Details of employee share plans are set out in Note 34.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital, and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code 2016 (the Corporate Governance Code), the Companies Act 2006 and related legislation. The Articles may be amended by special resolution of the shareholders. The powers of Directors are described in the Matters Reserved for the Senior plc Board, which may be found on the Company's website. Each year, shareholder approval is sought to renew the Board's authority to allot relevant securities.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements, and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

FINANCIAL INSTRUMENTS

Note 20 contains disclosures on financial instruments.

DIRECTORS

Details of the Directors who served throughout the year can be found on pages 38 and 39. The Directors' interests in the shares of the Company are included in the Directors' Remuneration Report on page 69. No Director has any interest in contracts with the Company or its subsidiary undertakings. As shown on page 39, Susan Brennan is Executive Vice President and the Chief Operations Officer of Bloom Energy Corporation. Note 53 provides details of the contract Bloom Energy has with a Group subsidiary. Procedures have been adopted by Bloom Energy which mean Susan Brennan has no involvement in this contract.

The provisions of the Corporate Governance Code require that all Directors of FTSE 350 companies should be subject to annual election by shareholders. Celia Baxter, Susan Brennan, Bindi Foyle, Giles Kerr, Ian King, David Squires and Mark Vernon will all stand for re-election at the AGM to be held in April 2019. Rajiv Sharma, who was appointed a Director towards the end of 2018, will stand for election at the 2019 AGM.

BOARD DIVERSITY

Senior remains committed to all aspects of Board diversity including gender, experience, background and personal attributes and will keep under review its balance and composition. The appointments of Celia Baxter to the Board in 2013, Susan Brennan in 2016, and Bindi Foyle in 2017 mean that Senior has strong female representation on its Board.

DIRECTORS' INDEMNITIES

Qualifying third-party indemnity provisions for the benefit of the Directors were renewed by the Company during the year and remain in force at the date of this Report.

RESEARCH AND DEVELOPMENT

In 2018, the Group incurred £29.7m (2017 – £25.6m) on research and development. Product development and improving manufacturing processes represent the primary focus of the Group's research and development activities.

POLITICAL DONATIONS
No political donations were made by the Group during the year.

EMPLOYEES
The Group promotes the dissemination of relevant information, so that employees are kept regularly advised of Group and local operational developments. Where appropriate, local briefing sessions are held concerning such matters as Group development, corporate ethics, health and safety, pension plans and healthcare benefits.

Senior provides support, training and development opportunities to all our employees irrespective of whether or not they are disabled. We give full and fair consideration to disabled applicants, and where an existing employee becomes disabled during their employment, we will make every effort to ensure they are able to continue working for Senior.

GREENHOUSE GAS EMISSIONS
The Group has followed the reporting requirements on greenhouse gas emissions, contained in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013; details of the Group's greenhouse gas emissions can be found on page 37.

MAJOR SHAREHOLDINGS
The Company has been notified that the following shareholders were interested in 3% or more of the issued share capital of the Company:

	% at 13 February 2019
Aberdeen Standard Investments	6.43
BlackRock	5.01
Fidelity International	4.54
Alantra Asset Management	4.06
Legal & General Investment Management	3.69
Norges Bank Investment Management	3.54
Janus Henderson Investors	3.52
Vanguard Group	3.36
Allianz Global Investors	3.36
Mensarius	3.04

So far as is known, no other shareholder had a notifiable interest amounting to 3% or more of the issued share capital of the Company, and the Directors believe that the close company provisions of the Income and Corporation Taxes Act 1988 (as amended) do not apply to the Company.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE
The statement of compliance with the provisions of the UK Corporate Governance Code 2016 issued by the Financial Reporting Council is set out on page 44.

REMUNERATION REPORT AND POLICY
The Annual Report on Remuneration is to be put to shareholder vote at the forthcoming AGM. The Directors' Remuneration Policy was approved by shareholders at the 2018 AGM.

ANNUAL GENERAL MEETING
The Notice of Meeting describes the business to be considered at the AGM to be held at 11.30 am on Friday 26 April 2019 at Glazier's Hall, 9 Montague Close, London Bridge, London SE1 9DD.

ACQUISITION OF THE COMPANY'S OWN SHARES
The Company purchased no ordinary shares of 10 pence each in the capital of the Company during the year. 2.3m (2017 – 0.1m) shares were purchased by the Senior plc Employee Benefit Trust in the year to satisfy the future vesting of executive share awards and employee share plans. At the end of the year, the Directors had authority, under the shareholders' resolutions dated 27 April 2018, to make market purchases of the Company's shares up to an aggregate nominal amount of £42m (2017 – £42m), which represented approximately 10% of the issued share capital of the Company. A resolution to renew this authority will be proposed at the forthcoming AGM.

AUDITOR
- Each of the persons who is a Director of the Company at the date of approval of this Annual Report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In 2016, the Group undertook a formal tender process for its external audit function, with a selected number of audit firms receiving an invitation to tender. Deloitte LLP, the Group's external auditor from 2000 to 2016, was not invited to tender due to the longevity of its appointment. Following conclusion of the tender process, the Board recommended that KPMG LLP be appointed as the Group's external auditor for the financial year commencing 1 January 2017. KPMG's reappointment was approved by shareholders at the 2018 AGM.

By Order of the Board

ANDREW BODENHAM
GROUP COMPANY SECRETARY
1 March 2019

CORPORATE GOVERNANCE REPORT

IAN KING
CHAIRMAN

CHAIRMAN'S LETTER

I am pleased to present the Group's Corporate Governance Report for 2018 on behalf of the Board. This report is intended to provide shareholders with a clear and meaningful explanation of what governance means to the Board and how this guides its decision-making process. Good corporate governance is given prominence across the Group; the Board sets the tone and takes the lead on all governance matters.

The Board remains committed to ensuring the long-term sustainable growth of the Group, which is key to the set of core Principles set out in the UK Corporate Governance Code 2018.

IAN KING
CHAIRMAN

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report describes the manner in which the Company has applied the Main Principles of the UK Corporate Governance Code 2016 (the Corporate Governance Code).

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been in compliance with the Principles set out in Sections A to E of the Corporate Governance Code 2016 throughout 2018 and moved towards full compliance with the UK Corporate Governance Code 2018, which became effective on 1 January 2019.

APPLICATION OF THE PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

The Principles of good corporate governance are detailed in the Corporate Governance Code under five areas. These Principles have each been reviewed by the Directors and are commented upon as follows:

Section A: Leadership

The Board is structured under a non-executive Chairman, and currently includes two executive Directors and five independent non-executive Directors, who were selected for appointment because of their diverse experience. In addition, the Company has an Executive Committee, chaired by the Group Chief Executive, comprising the executive Directors and other key executives within the Group. Details of the members of the Board and of the Executive Committee are summarised on pages 38 to 41.

The Directors consider that an effective Board is in place which leads and controls the Group, with clear divisions of responsibility between the Board and Executive team.

The Board is led by the Chairman, Ian King, who was independent upon appointment. The Board considers all non-executive Directors of the Company to be independent, having taken into account a list of relationships and circumstances that may appear relevant in determining independence, in accordance with the Corporate Governance Code. The Chair encourages open and honest discussions between Directors, both within and outside Board meetings, and ensures no Director or group of Directors exerts pressure or dominates the Board's decision-making.

The Board is responsible for setting the strategy of the Group, including the setting of commercial strategy and the approval of Group budgets and financial statements. It also approves significant financial and contractual commitments made by the Group. The Board's Terms of Reference more fully describe the responsibilities of the Board and may be found on the Company's website.

The Board delegates a certain number of its responsibilities to the Audit, Remuneration, Nominations, and Health, Safety & Environment Committees. The Group Chief Executive, together with the Executive Committee, is responsible for the implementation of the decisions made by the Board and for the day-to-day conduct of the Group's operations.

The Board has ultimate accountability for the Group's risk management process, which is described on pages 20 to 25.

The Board met formally on a regular basis, ten times in 2018; in addition, there were three meetings of the Audit Committee in 2018, together with three meetings of the Remuneration Committee and four meetings of the Nominations Committee. A table showing Board and Committee meeting membership and attendance is shown on page 45. Other Committees are appointed by the Board to deal with treasury matters, disclosure matters and specific issues such as acquisitions and disposals.

The minutes arising from all Committee meetings are made available to the Board. Procedures are in place to ensure that all Directors are properly briefed, so that decisions taken by the Board are based on the fullest, up-to-date, available information. The non-executive Directors are encouraged to visit the Group's operations to meet the local management teams and discuss any issues that they may be facing. At every Board meeting, there are reviews of health, safety and environmental performance, and operational, financial and administrative matters; social and ethical issues, the agreement of budgets and levels of insurance cover are reviewed whenever appropriate.

There is a procedure by which all Directors can obtain independent professional advice at the Company's expense in furtherance of their duties, if required.

To enable the members of the Board and its Committees to discharge their duties effectively, the Chairman ensures that accurate and clear information is provided to all Directors in a timely manner in advance of meetings. The Group Company Secretary supports the Board to ensure that it has in place appropriate policies, processes, time and resources to enable it to operate efficiently and effectively.

Section B: Effectiveness

The Company's Nominations Committee leads the process for Board appointments and supervises management development and succession planning. It also makes recommendations to the Board on all new Board appointments and re-appointments, further details of which can be found on page 48. The Committee, which consists entirely of non-executive Directors, is chaired by Ian King; its composition is shown below, with the addition of Rajiv Sharma from 1 January 2019.

Diversity, gender, social and ethnic backgrounds and personal skills and abilities are taken into account during the recruitment process to ensure the Board is well-balanced and appropriate for the Group; the Board's policy on diversity and inclusion is described on page 36. In addition, the Nominations Committee seeks confirmation that candidates under consideration would have sufficient time to carry out their duties as a Director of the Board, if appointed. Time commitment of continuing Directors is kept under review.

Appointments to the Board are made following a rigorous, formal, recruitment process supported by professional consultants. In 2018, Korn Ferry conducted an external search to assist the Board's recruitment process to find suitable candidates for the role of an additional non-executive Director. Korn Ferry has no other connection with the Company or its Directors. Having considered a number of strong candidates, the Nominations Committee recommended to the Board that Rajiv Sharma be appointed to the Board on 1 January 2019; his appointment was formally approved by the Board. The biographies of all Directors are provided on page 39. The work of the Nominations Committee is described on page 48. All Directors receive induction upon joining the Board and are encouraged to update their knowledge and skills on a frequent basis. In 2018, all Directors received training on statutory matters.

The Directors are cognisant of the fact that the Board, and its Committees, should have the appropriate combination of skills, experience and knowledge to enable them to carry out their duties effectively. Membership of the Board and its Committees is kept under regular review and refreshed when appropriate, taking into account the Directors' lengths of service and their ability to devote sufficient time to Company matters.

The Board undertakes an annual self-evaluation process and in 2018 this was carried out with the support of Independent Audit Limited. The 2018 evaluation process found the composition of the Board and its Committees to be appropriate. The evaluation findings showed that the Board operated effectively throughout the period and made some suggestions for additional focus. The findings will be used to help support the development of the Board as the Group continues with its strategy to grow profitability, both organically and by acquisition. Independent Audit Limited has no other connection with the Company or its Directors.

As in prior years, in 2018 the Chairman undertook a review of the performance of all the Directors in office during the year, this process involved individual appraisal interviews. The results of the evaluation process are used to improve Board performance and to determine the training needs of each of the Directors. Mark Vernon, in consultation with the other Directors, undertook an evaluation of the Chairman's performance, and concluded that Ian King provided effective leadership of the Board. Based on the results of the performance evaluation process, the Chairman considers that all members of the Board, the Board collectively, and its Committees, continue to contribute effectively to the running of the Company.

Details of the Directors' external statutory appointments can be found in their biographies on pages 38 and 39. The Board believes that the Directors' experience of working with other companies adds value to their contribution to the Company's Board meetings. In compliance with the Corporate Governance Code, all continuing Directors offered themselves for election or re-election at the Company's 2018 AGM. All Directors who were in office in 2018 will again offer themselves for re-election at the 2019 AGM and our recently appointed Director will offer himself for election. The resolutions to be put to shareholders at the 2019 AGM can be found in the Notice of Meeting, which is available on the Company's website

The Board confirms that in 2018 all Directors had made a positive contribution to the running of the Company and believes they will continue to work to ensure its long-term success.

BOARD AND COMMITTEE MEMBERSHIP

The membership and attendance record of the full Board Meetings and its full Committee Meetings during 2018 are shown in the table below.

	Main Board	Audit Committee	Nominations Committee	Remuneration Committee
Chair	Charles Berry/ Ian King	Giles Kerr	Charles Berry/ Ian King	Celia Baxter
Total number of meetings	**10**	**3**	**4**	**3**
Charles Berry[1]	2/2	–	1/2	1/1
Celia Baxter	10/10	3/3	4/4	3/3
Susan Brennan	9/10	2/3	4/4	3/3
Bindi Foyle	10/10	–	–	–
Giles Kerr	9/10	3/3	3/4	2/3
Ian King[2]	10/10	–	4/4	3/3
David Squires	10/10	–	–	–
Mark Vernon	10/10	3/3	4/4	3/3

(1) Charles Berry retired from the Board on 27 April 2018.
(2) Ian King became Chairman on 27 April 2018.

CORPORATE GOVERNANCE REPORT CONTINUED

Section C: Accountability
The Board determines the nature and extent of the significant actions necessary to achieve its strategic objectives and maintains a sound system of internal control. The Company's Audit Committee reports to and, for certain matters, advises the Board of Directors. The Audit Committee Report on pages 49 to 52 describes the role and activities of the Audit Committee, together with the significant issues that it considered in relation to the 2018 Financial Statements and its relationship with the internal and external auditors. Details of the Group's approach to risk management and its Risk and Assurance Framework can be found on pages 20 to 25.

COMMUNICATING THE CODE OF CONDUCT AND OPERATING WITH INTEGRITY

In April 2018, the executive Directors published an updated booklet for issue to all employees and relevant third parties, explaining the Group's revised Code of Conduct (the Code) and Senior's Values; the latter are shown on page 12. The booklet includes a message from the Group Chief Executive, explaining that it is his unshakeable belief that how you do business is as important as what you do in business. The booklet contains work-related scenarios, together with a selection of questions and answers, to help employees to understand the Code and relate it to their individual roles and working environment. Copies of the Code are issued to all new employees and reissued periodically to ongoing employees to remind them of the required level of conduct.

Senior trains its employees on the requirements of the Code upon induction, educating them on what they can and cannot do, and how to address any ethical dilemmas they may face. A compulsory 2018 Code of Conduct online training course was rolled out across the Group to all employees in 2018, together with training on Anti-Bribery and Corruption. Training on the General Data Protection Regulation was also provided to all UK and relevant overseas employees.

Between them, the Group Chief Executive, the Group Finance Director and the rest of the Executive Committee visit all of the Group's operations on an annual basis and make presentations to local senior management, reinforcing the Code and the importance of maintaining an absolute commitment to the highest standards of ethics and a zero tolerance towards bribery and corruption. The Board verifies compliance with the Code through its internal audit programme, ensuring that employees have received the mandatory training and that the Group's businesses operate with integrity at all times and in compliance with the Code.

Operating with integrity and in an ethical manner builds trust with customers and other stakeholders and underpins the Board's strategic objectives.

HUMAN RIGHTS

The Group recognises the importance of the Universal Declaration of Human Rights and adheres to the core principles and values defined within it. The majority of countries in which Senior operates have their own laws banning child labour and promoting human rights. Senior monitors the ages of its workforce across the world to ensure compliance and identify any potential succession issues.

Senior is committed to preventing slavery and human trafficking in its corporate activities and throughout its supply chain. In 2017, in order to raise awareness of modern slavery issues, all employees received training on "Supporting Human Rights: Modern Slavery Act" to help identify and prevent slavery and human trafficking. Additional work was undertaken during 2018 with Senior's supply chain to further reduce the potential exposure.

Senior does not restrict any of its employees in any of the countries in which it operates from joining a trade union if they wish to do so. Senior also works closely with its suppliers to ensure that they at least meet internationally recognised minimum requirements for workers' welfare and conditions of employment.

REPORTING AND INVESTIGATING CONCERNS AND WHISTLE-BLOWING

The Company encourages its employees to discuss any ethical concerns that they may have with local management, or at Group level if more appropriate.

As part of its internal control procedures, the Company has a Whistle-blowing Policy that is communicated throughout the Group. This policy provides employees with the opportunity to report suspected unethical or illegal corporate conduct confidentially and anonymously. All reports of suspected unethical or illegal corporate conduct are independently investigated and tracked from inception to resolution and, where necessary, actions are taken to rectify any weakness in systems that may have been identified. These actions, and the overall integrity of the reporting system, are subject to regular scrutiny by the Audit Committee. This process is also available to third parties, such as suppliers and customers. Subject to confidentiality considerations, the outcome of each investigation is provided, insofar as it is possible, to the complainant.

Mark Vernon is the Senior Independent Director; this position provides employees and third parties with an alternative channel of communication to resolve issues if they have a concern that the Chairman, Group Chief Executive or Group Finance Director have failed to resolve the issues, or where such contact with them is not appropriate.

MANAGING EXTERNAL SALES AGENTS AND REPRESENTATIVES

The Board recognises the potential bribery and corruption risks posed by the markets in which the Group operates and, in particular, the use of third-party intermediaries it engages. All external sales agents and representatives working on behalf of Senior across the world are required to operate in compliance with the Code. Local management is required to conduct a due diligence and risk assessment process prior to engaging or re-appointing any sales agents and to issue them with a copy of the Code, ensuring that they understand, acknowledge and accept its requirements.

Due diligence must also be performed on new suppliers and customers to ensure that they operate to the same high standards of quality and integrity as Senior plc and have a code of conduct.

MANAGING GIFTS AND HOSPITALITY

The Board recognises that gifts and hospitality have the potential to create a conflict of interest, or the perception of a conflict of interest. As a result, there is a Group policy restricting the receiving and giving of gifts and hospitality from, and to, third parties. This policy requires that all gifts and hospitality must be recorded annually through a self-declaration process. The internal audit function assesses adherence with the Group's gifts and hospitality policy during internal audit visits.

DATA PROTECTION

During 2018, additional work was undertaken on Data Protection to ensure that the Company, and relevant subsidiaries, were compliant with the General Data Protection Regulation (GDPR) in advance of it becoming effective on 25 May 2018. An internal GDPR audit programme for UK and European subsidiaries was completed by the year end and all relevant businesses have in place a GDPR policy and breach incident procedure, which have been communicated to their employees. Compliance with data protection regulations will continue to be monitored on an ongoing basis.

Section D: Remuneration
The Remuneration Report on pages 53 to 72 fully describes the Board's approach to remuneration matters. The Directors' Remuneration Policy was approved by shareholders at the Company's 2018 AGM.

Section E: Relations with shareholders
The Company maintains regular contact with its institutional shareholders and continued to consult with its major shareholders during 2018. Twice a year, the Group Chief Executive, Group Finance Director and Director of Investor Relations & Corporate Communications undertake a series of meetings with the Company's major shareholders, following the announcement of the full-year and interim results, to discuss both the Board's strategic objectives and the detailed performance of the business. During 2018, the Company's non-executive Chairman also attended the full-year and interim results announcements made to analysts, in February and July respectively.

The Chairman meets periodically with shareholders. The Senior Independent Director is also available to attend meetings with major shareholders upon request, so providing an alternative channel of communication between the Company and its shareholders.

The Company makes constructive use of its AGMs to communicate with its private shareholders. A presentation on the Company's annual performance was given following completion of the formal business at the 2018 AGM, and a copy of the presentation, together with other investor relations material, is available on the Company's website.

The total issued share capital of the Company as at 1 March 2018 (the date of the Notice of Meeting for the 2018 AGM), was 419.4 million ordinary shares of 10p each. The total number of proxy votes received for the 2018 AGM represented approximately 82.65% (2017 – 80.84%) of the issued share capital of the Company. All resolutions put to shareholders at the 2018 AGM were passed on a poll. Details of the poll voting received by the Company for the 2018 AGM resolutions are set out in the table below.

Details of the votes to be received by the Company for the 2019 AGM resolutions will be made available on the Company's website following the close of the meeting.

IAN KING
CHAIRMAN
1 March 2019

DETAILS OF THE POLL VOTING FOR THE 2018 AGM ARE SET OUT IN THE TABLE BELOW:

Resolution number	Resolution name	For & discretionary (votes)	Against (votes)	Votes total (excluding withheld)	Votes withheld
1	To Adopt Annual Report and Financial Statements 2017	344,406,052	186,700	344,592,752	2,073,309
2	To Approve Remuneration Report 2017	340,876,718	4,045,991	344,922,709	1,743,352
3	To Approve Remuneration Policy	328,273,693	18,336,560	346,610,253	55,808
4	To Approve a 2017 Final Dividend	346,665,061	1,000	346,666,061	0
5	To Elect Bindi Foyle	345,247,303	1,412,941	346,660,244	5,817
6	To Elect Ian King	345,247,655	1,308,346	346,556,001	110,060
7	To Re-elect Celia Baxter	345,595,290	1,057,112	346,652,402	13,659
8	To Re-elect Susan Brennan	335,319,453	1,174,335	336,493,788	10,172,273
9	To Re-elect Giles Kerr	314,330,345	26,395,936	340,726,281	5,939,780
10	To Re-elect David Squires	345,274,740	1,388,682	346,663,422	2,639
11	To Re-elect Mark Vernon	345,563,563	1,088,839	346,652.402	13,659
12	To Re-appoint Auditor	346,523,734	116,353	346,640,087	25,974
13	To Determine Auditor's Remuneration	346,634,204	22,479	346,656,683	9,378
14	Authority to Allot Equity Securities	316,564,586	30,092,314	346,656,900	9,161
15	Authority to Disapply Pre-Emption Rights	338,656,222	8,004,678	346,660,900	5,161
16	Authority to Purchase the Company's Own Shares	342,819,204	3,789,003	346,608,207	57,854
17	To Retain 14 Days' Notice Period for General Meetings	336,395,084	10,270,977	346,666,061	0

NOMINATIONS COMMITTEE REPORT

IAN KING
CHAIRMAN OF THE NOMINATIONS COMMITTEE

OVERVIEW

The Nominations Committee is chaired by myself, and comprises all non-executive Directors. The Group Company Secretary acts as Secretary to the Committee. Senior members of management and advisers are invited to attend meetings when deemed appropriate. There were two scheduled meetings of the Committee in 2018; two additional meetings were held to discuss matters relating to succession planning and the recruitment of non-executive Directors. Two members constitute a quorum for the Nominations Committee. The Committee's attendance records are shown on page 45.

The Committee is tasked with administering the process for appointments, considering succession planning, regularly reviewing such processes and overseeing the composition of the Board. The Nominations Committee's Terms of Reference can be found on the Company's website.

The Nominations Committee enlists external consultancy firms to assist in the appointment of Directors to the Board. The Company provides the appointed firm with a role description, together with the required skills and personal attributes to be considered. The firm filters a list of candidates down to a number of those that it feels meet the skills and attributes required, then conducts preliminary interviews with the selected candidates. The candidates are then referred to Senior for interview, together with a written analysis on each candidate, with each candidate being interviewed by a number of members of the Board. The final recruitment decision is taken by the Board as a whole.

Following the appointment of a Director, a full and comprehensive induction programme is provided by the Company. Within the induction process, areas such as financial forecasts, Group strategy, values, ethics and Code of Conduct are explained, together with other relevant topics. Visits to the Group's operations are also undertaken, involving the new Director meeting local management teams and learning about the key issues faced by each operation.

The Nominations Committee and the Board have been taking due regard of Lord Davies' review into Women on Boards (February 2011), the Hampton-Alexander Review: FTSE Women Leaders (November 2016) and the Hampton-Alexander Review: Improving Gender Balance in FTSE Leadership (November 2017). I am pleased to report that the Board is supportive of the aim to increase diversity and the level of female representation in Board and senior leadership positions. Three of the eight Directors are currently female (38%). Following the appointment of Michelle Yorke to the Executive Committee in September 2018, three of the nine members of the Executive Committee are female (33%).

The Board has been proactive in further promoting diversity and equality of all kinds throughout the Group, regardless of geography or position. The Committee regularly discusses the benefits of diversity with regard to the Board and its Committees.

SUCCESSION PLANNING

The Committee regularly considers the issue of succession planning for the various Board-level roles. The Group has increased its focus on maximising the potential of its employees and improving succession planning. The Executive Committee, supported by the Group HR Director, has conducted an extensive review of senior executive succession planning. The review identified key employees who are considered to be, or could be developed into becoming, critical to the success of the Group, so that appropriate plans are in place to ensure there is an appropriate mix of employees within the Group who could fill key roles in the short and longer term.

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

In 2018, a comprehensive recruitment process was undertaken with the support of Korn Ferry to select a new non-executive Director. When recruiting, the Committee was keen to ensure that the chosen candidate would have the right personality to fit the Group's culture and the necessary skills and experience to help deliver continued strong results, both financially and operationally, in order to develop and oversee the future progression of the Group.

The Committee, after taking into account all relevant factors, recommended to the Board that Rajiv Sharma be appointed as a non-executive Director of the Company. The Board agreed with the Committee's recommendations and Rajiv Sharma accepted the appointment as non-executive Director, commencing on 1 January 2019. Rajiv's biography can be found on page 39.

INDEPENDENCE

The Nominations Committee and the Board consider all of the non-executive Directors to be fully independent and free from conflicting interests which could cause difficulties whilst carrying out their duties. Senior considers its non-executive Directors to be proactive in contributing their respective experiences and skills gained from a range of sectors.

Conflicts of interests are fully disclosed by Directors upon appointment and are reviewed on a regular basis throughout each year.

I am confident that Senior has the desired diversity of skills, people, and experience that will guide the Company in delivering shareholder value. This Report was reviewed and approved by the Nominations Committee and signed on its behalf by:

IAN KING
CHAIRMAN OF THE NOMINATIONS COMMITTEE
1 March 2019

AUDIT COMMITTEE REPORT

GILES KERR
CHAIRMAN OF THE AUDIT COMMITTEE

DEAR SHAREHOLDER

The Audit Committee has been established by the Board and consists entirely of independent non-executive Directors. The primary role of the Audit Committee is to maintain the integrity of the financial reporting of the Group and to ensure appropriate risk management and internal control procedures. To enable the Audit Committee to fulfil this role, its main responsibilities include:

- conducting the process for selecting the external auditor and making recommendations to the Board, and ultimately shareholders for approval, of the appointment of the external auditor, the audit fee, initiating tender processes in accordance with regulatory requirements, and the resignation or dismissal of the external auditor;
- assessing annually the independence and objectivity of the external auditor, its compliance with regulatory requirements, the effectiveness of the external audit process and authorising the provision, if any, of non-audit services and the impact this may have on independence;
- monitoring the integrity of the half-year Report and annual Accounts and related formal Company announcements, and reviewing significant financial reporting judgments contained within them, before their submission to the Board;
- reviewing the Company's statement on the Annual Report & Accounts prior to endorsement by the Board, that taken as a whole the Annual Report & Accounts is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy;
- discussing with the external auditor issues and reservations, if any, arising from the half-year review and year-end audit and any other matters the external auditor may raise;
- reviewing and approving the terms of the management representation letter addressed to the external auditor;
- reviewing the longer-term viability of the Group;
- reviewing the effectiveness of the internal audit function; considering the major findings of internal audit activities and management's response; ensuring co-ordination between the internal audit function and the external auditor and ensuring that the former is adequately resourced and has appropriate standing within the Group;
- reviewing the effectiveness of the Group's internal controls and risk management systems ensuring that the process is active and dynamic;
- understanding the strategy at both Group and operational levels to ensure that business risks and other relevant issues are effectively identified and communicated to the Board;
- ensuring the Company's corporate ethics, anti-bribery and compliance procedures are up to date in terms of addressing the potential risks of fraud and misconduct;
- assessing the Audit Committee's capabilities in relation to diversity, risk experience and the financial expertise of its members;
- understanding the implications of recent and forthcoming changes to accounting standards, including the new revenue and financial instrument standards implemented in 2018, and the new leasing standard to be implemented no later than 2019;
- assessing potential IT, cyber security and social media issues in order to manage the Company's reputational and business continuity risks;
- reviewing the Group's Whistle-blowing Policy, to ensure that appropriate procedures are in place for employees to raise, in confidence, any concerns that they may have relating to suspected malpractice, illegal acts, omissions or other unethical corporate conduct, regarding financial or other matters; and ensuring that arrangements are in place for investigation of such matters and follow-up action; and
- considering any other topics specifically delegated to the Committee by the Board from time to time.

The Audit Committee is required to report its findings to the Board, identifying any matters where it considers that action or improvement is needed, and to make recommendations as to the steps taken.

COMPOSITION OF THE AUDIT COMMITTEE

Member	Appointment date
Giles Kerr (Committee Chair)	2 September 2013
Celia Baxter	2 September 2013
Susan Brennan	1 January 2016
Mark Vernon	22 April 2016
Rajiv Sharma	1 January 2019

For the attendance record, please see page 45.

Two members constitute a quorum for the Audit Committee. The Group Company Secretary acts as Secretary to the Audit Committee.

Collectively, the members of the Audit Committee have significant commercial and financial experience at a senior management level. Giles Kerr has the recent and relevant financial experience required by the UK Corporate Governance Code to chair the Audit Committee. For details of the qualifications of members of the Audit Committee, please refer to the Board of Directors' biographies shown on pages 38 and 39.

AUDIT COMMITTEE'S TERMS OF REFERENCE

The Board expects the Audit Committee to have an understanding of:

- the principles, contents and developments in financial reporting, including the applicable accounting standards and statements of recommended practice;
- the key aspects of the Group's operations, including corporate policies, its products and services, Group financing, and systems of internal control;
- the matters that could influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the roles of internal and external auditing and risk management; and
- the regulatory framework for the Group's businesses.

The full Terms of Reference of the Audit Committee may be found on the Company's website.

AUDIT COMMITTEE REPORT CONTINUED

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met on 21 February 2018 to consider the 2017 year-end report and during the subsequent 12 months conducted the following business on the meeting dates indicated below:

Meeting date	24 July 2018	31 October 2018	26 February 2019
Items	• Received and considered an Internal Audit Report including Risk & Assurance and Mapping reports presented by the Group's Head of Risk & Assurance. • Reviewed the accounting presentation and judgmental issues for the half-year ended 30 June 2018. • Reviewed and agreed the basis for going concern to be adopted for the 2018 Interim Results. • Reviewed and approved the Condensed Consolidated Interim Financial Statements disclosure in respect of new accounting standards: IFRS 9, IFRS 15 and IFRS 16. • Reviewed the Tax Memorandum for the half-year ended 30 June 2018. • Reviewed and accepted KPMG LLP's Report to the Audit Committee on the half-year review for the six months ended 30 June 2018. • Reviewed and approved the terms of the management representation letter addressed to the external auditor. • Discussed the Group's draft Announcement of the 2018 Interim Results together with the draft slides for the analysts' presentation. • Discussed and approved the external audit plan and strategy proposed by KPMG LLP for the 2018 audit, including materiality, scope, significant risks and other areas of audit focus, the audit cycle and auditor reporting. • Held a private meeting with the external auditor, without executive management being present.	• Discussed and approved the external auditor's confirmation of the 2018 audit scope and fee. • Received a technical update from the external auditor on accounting, reporting and corporate governance developments. • Considered the Group's Risk & Assurance Strategic Plan and a preliminary view of the 2019 assurance activity. • Received an update on the co-source relationship with Deloitte LLP and its internal audit activities. • Received an update on the Group's Cyber risk communications programme and on 2018 Code of Conduct training. • Received reports on the Group's UK and EU General Data Protection Regulation audits. • Noted the performance evaluation of the Audit Committee which was to be assisted by Independent Audit Limited. • Reviewed the effectiveness of the external audit. • Reviewed the FRC's Audit Quality Review of KPMG LLP's 2017 audit of the Group.	• Reviewed the accounting presentation and judgmental issues for the year ended 31 December 2018, including consideration of those significant risks outlined on page 51. • Reviewed the longer-term viability of the Group and agreed the viability statement on page 29. • Reviewed and agreed the going concern basis to be adopted for the 2018 Accounts. • Reviewed and approved the Annual Report & Accounts 2018 disclosure in respect of new accounting standards: IFRS 9, IFRS 15 and IFRS 16. • Reviewed the Tax Memorandum for the year ended 31 December 2018. • Reviewed and accepted KPMG LLP's Report to the Audit Committee on the audit of the financial statements for the year ended 31 December 2018. • Reviewed and approved the terms of the management representation letter addressed to the external auditor. • Approved the Audit Committee Report for 2018. • Reviewed the effectiveness of the Group's risk management and internal control systems and disclosures made in the Annual Report & Accounts 2018. • Reviewed the draft Annual Report & Accounts 2018. • Discussed the Group's draft Announcement of the 2018 Final Results together with the draft slides for the analysts' presentation. • Reviewed the Notice of Meeting for the 2019 AGM and the Proxy Form for the 2019 AGM. • Received and considered a report presented by the Group Finance Director, which included the proposed 2019 internal audit plan, and noted progress against the Group's risk and assurance strategic objectives. • Held a private meeting with the external auditor, without executive management being present.

The Audit Committee normally invites the non-executive Chairman, Group Chief Executive, Group Finance Director, Group Financial Controller, the Group's Head of Tax and senior representatives of the internal audit function and the external audit firm to attend its meetings, although it reserves the right to request any of these individuals to withdraw from any meeting.

The Audit Committee also holds separate discussions with the Director of Risk and Compliance (who was formerly the Head of Risk & Assurance) and the external auditor without executive management being present. In addition, the Chairman of the Audit Committee holds separate meetings with the internal and external auditor during the course of the year.

Periodically, the Audit Committee's Terms of Reference are reviewed to take into account current views on good practice and recent updates to the UK Corporate Governance Code. The new UK Corporate Governance Code issued in July 2018 by the FRC will be adopted by the Audit Committee from the accounting period beginning on 1 January 2019.

SIGNIFICANT RISKS CONSIDERED BY THE AUDIT COMMITTEE

Significant risks considered by the Committee	How the risk was addressed by the Committee
Inventory net realisable value Inventory held covers a wide range of products in both the Aerospace and Flexonics Divisions. The ability of the Group to sell this inventory at a value above its carrying value in the future can be adversely affected by many factors. Accordingly there is a risk that inventory is carried at amounts that exceed net realisable value.	The Audit Committee recognises the risk that the Group may not recover the full cost of inventory via future sales, and may not hold appropriate provisions against obsolete and slow moving inventory. In addition, a significant change in production costs or in the execution to deliver planned cost savings in relation to specific work packages could result in unavoidable costs associated with one or more work packages to exceed the economic benefits expected to be achieved. This is a key area of judgment and as such the Audit Committee carefully considers executive management's assumptions relating to the achievability of these plans. These were further discussed with the External Auditor. The Audit Committee believes there are no reportable issues arising from this significant risk.
Other provisions Provisions or accruals are held where management considers there is an obligation, payment is probable and the amount payable can be reliably estimated. Provisions held by the Group include but are not limited to: • those held against legal claims or product warranties; and • tax provisions for uncertain risk exposures. There is a risk that other provisions overstate or understate the associated liability.	The Audit Committee considered the basis upon which management had made its accounting judgments to determine the level of other provisions. The Audit Committee receives a separate report from the Group Head of Tax that sets out the various uncertain risk exposures and any related provisions that are based on the best estimate of the amounts likely to be payable. The Audit Committee carefully considers the assumptions applied and provides appropriate challenge including an assessment of the related sensitivities. These were further discussed with the External Auditor. The Audit Committee believes there are no further reportable issues arising from these significant areas.

EXTERNAL AUDIT

Independence of the external auditor and policy on non-audit services.
To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee reviewed:

- a report from the external auditor describing the arrangements that had been made to identify, report and manage any conflicts of interest and to maintain its independence; and
- the FRC's Audit Inspection Unit public report on KPMG LLP.

The Audit Committee's policy in respect of services provided by the external auditor is as follows:

- the external auditor is invited to provide services which, in its position as auditor, it must or is best placed to undertake. This includes formalities relating to borrowings, shareholder and other circulars, various other regulatory reports and certain work in respect of larger acquisitions and disposals;
- the auditor may provide tax compliance and advice where it is best suited. However, KPMG has undertaken not to provide such services. In all material cases, such work is put out to tender; and
- other services may not be provided where precluded by ethical standards or where the Audit Committee believes that it would compromise audit independence and objectivity.

All proposed contracts for services to be provided by the auditor in excess of £25,000 require the Audit Committee's approval.

Fees to the external auditor for audit related services undertaken in the year were £0.06m and for other non-audit work were £nil.

In 2018, following a tender review the Audit Committee considered that it was beneficial for the Company to retain Deloitte LLP for non-audit work services, because of the firm's expertise in this area and knowledge of the Group. The Audit Committee continues to closely monitor the nature and level of such non-audit work.

Policy on tendering
In order to maintain auditor independence and comply with FRC and EU guidance on audit tendering, the Group undertook a formal tender of its external audit during the first half of 2016, led by the Audit Committee. The appointment of KPMG LLP as the Group External Auditor for the financial year commencing 1 January 2017 received approval by shareholders at the Annual General Meeting held in April 2017. The Committee reviews annually whether it is appropriate to put the audit out to tender.

Assessment of external audit effectiveness
The Audit Committee reviews the effectiveness of the external audit process at its October meeting.

Given the appointment of KPMG LLP during 2017 as the new external auditor, it was not appropriate to perform an evaluation in the financial year ended 31 December 2017. The Audit Committee has subsequently returned to the normal evaluation cycle in the financial year ended 31 December 2018.

The effectiveness of the external audit process, has been performed by assessing a range of key areas through a formal questionnaire that was individually distributed to all the members of the Audit Committee and all other executive and non-executive Directors. The framework required Audit Committee members to consider which areas of performance needed future focus by the auditor, the areas where the auditor was meeting expectations and those where the auditor was considered to have a special strength.

Senior management received answers and comments from all questionnaires and consolidated them into a report. The Audit Committee used this report to facilitate a debate at its October meeting and to assist in assessing the level of audit effectiveness. The Audit Committee discussed: the calibre of the audit firm, the quality of the process, the Audit

AUDIT COMMITTEE REPORT CONTINUED

Partner, the audit approach and planning, the role of management, the communication by the Auditor to the Audit Committee, the provisions of support for the work of the Audit Committee by the Auditor, the sharing of insights and adding value by the Auditor, the audit fee, the auditor's independence and objectivity, and the quality of formal reporting by the Auditor to the Audit Committee. Feedback about the effectiveness of the audit process from the local management teams was also considered by the Audit Committee. The Committee concluded that the auditor had challenged the thinking of the Company and the Audit Committee on a number of significant issues and maintained its independence.

Following completion of the assessment process, the Audit Committee concluded that it is satisfied with the effectiveness of the external auditor; as a consequence the Audit Committee has recommended to the Board that KPMG LLP be re-appointed as auditor for 2019.

During the financial year ended 31 December 2018, the 2017 audit of Senior plc by KPMG LLP was reviewed by the FRC's Audit Quality Review (AQR) team. The AQR routinely monitors the quality of audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms. Certain matters for limited improvement were identified relating to how KPMG LLP evidenced their conclusions over the work performed in one area of the audit. The AQR also highlighted a good practice observation in relation to KPMG LLP's audit oversight on the Senior plc audit, and in particular the extent of involvement in and review of component teams procedures by the group team. The Audit Committee and KPMG LLP have discussed the review findings and the identified limited improvement observations, and are satisfied with responses to be implemented by KPMG LLP in the 2018 audit. Overall, the results of the review raised no issues which cast doubt on the fundamental quality of Senior's external audit and the Audit Committee remains satisfied with the efficiency and effectiveness of the external audit.

INTERNAL AUDIT

The Audit Committee is required to assist the Board in fulfilling its responsibilities relating to the effectiveness, resourcing and plans of the Group internal audit function.

In 2018, as set out on pages 20 to 25, the Group further strengthened its risk management procedures and these have been reviewed by the Audit Committee. Risk has been assessed on a top down and bottom up basis. A risk based programme of internal audit has been conducted in the year. This has been delivered internally with the assistance of its co-source partner, Deloitte LLP. To support the effectiveness of the internal audit programme a software tool was implemented which tracks actions resulting from internal audits. The same tool was also utilised during the year for the annual control self-assessment process, which all sites complete. Further progress has been made in 2018 against the Group Risk & Assurance Strategic Plan.

The Chairman and non-executive Directors are actively encouraged to visit the Group's operating businesses unaccompanied by executive Directors. This enables them to meet the local management teams and employees and also undertake site tours to review matters including production methods, health and safety and the status of internal audit findings. In 2018, a total of 20 site visits were undertaken by the Chairman and non-executive Directors. These visits by the Chairman and non-executive Directors are viewed by the Audit Committee as making a positive contribution to the internal control framework.

CONCLUSION

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its Terms of Reference. At its meeting held on 26 February 2019, the Audit Committee considered each section of the Annual Report & Accounts 2018, and the document as a whole, as proposed by the Company; it reached a conclusion and advised the Board that it considered the Annual Report & Accounts 2018 to be fair, balanced and understandable and that it provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Chairman of the Audit Committee will be available at the 2019 AGM to answer any questions about the work of the Committee.

APPROVAL

This Report was reviewed and approved by the Audit Committee and signed on its behalf by:

GILES KERR
CHAIRMAN OF THE AUDIT COMMITTEE
1 March 2019

REMUNERATION REPORT: ANNUAL STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

CELIA BAXTER
CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear shareholder
I am pleased to present the Report of the Remuneration Committee for the financial year ended 31 December 2018. This statement sets out the work of the Committee during the year and provides the context for the decisions taken.

Senior's performance during 2018
Senior's vision is to be a trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, free cash flow and shareholder value.

Our remuneration policy and practices support this vision with our bonus plans incentivising earnings growth and free cash flow and our long-term plans rewarding both the creation of shareholder value and earnings growth.

As explained in the Chairman's Statement and the Chief Executive's Review, Senior delivered profitable growth and generated healthy free cash flow during the year under review:

- Group revenue increased by 5.7% to another record level;
- Adjusted operating profit increased by 10.9% (12.9% on a constant currency basis) and included higher research and development expenditure;
- The Group's adjusted operating margin increased by 40 basis points, to 8.5% for the full year;
- Adjusted earnings per share increased by 11.7%; and
- The Group continues to generate healthy cash flows.

SENIOR'S REMUNERATION POLICY (THE "POLICY")

Following a major review of the Policy during 2017, last year we proposed to shareholders amendments to the Policy which included an increase in the executives' shareholding guidelines, the introduction of a two-year post-vesting holding period to be applied to LTIP awards, and increase in the maximum bonus to be awarded and the introduction of a discretion for the Remuneration Committee to adjust the outcome of the bonus if appropriate. The Committee was pleased that these changes to the Policy were approved by the shareholders with a vote of 95%. Other than in the event of exceptional circumstances, the Committee does not intend to revert to shareholders with a new Remuneration Policy before the end of the three-year policy period in 2021. However for your ease of reference, the Policy is set out in full on pages 57 to 62.

Review of new UK codes and regulations relating to remuneration
The Committee reviewed and considered the impact of the new UK Corporate Governance Code and legislation on Senior's remuneration practices. Many areas introduced are already part of Senior's practices, for example, workforce remuneration as a whole is taken into consideration when setting executive directors' pay, holding periods are in place for Senior's LTIP, the Committee has the ability to exercise discretion on remuneration plan outcomes and the Committee's Terms of Reference already include the responsibility for determining and setting remuneration for the senior management.

The Terms of Reference of the Committee have been revised to further emphasise some of the points brought out in the new legislation. During 2019, the Committee will develop a formal policy for post-employment shareholding requirements and review malus and clawback provisions that are already in place. In addition, the Committee will be considering the most representative methodology for reporting the pay ratio of the CEO to the average UK employee. Senior plc although headquartered in the UK is an international company with the majority of its employees based outside of the UK.

UK gender pay gap reporting April 2018
The UK gender pay gap reporting requirement came into effect in April 2018 for companies employing more than 250 people in the UK. Senior is committed to improving diversity across the Group and to provide equal pay for equal work. The results of the gender pay reporting can be found on the Company's website.

Incentive scheme outcomes for the year
The Committee spent time after the end of the financial year reviewing the extent to which the targets under the Annual Bonus Plan and LTIP had been met, taking into account performance during 2018.

For the Annual Bonus Plan, we set Adjusted EPS and cash flow targets at the start of the year which were viewed as appropriately challenging. The targets are disclosed in the Annual Report on Remuneration on page 66. Awards for the year at 74.97% of maximum reflect the progress the Company has made during the year against the targets set.

Awards made under the LTIP in 2016 were subject to Adjusted EPS and TSR performance measured over three years up to the end of 2018. Unfortunately, the targets were not achieved, and the awards therefore lapsed in full.

The Committee is satisfied that the above outcomes were a fair reflection of the performance of the Company over the relevant performance periods for the incentive schemes. The Committee did not have to exercise any discretion in agreeing the outcome of the incentive plans.

REMUNERATION REPORT CONTINUED

Executive Directors' remuneration 2018

As disclosed last year, the basic salaries of the Group Chief Executive and Group Finance Director were increased by 3.1% and 4.0% respectively with effect from 1 January 2018, broadly in line with the increase applied to the wider workforce. In line with the Remuneration Policy that was approved at the AGM in 2018, the executive Directors were eligible for a maximum bonus equivalent to 125% of basic salary, payable subject to the satisfaction of performance targets linked to Adjusted EPS and cash flow targets.

LTIP awards were granted to both executive Directors subject to the satisfaction of challenging three-year targets linked to Adjusted EPS growth and relative TSR, with the application of a two-year holding period on vested awards. Awards were granted at a level of 150% of basic salary, the same as in previous years.

Implementation of the Remuneration Policy for 2019

The basic salaries of the Group Chief Executive and Group Finance Director have been increased by 4.0% and 3.6% respectively with effect from 1 January 2019, broadly in line with the increase applied to the wider workforce.

Last year the Committee made a number of amendments to improve the operation of the incentive plans. Having reviewed the outcome of the plans the Committee is not making any changes to the plans for 2019.

There are no changes to the quantum of bonus and LTIP awards compared with the previous year. The executive Directors will be eligible for a maximum bonus equivalent to 125% of basic salary. Bonuses will be payable subject to the satisfaction of performance targets linked to Adjusted EPS and cash flow targets.

LTIP awards will be granted to both executive Directors subject to the satisfaction of challenging three-year targets linked to Adjusted EPS growth and relative TSR, with the application of a two-year holding period on vested awards. Awards will be granted at a level of 150% of basic salary. Further details of the targets to be set for the 2019 LTIP awards are set out in the Annual Report on Remuneration on page 72.

At the AGM in April 2019, shareholders will be asked to approve the Annual Report on Remuneration. I hope the decisions the Committee has taken in respect of 2018 will have your support.

CELIA BAXTER
CHAIR OF THE REMUNERATION COMMITTEE

2018 REMUNERATION REPORT AT A GLANCE

OVERVIEW OF OUR REMUNERATION FRAMEWORK

Element of remuneration	Key features
Salary and employment benefits	Market competitive to attract and retain high quality executives (including fully expensed car, private medical insurance, life insurance and defined contribution retirement benefits)
Annual bonus: Adjusted EPS Free cash flow	Rewards achievement against annual performance objectives: • Maximum bonus is 125% of salary • 1⁄3 of any award is paid in shares, deferred for three years • Group Chief Executive and Group Finance Director target: 64.5% of salary
Long-Term Incentive Plan: Adjusted EPS (50%) TSR (50%)	Supports the Company's longer-term strategic aims to create sustainable growth in shareholder value and to incentivise, motivate and retain senior talent: • Maximum award is 200% of salary but normal awards are 150% of salary • 25% vesting at "threshold"
Shareholding requirements	Equivalent to 200% of executive Directors' salary
Clawback and malus provisions	Unvested Deferred Bonus Award subject to clawback Long-Term Incentive Plan subject to clawback and malus during the period of three years following the date of vesting

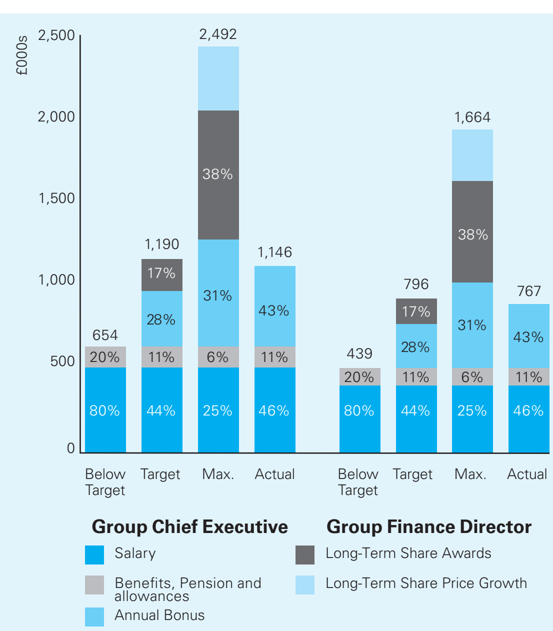
PERFORMANCE HIGHLIGHTS AND INCENTIVE OUTCOMES

Annual bonus	Target	Actual	Achieved (% of maximum)
Performance condition			
Free cash flow			
Full year	£32.30m	£45.30m	78.54%
Adjusted EPS			
Full year internal target	14.93p	15.92p	73.58%
Bonus award to Group Chief Executive and Group Finance Director: 74.97% of maximum			

Long-Term Incentive Plan (2016 award)	Targets (threshold – stretch)	Actual
Adjusted EPS (50%)	10% – 25% growth over three-year performance period	–15.28% (below threshold)
Total Shareholder Return (50%)	TSR ranking: 5.9 (maximum threshold) 14.0 (minimum threshold)	22 ranking (below threshold)
No awards vesting		

APPLICATION OF REMUNERATION POLICY

The chart below shows how the composition of each of the executive Directors' packages varies at different levels of performance under the Remuneration Policy. The assumptions noted for "target" performance in the graph below are provided for illustration purposes only.



This chart is based on the following assumptions:

	Threshold	Target	Maximum
Fixed pay	Salary is the 2019 basic salary The value of Benefits and Pension is taken from the single total figure of remuneration for 2018		
Annual bonus	Nil	64.5% of 2018 basic salary	125% of 2018 basic salary
Long-term share awards	Nil	25% vesting under the LTIP (i.e. 25% of (150% x 2019 basic salary)) and set out at face value, assuming no share price growth or dividend.	100% vesting under the LTIP (i.e. 100% of (150% x 2019 basic salary)) and set out at face value, assuming 50% share price growth and no dividend.

2018 REMUNERATION REPORT AT A GLANCE CONTINUED

CHANGES MADE IN 2018

In 2018, a number of amendments to improve the operation of the incentive schemes were implemented to ensure that we can provide our incentives through an up-to-date pay framework and a revised Remuneration Policy was approved by shareholders. Details of the Remuneration Policy and incentives can be found on page 53. No changes to the Remuneration Policy are proposed in 2019.

About this Report

The Report on Remuneration on pages 63 to 72 is produced in accordance with the 2013 Regulations and the relevant provisions of the Listing Rules of the Financial Conduct Authority. Parts of the Annual Report on Remuneration are subject to audit, these provide details of the Directors' emoluments, shareholdings, Long-Term Incentive Plan awards and pension benefits for the year ended 31 December 2018 and the Committee's intentions for 2019.

We have structured the rest of the Report as follows:

- Remuneration Policy:
  - Policy for executive Directors
  - How shareholder views are taken into account
  - Legacy arrangements
  - Discretions of the Remuneration Committee
  - Policy for non-executive Directors
- Annual Report on Remuneration

REMUNERATION REPORT: POLICY

In determining remuneration for the executive Directors and other senior managers, the Remuneration Committee seeks to maintain a competitive programme which enables the Company to attract and retain the highest calibre of executive.

Performance-related elements of remuneration form a significant proportion of the total remuneration package of each executive Director, details of which are set out below. These performance-related elements, which take into account the Company's risk policies and systems, are designed to align the Directors' interests with those of shareholders and to reward executive Directors for performance at the highest levels.

POLICY FOR EXECUTIVE DIRECTORS

The table below summarises the Committee's policy for the remuneration of executive Directors which was approved by shareholders at the 2018 AGM and came into effect from 1 January 2018. No changes to the policy are proposed in 2019.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary	• Reflects the performance of the individual, his or her skills and experience over time and the responsibilities of the role • Provides an appropriate level of basic fixed pay avoiding excessive risk arising from over-reliance on variable income	• Will normally be reviewed annually with effect from 1 January • Benchmarked periodically against companies with similar characteristics and sector companies • Normally positioned within a range around the mid-market level taking into account the experience and performance in the role of the individual, complexity of the role, market competitiveness and the impact of salary increases on total remuneration	• Other than to reflect change in the size and complexity of the role/Company, the Committee will have regard to the basic salary percentage increases taking place across the Company more generally when determining salary increases for the executive Directors • No maximum salary cap	• Individual performance in the role and Group performance are among the factors taken into consideration when awarding increases
Bonus	• Incentivises annual delivery of corporate financial and non-financial goals • Delivery of a proportion of bonus in deferred shares provides alignment with shareholders and assists with retention	• Up to 83.3% of salary paid in cash with up to a further 41.7% of salary paid as a conditional award of deferred shares • Maximum bonus only payable for achieving demanding targets • Deferred shares are released three years after award but are subject to forfeiture by a "bad leaver" • Executives are entitled to receive the value of dividend payments that would have otherwise been paid in respect of vested deferred shares • All bonus payments are at the discretion of the Committee • Different performance conditions may be set when recruiting an executive Director • The Committee may review the performance conditions from time to time • The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for executive Directors • The Committee has the discretion to adjust bonus targets or outcomes if deemed appropriate, where the bonus outcome feels perverse. In practice, this will only be used in exceptional circumstances for executive Directors	• Overall maximum of 125% of salary	• The Committee determines performance conditions and weightings at the start of each year • The financial metrics included free cash flow (full-year performance against target) and adjusted earnings per share (full-year performance compared to target) measured over a year • The Committee may include non-financial metrics up to 25% of the overall award • Performance below threshold results in zero payment. Payment rises from 0% to 100% of the maximum opportunity for levels of performance between the threshold and maximum targets • Typically, threshold is around 90% of target, and on-target performance delivers approximately 50% of the maximum opportunity • Subject to clawback at the Committee's discretion over unvested deferred shares in the event of material misstatement or gross misconduct and, if required, over any unvested LTIP awards

REMUNERATION REPORT: POLICY CONTINUED

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Long-Term Incentive Plan (LTIP)	• Incentivises sustained performance over the longer term • The use of longer-term performance targets and delivery of awards in shares rewards the achievement of the Company's strategic goals and increases in shareholder value	• Annual grants of performance shares which vest subject to performance measured over three years and continued service • Executives are entitled to receive the value of dividend payments that would have otherwise been paid in respect of vested deferred shares • All awards are subject to the discretions contained in the plan rules • The Committee may review the performance conditions from time to time • The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for executive Directors • A two-year post-vesting holding period will be applied to LTIP awards, creating a five-year period between the grant of the awards and their final release. This revised holding period policy shall apply to LTIP awards to be granted in early 2018, even though this precedes the date of approval of the new policy	• 150% of salary • 200% of salary in exceptional circumstances, such as upon recruitment	• The Committee determines performance conditions and weightings at the start of each year, providing that the targets are not materially less challenging • The awards were based on a mix of: – Relative Total Shareholder Return (50% of the award); and – Group adjusted earnings growth targets (50% of the award) • In respect of each performance element, performance below the threshold target results in zero vesting. Vesting of each performance element starts at the 25% threshold and rises to 100% for maximum level of performance • Subject to clawback at the Committee's discretion during the period of three years following the date of vesting
All-Employee Share Schemes	• Employees including executive Directors are encouraged to become shareholders through the operation of the Sharesave Plan, the HMRC-approved all-employee share plan	• The Sharesave Plan has standard terms under which participants can normally enter a savings contract in return for which they are granted options to acquire shares at the market value of the shares at the start of the performance period • The rules for this plan were first approved by shareholders at the 2006 AGM and the updated rules were approved at the 2016 AGM	• Employees can normally elect for a three-year savings contract under standard terms and within HMRC limits • The option price for Sharesave awards can be set at a discount of up to 20% to the market value of the shares at the start of the savings contract, although no awards granted under the 2006 Sharesave Plan have been set at a discount	• N/A
Pension	• Provides competitive retirement benefits for the Group's employees	• The executive Directors may participate in the Senior plc Group Flexible Retirement Plan (Senior GFRP), a contract-based, money purchase pension plan and/or receive cash allowances • Bonuses are not included in calculating retirement benefits	• 20% of basic salary either as a Company contribution to Senior GFRP or as salary in lieu of pension	• N/A
Other benefits	• Provides a competitive package of benefits that assists with recruitment and retention	• Benefits include provision of a fully expensed car or car allowance, private medical insurance, life insurance and income protection, tax equalisation and relocation benefits • Any reasonable business-related expenses (including tax thereon) can be reimbursed	• The value of benefits is based on the cost to the Company and is not predetermined • There is no monetary cap on other benefits	• N/A

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Shareholding guidelines	• Aligns executive Directors' interests with those of other shareholders in the Company	• Executive Directors to retain at least 50% of the shares that vest under the LTIP and Deferred Bonus Award, after allowing for tax liabilities, until a shareholding equivalent in value to 200% of base salary is built up	• N/A	• N/A

RECRUITMENT OF EXECUTIVE DIRECTORS

Salaries for newly appointed Directors will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role.

Where it is appropriate to offer a below median salary initially, the Committee will have the discretion to allow phased salary increases over time for newly appointed Directors, even though this may involve increases in excess of the rate for the wider workforce and inflation.

Benefits will be provided in line with those offered to other employees, with national or international relocation expenses/arrangements (e.g. schooling, tax equalisation) provided for if necessary.

The aggregate incentive offered to new recruits will be no higher than that outlined in the Policy report on pages 57 and 58. The Remuneration Committee has flexibility to grant share awards of up to 200% of salary upon recruitment. Different performance measures may be set initially for the annual bonus and LTIP, taking into account the responsibilities of the individual, and the point in the financial year that they joined.

Current entitlements (benefits, bonus, share schemes) may be bought out on terms that are no more favourable than a like-for-like basis (with a comparable time horizon, fair value and subject to performance conditions). Existing incentive arrangements will be used to the fullest extent possible, although awards may also be granted outside these schemes if necessary and as permitted under the Listing Rules. In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the Board appointment).

RATIONALE BEHIND PERFORMANCE METRICS AND TARGETS

The performance-related elements take into account the Company's risk policies and systems and are designed to align the Directors' interests with those of shareholders. Variable pay elements aim to reward executive Directors for performance at the highest levels and, as such, the Committee aims to set targets that are both stretching and achievable. All targets are set on a sliding scale. The Committee reviews the annual bonus measures set for all the Company's senior executives (not only the executive Directors) every year in order to ensure that they are aligned with the Company's strategy and annual goals and to ensure that bonus arrangements amongst the Company's senior executive team are consistent.

The annual bonus may include a mix of financial and non-financial measures reflecting the key annual priorities of the Group. The financial metrics currently include two of the Company's KPIs: free cash flow, which is a key measure of the business's ability to fund future acquisitions; and Adjusted EPS, which will reflect the Group's ability to expand into new regions and product markets and increase the profitability of the existing operations. From 2018, Adjusted EPS is measured on a constant currency basis to reduce the impact of exchange rate movements on bonus outcomes. If non-financial measures are selected, these may include reference to the Group's environmental, safety and organisational goals.

The measures currently used in the LTIP are Adjusted EPS and relative TSR. Adjusted EPS is a measure of the Company's overall financial success and TSR provides an external assessment of the Company's performance against its competitors. It also aligns the rewards received by executives with the returns received by shareholders. The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant.

In particular, the Adjusted EPS targets are reviewed prior to each grant by taking account of internal and external expectations of future Adjusted EPS growth for the business. The Committee reserves the discretion to set different targets for future awards, without consulting with shareholders, providing that, in the opinion of the Committee, the new targets are no less challenging in light of the circumstances at the time than those used previously. The targets for awards granted under this Remuneration Policy are set out in the Annual Report on Remuneration.

RELATIONSHIP BETWEEN EXECUTIVE DIRECTOR AND EMPLOYEE PAY

The Remuneration Policy for the executive Directors is designed with regard to the policy for employees across the Group as a whole. There are some differences in the structure of the Remuneration Policy for the executive Directors and other senior employees, which the Remuneration Committee believes are necessary to reflect the different levels of responsibility of employees across the Company and reflect different market norms for different roles. The key differences in remuneration policy between the executive Directors and employees across the Group are the increased emphasis on performance-related pay and the inclusion of a share-based long-term incentive plan for executive Directors.

Executive Directors are provided with a competitive package of benefits that includes (depending on role) participation in the Group's occupational pension arrangements, provision of a fully expensed car or car allowance, private medical insurance, life insurance and income protection.

The majority of Senior's managers are eligible to participate in annual bonus arrangements with challenging targets tied to the performance of their employing entity, Division and, for the most senior executives, the Group's performance. A collaboration bonus is also available to senior management, who contribute to the Group's performance due to collaboration between the Group's autonomous business units.

Long-term incentives are provided to the most senior executives and those anticipated as having the greatest potential to influence performance levels within the Company. A lower aggregate incentive quantum operates at below executive level with levels driven by the impact of the role and market comparatives.

In 2017, the Board adopted a new share plan, the Restricted Share Award Plan, a deferred share award plan without performance conditions. Awards under this Plan are made to selected individuals who were not in receipt of other long-term incentives but are considered to have significant potential or are key contributors.

In order to encourage wider employee share ownership, the Company operates a Sharesave Plan in which employees in the UK, North America and continental Europe, including executive Directors, may participate.

REMUNERATION REPORT: POLICY CONTINUED

HOW EMPLOYEES' PAY IS TAKEN INTO ACCOUNT WHEN SETTING EXECUTIVE DIRECTOR REMUNERATION

The Committee also reviews the salaries of corporate, divisional and senior operational managers and therefore is fully cognisant of pay levels in the Group when determining the pay of the executive Directors.

In addition, the Committee's policy is that salary increases for the executive Directors and senior executives should not normally be greater than the general level of increases awarded to other senior managers in Europe and North America, other than when an executive changes role or when it is necessary in order to ensure levels of remuneration remain market competitive. Increases for the general workforce in Europe and North America for 2019 were approximately 3.27% (2018 – approximately 3.7%).

The Company did not consult with employees when drawing up the Directors' Remuneration Policy set out in this part of the Remuneration Report.

POLICY ON OUTSIDE APPOINTMENTS

The Remuneration Committee believes that it is beneficial both for the individual and the Company for an executive Director to take up one external non-executive appointment. Fees paid for the appointment may be retained by the executive.

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS AND LOSS OF OFFICE PAYMENTS

The table below summarises the key provisions of each executive Director's contract:

Provision	Detailed terms
Employment contract dates	David Squires – 5 January 2015 Bindi Foyle – 3 May 2017
Notice period	12 months from both the Company and the executive Director
Termination payment	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period, and the value of pension contributions and other benefits such as use of company car, life cover and private healthcare There are no provisions in the agreements, or otherwise, for additional termination payments Payments may be made in monthly instalments and, in these circumstances, there is a requirement for the Director to mitigate loss
Change of control	There are no enhanced provisions in relation to a change of control

Copies of the executive Directors' service contracts are available from the Group Company Secretary at the Company's Registered Office during normal business hours. The Committee's policy in the event of early termination of employment is set out on the following page.

POLICY ON PAYMENT FOR DEPARTURE FROM OFFICE

On termination of an executive Director's service contract, the Committee will take into account the departing executive Director's duty to mitigate his or her loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive Directors leaving the Group is described below and is designed to support a smooth transition from the Company, taking into account the interests of shareholders:

Component of pay	Voluntary resignation or termination for cause	Death, ill health, disability, retirement excluding redundancy	Departure on agreed terms
Base salary, pension and benefits	Paid for the proportion of the notice period worked	Paid up to the date of death or leaving, including any untaken holidays prorated to such date. In the case of ill health, a payment in lieu of notice may be made and, according to circumstances, may be subject to mitigation. In such circumstances, some benefits such as company car or medical insurance may be retained until the end of the notice period	Treatment will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and the terms of any termination agreement
Annual bonus cash	Cessation of employment during a bonus year will normally result in no cash bonus being paid	Cessation of employment during a bonus year or after the year-end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and prorated for the relevant portion of the financial year worked and performance achieved	
Annual bonus deferred shares	Unvested deferred share awards will lapse	In the case of the death of an executive Director, all deferred shares will be transferred to the estate as soon as possible after death. In all other cases, subject to the discretion of the Committee, unvested deferred shares will be transferred to the individual on a date determined by the Committee	
LTIP share awards	Unvested LTIP share awards will lapse	Subject to the discretion of the Committee, unvested LTIP share awards will remain subject to the relevant performance conditions and normally be measured at the original vesting date. The awards will normally be prorated for the relevant proportion of the performance period worked. However, in the case of the death of an executive Director, the Committee will determine the extent of vesting within 12 months of the date of death	
Options under Sharesave	As per HMRC regulations	As per HMRC regulations	
Other	None	Statutory payments and disbursements such as any legal costs and outplacement fees	

Notes
a) The Committee will have the authority to settle any legal claims against the Company e.g. for unfair dismissal etc that might arise on termination.
b) There are no enhanced provisions in relation to a change of control.

HOW SHAREHOLDER VIEWS ARE TAKEN INTO ACCOUNT

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. Shareholders were consulted in 2013 when formulating the Remuneration Policy, and in 2016 and 2017 when updating the Policy. Consultation with shareholders has always been constructive.

The Committee consults proactively with its major shareholders and intends to continue working closely with shareholders in future.

LEGACY ARRANGEMENTS

For the avoidance of doubt, having received shareholder approval at the 2018 AGM of this Policy Report, authority was given to the Company to continue to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share schemes) that have been disclosed to shareholders in previous remuneration reports.

DISCRETIONS OF THE REMUNERATION COMMITTEE

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants for the annual bonus plan and LTIP awards;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table commencing on page 57);
- adjusting the constituents of the TSR comparator group;
- determining the extent of vesting based on the assessment of performance;
- determining "good leaver" status and the extent of vesting in the case of the LTIP and deferred shares;
- determining the extent of vesting in the case of the LTIP in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and LTIP from year to year.

The Committee may vary the performance conditions to apply to LTIP awards if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

From 2018, the Committee has explicit discretion to adjust bonus target outcomes if deemed appropriate, for example to take account of material M&A activity or other exceptional circumstances when they arise.

REMUNERATION REPORT: POLICY CONTINUED

POLICY FOR NON-EXECUTIVE DIRECTORS

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Non-executive Directors and Chairman fees	• Takes account of recognised practice and set at a level that is sufficient to attract and retain high calibre non-executive Directors	• The Chairman is paid a single fee for all his responsibilities as determined by the Remuneration Committee. The non-executive Directors are paid a basic fee. The Senior Independent Director and the Chairs of the Audit and Remuneration Committees receive additional fees to reflect their extra responsibilities • When reviewing fee levels, account is taken of market movements in non-executive Director fees, Board Committee responsibilities, ongoing time commitments and the general economic environment • Fee increases, if applicable, are normally effective from 1 January • The Chairman and non-executive Directors do not participate in any pension, bonus, share incentive or other share option plans • The remuneration of the non-executive Directors is determined by the Board of Directors. The non-executive Directors do not participate in any discussion or decisions relating to their own remuneration • Any reasonable business-related expenses (including tax thereon) can be reimbursed	• Other than when a non-executive Director changes role or where benchmarking indicates fees require realignment, fee increases will not normally exceed the general level of increases for the Group's employees	• N/A

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Chairman and non-executive Directors do not have service agreements but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment. The Chairman's appointment may be terminated on providing 12 months' notice by either party. The appointments of the other non-executive Directors may be terminated by the Company or non-executive Director on providing one month's notice. Copies of the Chairman's and non-executive Directors' letters of appointment are available from the Company Secretary at the Company's Registered Office during normal business hours.

NON-EXECUTIVE DIRECTORS' TERMS OF APPOINTMENT

Name	Date original term commenced	Date current term commenced	Expected expiry date of current term
Ian King	Joined the Board November 2017 and became Chairman in April 2018	–	–
Celia Baxter	September 2013	September 2016	September 2022[(1)]
Susan Brennan	January 2016	–	December 2021[(2)]
Giles Kerr	September 2013	September 2016	September 2022[(1)]
Rajiv Sharma[(4)]	January 2019	–	December 2021
Mark Vernon	April 2011	April 2019[(3)]	April 2020

(1) The second three-year terms of appointment of Celia Baxter and Giles Kerr were due to expire in September 2019. In February 2019, the Nominations Committee agreed to extend their respective appointments for further periods of 3 years, expiring in September 2022.

(2) The first three-year term of appointment of Susan Brennan was due to expire in December 2018. In February 2018, the Nominations Committee agreed to extend her appointment for a further three-year term, expiring in December 2021.

(3) The second three-year term of appointment of Mark Vernon expired in April 2017. His appointment was extended for further periods of 12 months in 2017 and in 2018, with the latest period of his appointment expiring in April 2019. In February 2019, the Nominations Committee agreed to extend his appointment for a further 12 months, expiring in April 2020.

(4) As Rajiv Sharma's term of appointment commenced on 1 January 2019, he is not included within the Directors' remuneration and shareholding tables on pages 65 and 69 respectively.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION

SUMMARY OF THE COMMITTEE'S TERMS OF REFERENCE

The Terms of Reference of the Remuneration Committee, available in full on the Company's website, are summarised below:

- determine and agree with the Board the framework or broad policy for the remuneration of the Chairman of the Board, the executive Directors and other members of the executive management as it is designated to consider;
- within the terms of the agreed policy and in consultation with the Chairman and/or Group Chief Executive, as appropriate, determine the total individual remuneration package of the Chairman, each executive Director, and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- approve the design of, and determine targets for, any performance-related pay plans operated by the Company and approve the total annual payments made under such plans;
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive Directors, and other designated senior executives and the performance targets to be used;
- determine the policy for, and scope of, pension arrangements for each executive Director and other designated senior executives;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is recognised; and
- oversee any major changes in employee benefits structures throughout the Group.

MEMBERS

The Remuneration Committee consists entirely of non-executive Directors.

Member	Number of meetings during term	Number of meetings attended
Celia Baxter – Chair[1]	3	3
Charles Berry[2]	3	1
Susan Brennan	3	3
Giles Kerr	3	2
Ian King	3	3
Mark Vernon	3	3

(1) The full Committee met three times in 2018. In addition, authority was delegated to two members of the Committee, Celia Baxter and Charles Berry, to hold one additional meeting to confirm the grant and vesting of share awards.

(2) Charles Berry retired from the Board on 27 April 2018 and attended the only Committee Meeting that was held in 2018 prior to his retirement.

OTHER ATTENDEES AT REMUNERATION COMMITTEE MEETINGS

The Group Chief Executive and Group HR Director attend meetings by invitation and the Group Company Secretary acts as secretary to the Committee but no executive Director or other employee is present during discussions relating to his or her own remuneration.

ADVISERS

Before recommending proposals for Board approval, the Remuneration Committee may seek advice from external remuneration consultants to ensure that it is fully aware of comparative external remuneration practice as well as shareholder, legislative and regulatory developments. The Committee also considers publicly available sources of information relating to executive remuneration.

All advisers to the Remuneration Committee are appointed and instructed by the Committee. During the year, the Committee was advised by New Bridge Street (part of Aon plc) in relation to ad hoc remuneration matters, Willis Towers Watson in relation to advice on executive remuneration, and by Korn Ferry in relation to the revision of the Remuneration Policy. During 2018, the Company incurred fees of £12,970 from New Bridge Street, of £23,410 from Korn Ferry and of £12,400 from Willis Towers Watson, and these costs were based on a combination of hourly rates and fixed fees for specific items of work. New Bridge Street has no other connection with the Company. In addition to Korn Ferry's work on the revision of the Remuneration Policy, it assisted the Company in the recruitment of non-executive directors. In addition to Willis Towers Watson's advice on executive remuneration, one of its other divisions provided insurance broking services to the Group's US operations.

The Committee does not have a formal policy of subjecting its remuneration consultants to a regular fixed-term rotation, although the Committee remains cognisant of the need to achieve objective advice and good value whilst also benefiting from the consultants' knowledge of the Company. The Committee is satisfied that the advice it has received during 2018 has been objective and independent.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

PRINCIPAL ACTIVITIES AND MATTERS ADDRESSED DURING 2018

The Committee has a calendar of standard items within its remit and in addition it held in-depth discussions on specific topics during the year. The Committee typically meets three times each year, or more as required. In addition, authority was delegated to two members of the Committee, Celia Baxter and Charles Berry, to hold one additional meeting to confirm the grant and vesting of share awards. The table below shows the standard items considered at each meeting, leading up to the meeting in February where the key decisions regarding performance, outcomes and grants for the coming year are determined.

	Standard agenda items	Ad hoc items
February	Review of performance and outcomes under the Annual Bonus and Deferred Bonus Award. Review of performance and vesting under long-term incentives. Determine incentive structure for the next financial year including finalisation of targets. Review of Remuneration Report and Remuneration Policy. Confirmation of LTIP, Deferred Bonus Awards and Restricted Share Awards.	
December (2 meetings)	Review and approval of Directors' and senior managers' salary and total remuneration packages for the following financial year. Performance update on outstanding incentive and bonus awards. Determine remuneration of Chairman. Review of Committee's Terms of Reference.	

STATEMENT OF VOTING AT GENERAL MEETING

At the AGM held on 27 April 2018, votes on the Directors' Remuneration Report and Remuneration Policy were cast as follows:

	Voting	For	Against	Total	Withheld[1]	Reason for vote against, if known	Action taken by Committee
Remuneration Report	Votes	340,876,718	4,045,991	344,922,709	1,743,352	N/A	N/A
	%	98.83%	1.17%	100.0%	N/A		
Remuneration Policy		328,273,693	18,336,560	346,610,253	55,808	N/A	N/A
		94.71%	5.29%	100%	N/A		

[1] A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "For" and "Against" a resolution.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

The following table shows a single total figure of remuneration in respect of qualifying services for the 2018 financial year for each executive Director, together with comparative figures for 2017. Aggregate Directors' emoluments are shown at the end of the Single Total Figure of Remuneration section.

	Salaries and fees £000s		Taxable benefits and allowances[5] £000s		Bonus[6] £000s		Long-term incentives[7] £000s		Pension benefits including cash in lieu of pension £000s		Other[8] £000s		Total[9] £000s	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Executives														
David Squires	**505**	483[1]	**28**	26	**473**	400	**–**	–	**101**	97	**–**	3	**1,107**	1,009
Bindi Foyle	**338**	214[2]	**21**	13	**317**	178	**–**	–	**68**	43	**–**	–	**744**	448
Total remuneration	**843**	697	**49**	39	**790**	578	**–**	–	**169**	140	**–**	3	**1,851**	1,457
Non-executives														
Ian King (Chairman)	**137**	6[3]	**0**	0	**–**	–	**–**	–	**–**	–	**–**	–	**137**	6
Charles Berry	**51**	155[4]	**0**	1	**–**	–	**–**	–	**–**	–	**–**	–	**51**	156
Celia Baxter	**59**	52	**0**	0	**–**	–	**–**	–	**–**	–	**–**	–	**59**	52
Susan Brennan	**50**	43	**1**	1	**–**	–	**–**	–	**–**	–	**–**	–	**51**	44
Giles Kerr	**59**	52	**0**	0	**–**	–	**–**	–	**–**	–	**–**	–	**59**	52
Mark Vernon	**59**	50	**0**	0	**–**	–	**–**	–	**–**	–	**–**	–	**59**	50
Total remuneration	**415**	358	**1**	2	**–**	–	**–**	–	**–**	–	**–**	–	**416**	360

(1) David Squires' salary was increased from £475,000 p.a. to £490,000 p.a. with effect from 1 July 2017.
(2) Bindi Foyle's figures reflect her being appointed to the Board on 3 May 2017.
(3) Ian King was appointed to the Board on 13 November 2017.
(4) Charles Berry's 2018 figures reflect him retiring from the Board on 27 April 2018.
(5) Taxable benefits include the provision of a fully expensed company car or car allowance and private medical insurance.
(6) Awards under the deferred bonus award, the Enhanced SMIS, in respect of 2018 performance will be granted in March 2019. The deferred bonus element that is to be granted in the form of shares to David Squires and Bindi Foyle in March 2019 is included in the Bonus figure and will be equivalent in value to 31.23% of 2018 base salary, namely £157,618 and £105,557 respectively.
(7) The performance conditions attached to David Squires' and Bindi Foyle's 2016 LTIP Awards were not achieved and no shares will vest under this award in March 2019. Further details on the performance conditions can be found on pages 67 and 68.
(8) David Squires received a re-location allowance of £2,507 in 2017.
(9) The aggregate amount of remuneration paid to or receivable by Directors in respect of qualifying services as per paragraph 9 of SI 2008/40 Schedule 5 was £2,098,666.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

FEES RECEIVED FOR OUTSIDE APPOINTMENTS

Neither David Squires nor Bindi Foyle hold outside appointments for which they are remunerated.

ANNUAL FEES OF NON-EXECUTIVE DIRECTORS

The non-executive Directors do not participate in any pension, bonus, share incentive or other share option plans. Their remuneration reflects both the time given and the contribution made by them to the Company's affairs during the year, including membership or chairmanship of the Board or its Committees. The remuneration of the non-executive Directors is determined by the Board of Directors. The non-executive Directors do not participate in any discussion or decisions relating to their own remuneration.

Fees	**2018 £**	2017 £	Percentage change
Chairman[(1)]	**180,000**	155,000	16.1%
Non-executive Director[(2)]	**50,000**	43,250	15.6%
Chair of Audit Committee	**9,000**	9,000	0%
Chair of Remuneration Committee	**9,000**	9,000	0%
Senior Independent Director	**9,000**	9,000	0%

(1) Charles Berry's Chairman fee of £155,000 p.a. remained unchanged until he retired from the Board at the conclusion of the 2018 AGM held on 27 April 2018. Upon being appointed Chairman following Charles Berry's retirement, Ian King's fee was £180,000 p.a. The fee for the new Chairman was set taking due consideration of the need to attract a high calibre individual into the role, preferably with Aerospace experience. In addition, the requirements of the role had increased since his predecessor was appointed.

(2) The fees for non-executive Directors were increased to £50,000 p.a. in 2018 following a benchmarking review that had found the fees to be below lower quartile; there had been no fee increase in 2017. Following the increase, the fees paid to the non-executive Directors were around lower quartile.

SENIOR MANAGERS' EMOLUMENTS

In addition to setting the remuneration of the executive Directors, the Remuneration Committee oversees the remuneration of other senior managers.

The table below shows the cumulative benefits of the three Divisional CEOs, the three Divisional CFOs and the four most senior corporate managers.

	2018 Total £000s	2017 Total £000s
Short-term employee benefits	**3,424**	3,293
Post-employment benefits	**84**	109
Share-based payments	**1,213**	680
Total	**4,721**	4,082

PERFORMANCE AGAINST PERFORMANCE TARGETS FOR ANNUAL BONUS (AUDITED INFORMATION)

Bonuses are earned by reference to the financial year and paid in March following the end of the financial year. Consistent with recent years, the bonuses accruing to the executive Directors in respect of 2018 have been determined by adjusted EPS and free cash flow performance as set out in the table below.

A summary of the measures, weightings and performance achieved is provided in the table below:

	2018							2017		
	Threshold	**Target**	**Maximum**	**Actual achieved**	**Maximum bonus achievable**	**Percentage of maximum achieved**	**Bonus payable (% of 2018 salary)[(1)]**	**Maximum bonus achievable**	**Percentage of maximum achieved**	**Bonus payable (% of 2017 salary)[(1)]**
Free cash flow targets										
Full year	**£29.07m**	**£32.30m**	**£50.00m**	**£45.30m**	**35.00%**	**78.54%**	**27.49%**	30.00%	100.00%	30.00%
Adjusted EPS targets[(2)]										
Full year internal target	**13.80p**	**14.93p**	**17.01p**	**15.92p**	**90.00%**	**73.58%**	**66.22%**	51.00%	79.45%	40.52%
Year-on-year growth	**–**	**–**	**–**	**–**	**–**	**–**	**–**	24.00%	52.00%	12.48%
Totals					**125.00%**	**74.97%**	**93.71%**	105.00%	79.05%	83.00%

(1) When bonus is payable, this is paid two-thirds in cash and one-third in deferred shares. The deferred share element of the 2017 bonus was awarded on 28 February 2018 based on a share price of £2.868 and shall ordinarily vest on the third anniversary of the award on 28 February 2021. The deferred element of the 2018 bonus shall be awarded in March 2019 and the details disclosed in the 2019 Remuneration Report.

(2) From 2018, the bonus will be calculated with regard to full-year cash flow and internal adjusted EPS targets on a constant currency basis.

For the free cash flow targets, bonus becomes payable at 90% of the Target, for the internal Adjusted EPS target, bonus becomes payable at 92% of Target.

TOTAL PENSION ENTITLEMENTS (AUDITED INFORMATION)

Executive Directors are able to participate in the Senior plc Group Flexible Retirement Plan (Senior GFRP), a contract-based Group personal pension arrangement with Standard Life, or receive a pension allowance of up to 20% of unrestricted salary.

David Squires' single figure remuneration for pension benefits in 2018 consisted of a cash allowance of £100,940 (2017 – £96,500), this being 20% of his salary received. Bindi Foyle's single figure remuneration for pension benefits in 2018 consisted of a cash allowance of £67,600 (2017 – £42,862), this being 20% of her salary received following her appointment to the Board.

No salary cap is applied in the calculation of Senior GFRP contribution rates for executive Directors; there is a choice of contribution rates for executive Directors, namely 3% executive, 15% employer; or 5% executive, 20% employer.

PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

There were no payments made in the year for loss of office.

PERFORMANCE AGAINST PERFORMANCE CONDITIONS FOR LTIP VESTING

The performance conditions and constituents of the TSR comparator group are set out below.

By reference to performance in the financial year (audited information)

2016 Award, vesting March 2019

Performance condition	Target (25% vesting)	Maximum (100% vesting)	Actual	Percentage of total award achieved
Total shareholder return ranking (50% of Award)	14.0	5.9	22	0.0%
Growth in adjusted earnings per share over performance period (50% of Award)	10%	25%	-15.28%	0.0%

Neither performance condition for the 2016 Awards was achieved and so none of the following awards shall vest in 2019:

	Number of shares awarded	Percentage vesting	Number of shares vesting	Value of shares vesting £000s
David Squires	334,507	0%	0	0
Bindi Foyle	65,727	0%	0	0

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED INFORMATION)

Directors	Scheme	Basis of award	Face value £000s	Percentage vesting at threshold performance	Number of shares	Performance period end date
David Squires(1)	LTIP	Annual award	757	25%	263,964	31 December 2020
Bindi Foyle(1)	LTIP	Annual award	507	25%	176,778	31 December 2020

(1) The face value of the awards was calculated using the closing share price on 27 February 2018 of 286.8p, being the trading day immediately prior to the date of the award.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

CURRENT POSITION ON OUTSTANDING LTIP AWARDS (NON-AUDITED INFORMATION)

The following tables show the current position against performance targets for LTIP awards outstanding from 2017 and 2018.

	Conditional share awards in 2018			Conditional share awards in 2017		
Performance condition	**Target (25% vesting)**	**Maximum (100% vesting)**	**Actual to date**	Target (25% vesting)	Maximum (100% vesting)	Actual to date
Total shareholder return ranking	**50th percentile**	**75th percentile**	**44.7th percentile**	14	7.3	7
Growth in adjusted earnings per share over performance period	**15%**	**30%**	**11.7%**[1]	10%	25%	11.9%[2]

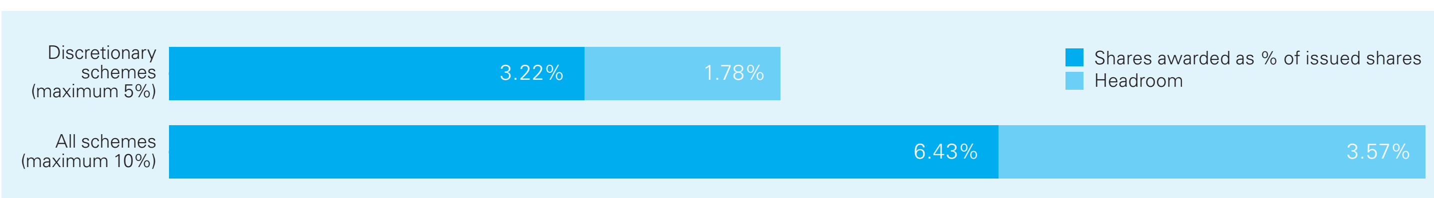
[1] Actual to date figure of 11.7% represents the growth in the Adjusted EPS during the first year of the three-year performance period for the 2018 LTIP award.
[2] Actual to date figure of 11.9% represents the growth in the Adjusted EPS during the first two years of the three-year performance period for the 2017 LTIP award.

For LTIP awards up to and including the 2017 awards, the Company's TSR performance has been measured relative to a broadly similar comparator group comprising FTSE All Share manufacturing companies within selected business sectors; the comparator group used for the 2017 awards is set out below. This group has, over time, reduced in size because of M&A activity. To ensure a suitably broad peer group, the TSR comparator group applicable to the 2018 LTIP awards adopted a wider index, the FTSE 350 excluding sectors with limited direct relevance to Senior and those exhibiting high volatility.

TSR is averaged over three months prior to the start and end of the performance period.

SHAREHOLDER DILUTION

Percentage of issued shares



The Company complies with the dilution guidelines contained within The Investment Association Principles of Executive Remuneration.

At 31 December 2018, awards outstanding and shares issued in the previous 10 years under all share plans (the Senior plc 2005 Long-Term Incentive Plan (the 2005 LTIP), the Senior plc 2014 Long-Term Incentive Plan (the 2014 LTIP), the Restricted Share Award Plan and the 2006 Savings-Related Share Option Plan (the Sharesave Plan)) amounted to 6.43% of the issued ordinary share capital of the Company. At 31 December 2018, awards outstanding and shares issued in the previous 10 years under executive (discretionary) plans (the LTIP and Restricted Share Award Plan) amounted to 3.22% of the issued ordinary share capital of the Company.

During 2018, all share awards were satisfied using market-purchased shares. The Remuneration Committee monitors the flow rates of the Company's share plans, in particular before new share awards are made, to ensure the flow rates remain within the Investment Association dilution guidelines.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED INFORMATION)

The Remuneration Committee encourages Directors to own shares in the Company and, in support of this policy, it expects executive Directors to retain at least 50% of the shares that vest under the LTIP, after allowing for tax liabilities, until a shareholding equivalent in value to 200% of base salary is built up. David Squires' holding of 71,410 shares consists of 60,000 shares that he purchased and 11,410 vested shares. Based on the executive Directors' base salaries at 31 December 2018, David Squires had a holding of 13.4% of base salary and Bindi Foyle had a holding of 18.2% of base salary in the Company's shares.

Deferred share awards are not taken into account for these purposes. Shares are valued using the Company's closing share price on 31 December 2018 of 189.4p (31 December 2017 – 260.7p). No options under the Sharesave Plan were exercised by the executive Directors during the year.

The table below shows how each Director complies with this requirement.

				Additional shares not counting towards shareholding guidelines		
				Unvested awards, subject to performance conditions	Unvested awards, not subject to performance conditions	
Executive Directors	Number of shares required to be held (equivalent to 200% of basic salary at 31 December 2018)	**Number of shares owned outright (including connected persons) at 31 December 2018**	Share ownership requirements met	LTIP award[1]	Sharesave	Deferred share award
David Squires	532,946	**71,410**	No – 13.4%	1,003,761	8,397	83,055
Bindi Foyle	356,917	**64,931**	No – 18.2%	483,504	7,978	43,224

	Number of shares owned outright (including connected persons) at 1 January 2018	Shares vested during 2018	Shares retained from 2018 vested shares	**Number of shares owned outright (including connected persons) at 31 December 2018**
Executive Directors				
David Squires	71,410	0	N/A	**71,410**
Bindi Foyle	61,389	6,696	3,582	**64,971**
Non-executive Directors				
Ian King	0	–	–	**33,700**
Charles Berry	10,000	–	–	**10,000[2]**
Celia Baxter	10,000	–	–	**10,000**
Susan Brennan	0	–	–	**5,900**
Giles Kerr	10,000	–	–	**10,000**
Mark Vernon	18,200	–	–	**18,200**

(1) Neither performance condition attached to David Squires' or Bindi Foyle's 2016 LTIP award over 334,507 shares, and 65,727 shares respectively (included within their respective LTIP award figures above) were achieved; these awards (that were due to vest in March 2019) shall lapse in full.

(2) Charles Berry's shareholding when he retired from the Board on 27 April 2018 was 10,000.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

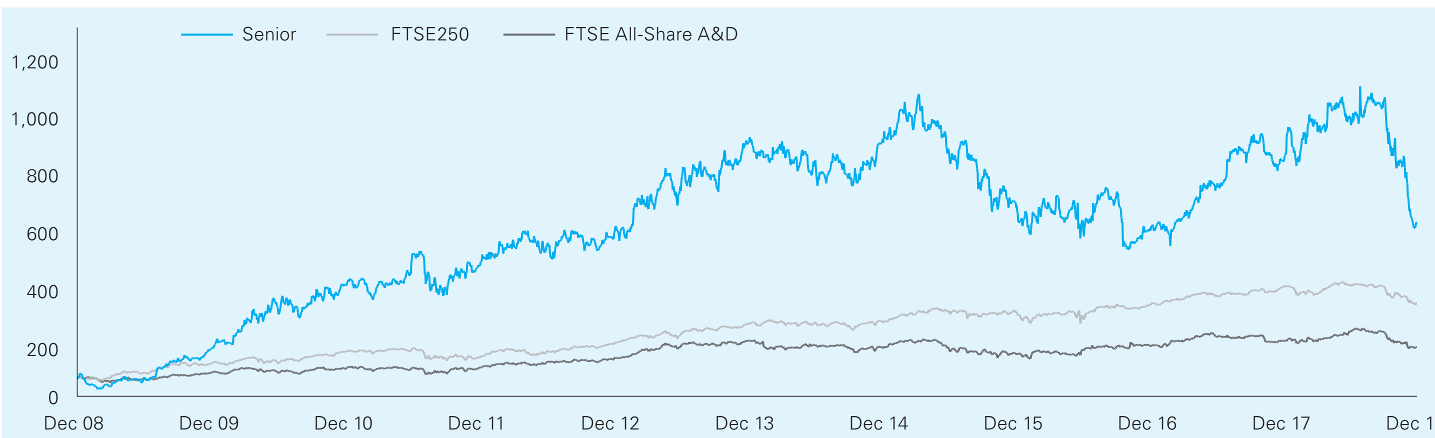
PERFORMANCE GRAPH

Share price performance

The closing middle market price of the shares at 31 December 2018 was 189.4p (2017 – 260.7p). During 2018, the shares traded in the range of 185.4p to 334.4p.

Senior plc total shareholder return

The following TSR graph compares the total shareholder return of the Company's shares against the FTSE All-Share, Aerospace & Defence index, and the FTSE 250 Index over a ten-year period (where dividends are included gross of tax). This graph allows a comparison to be made against organisations facing broadly similar economic and market conditions as the Company.



REMUNERATION OF GROUP CHIEF EXECUTIVE

	2009	2010	2011	2012	2013	2014	2015[2][3]	2016	2017	**2018**
CEO single figure of total remuneration (£000s)	578	899	1,805	1,529	1,726	1,316	1,020	790	1,009	**1,107**
Annual variable element award rates against maximum opportunity (%)	38[1]	100	100	92	65	54	14	31	79	**75**
Long-term incentive vesting rates against maximum opportunity (%)	100	82	100	100	100	91.8	21	0	0	**0**

(1) Given the difficult time faced by many of the Group's employees in 2009, Mark Rollins chose to waive, in full, his entitlement to his 2009 performance bonus.

(2) The single total figure of remuneration in relation to 2015 has been restated from the figure shown in the 2015 Annual Report & Accounts to reflect the difference in the value of the second tranche of David Squires' One-off Award on the actual date of vesting as detailed in Note 34e on page 110 of these Accounts.

(3) During 2015, Mark Rollins retired from the Board on 31 May 2015 and David Squires was appointed a Director on 1 May 2015. The CEO single figure of total remuneration includes the combined 2015 values for Mark Rollins and David Squires.

(4) The annual variable maximum opportunity increased to 125% in 2018 (2017 – 105%).

PERCENTAGE CHANGE IN REMUNERATION OF THE GROUP CHIEF EXECUTIVE

The table below shows how the percentage change in David Squires' salary, benefits and bonus between 2017 and 2018 compares with the percentage change in the average of each of those components of pay for a group of employees. The Committee has selected the Group's senior managers in Europe and North America, as the operations in these territories deliver approximately 90% of the Group's revenue, and these senior managers have broadly similar structured remuneration packages. Businesses acquired by Senior during the year and leavers and joiners in either year have been excluded to prevent distortion.

	Salary	Taxable benefit[2]	Bonus
	Percentage change	Percentage change	Percentage change
Group Chief Executive[1]	**3.0%**	7.6%	18.1%
Pay of senior managers in Europe and North America	**3.7%**	-23.6%[2]	-1.8%

(1) The basic salary of David Squires increased from £475,000 in 2016 to £490,000 with effect from 1 July 2017. The salary percentage change is calculated on the basis that the 2017 salary of £490,000 was received throughout 2017.

(2) For the purposes of making a more valid comparison, the comparator group for the Taxable benefit figure consisted of UK-based senior managers who had a broadly similar benefits structure as David Squires that included the use of a company car and receipt of private healthcare. The decrease in the Taxable Benefit for senior managers reflects a gradual move away from using a company car in favour of taking a car allowance.

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in the financial year ended 31 December 2018 compared with the financial year ended 31 December 2017.

	2018 £m	2017 £m	Percentage change
Employee remuneration costs (excluding social security)[1]	269.7	255.5	5.6%
Adjusted profit before tax	83.0	73.1	13.5%
Dividends paid	29.6	27.9	6.1%

(1) Senior Atlas Composites was sold in September 2017.

2019 REMUNERATION (NON-AUDITED INFORMATION)

An amended Remuneration Policy was approved by shareholders at the 2018 AGM. No amendments to the Remuneration Policy are to be proposed to shareholders at the AGM in April 2019.

Salaries and fees for 2019

	2019 £	**2018 £**	Percentage change
Executives			
David Squires	525,000	**505,000**	4.0%
Bindi Foyle	350,000	**338,000**	3.6%
Non-executives[1]			
Chairman[2]	185,000	**180,000**	2.8%
Non-executive Directors	51,500	**50,000**	3.0%
Chair of Audit Committee	9,000	**9,000**	0.0%
Chair of Remuneration Committee	9,000	**9,000**	0.0%
Senior Independent Director	9,000	**9,000**	0.0%

(1) No additional fees are payable for Committee membership.

(2) Upon being appointed Chairman at the conclusion of the 2018 AGM held on 27 April 2018, Ian King's fee was £180,000 p.a. During 2018, Ian King received £137,183.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

Weighting of annual bonus KPIs for 2019

The individual weightings of the KPIs for the executive Directors for the annual bonus are unchanged from 2018 as set out in the following table.

	2019		**2018**	
	Maximum possible cash award	Enhanced SMIS – maximum share award	**Maximum possible cash award**	**Enhanced SMIS – maximum share award**
Free cash flow target:				
Full year	23.3%	11.7%	**23.3%**	**11.7%**
Adjusted EPS target:				
Full year internal target	60.0%	30.0%	**60.0%**	**30.0%**
Totals	83.3%	41.7%	**83.3%**	**41.7%**

The actual targets are currently considered commercially sensitive because of the information that this provides to the Company's competitors. Full disclosure of the 2019 targets will be disclosed in the 2019 Annual Report.

PERFORMANCE CONDITIONS FOR 2019 AWARDS

Conditional share awards to be granted in 2019.

The performance conditions for awards which will be made in 2019 will again be based on growth in Adjusted EPS (50% weighting) and relative TSR measured against a peer group (50% weighting). The Adjusted EPS performance thresholds for 2019 remain the same as those applied for 2018 awards, as set in the table below:

	Weighting	Target (25% vesting)	Maximum (100% vesting)
Total Shareholder Return ranking	50%	Median or higher	Upper quartile or higher
Adjusted earnings per share	50%	15% growth over 3-year performance period	30% growth over 3-year performance period

The TSR comparator group applicable to the 2019 LTIP awards will be the same as the comparator group applicable to the 2018 LTIP awards, namely, the FTSE 350 excluding sectors with limited direct relevance to Senior and those exhibiting high volatility.

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report was approved by the Board on 1 March 2019.

Signed on behalf of the Board

CELIA BAXTER

CHAIR OF THE REMUNERATION COMMITTEE

1 March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company Financial Statements, state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for:

- keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the Parent Company Financial Statements comply with the Companies Act 2006;
- such internal control as they determine is necessary to enable the preparation of Group and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities; and
- the maintenance and integrity of the corporate and financial information included on the Group and Parent Company's website.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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
1 March 2019

BINDI FOYLE
GROUP FINANCE DIRECTOR
1 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENIOR PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Senior plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of changes in Equity, Consolidated Cash Flow Statement, and the related notes, including the accounting policies in Note 2.

In our opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- The Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- The Parent Company Financial Statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders at the Annual General Meeting on 21 April 2017.

The period of total uninterrupted engagement is for the two financial years ended 31 December 2018.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

OVERVIEW

Materiality: Group financial statements as a whole

£3.2m (2017: £2.6m)

5% of Group profit before tax from continuing operations.

(2017: 5% of Group profit before tax from continuing operations)

Coverage

- 83% of Group revenue (2017: 84%)
- 87% of Group profit before tax (2017: 92%)
- 90% of Group total assets (2017: 91%)

Key audit matters

Recurring risks for the Group	Our risk assessment is the same as 2017	• Provisions for uncertain tax positions • Carrying value of work-in-progress and finished goods
Recurring risks for the Parent company		• Recoverability of the Parent Company's investment in subsidiaries

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

RISKS OF MATERIAL MISSTATEMENT		OUR RESPONSE
Provision for uncertain tax positions		
£17.6m (2017: £17.6m) Refer to the Audit Committee Report in the Governance section on pages 49 to 52, Note 2 (significant accounting policies) and Note 21 (tax balance sheet).	**Subjective estimate** The Group operates in a number of different tax jurisdictions and judgment is required to determine tax provisions across the Group principally in the US. Determination of provisions for tax uncertainties is subject to judgment in assessing the probable outflow of taxes that will be borne by the entity relating to matters where the relevant tax authority's final assessment of the tax treatment is uncertain. The tax risk provisions held in connection with transfer pricing, including inter-company royalty charges, is a key risk due to its size and the subjective nature of the arm's length basis to which the pricing should adhere to. There is a risk that the provisions for tax uncertainties recorded are over or under stated. The effect of these matters is that, as part of our risk assessment, we determined that the provision for uncertain tax positions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole.	Our procedures included: • **Our tax expertise:** Use of our own tax specialists to assess the Group's tax positions, the Company's correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine provisions for tax uncertainties. This is based on our knowledge and experiences of the application of the tax legislation, and our understanding of the production activities at the sites where royalty charges are applied. We also assessed the impact of changes in US tax legislation on the Group. We challenged management on the adequacy of the Group's provision for Transfer Pricing risks particularly arising in the US. • **Assessing transparency:** Assess the adequacy of the Group's disclosures in respect of tax and uncertain tax positions. **Our results** • We found the level of provisions for tax uncertainties to be acceptable.

Carrying value of work-in-progress and finished goods

£116.9m (2017: £105.8m)

Refer to the Audit Committee Report in the Governance section on pages 49 to 52, Note 2 (significant accounting policies) and Note 17 (inventories).

Subjective estimate

The Group is engaged to manufacture goods that are specific to customers' requirements, and most items are built to order. The markets that the Group serves are price competitive, and new products attract production learning curves that impact manufacturing costs during the early stages of a product's life cycle. As a consequence, there is a risk that products may cost more than expected to produce compared to the projected cost when the original sales prices were set. There is a risk therefore that the carrying value of certain items of inventory (both work-in-progress and finished goods) are carried at in excess of net realisable value.

Our procedures included:

- **Test of detail:** For a sample of work-in-progress and finished goods we assessed whether the projected cost of inventories (including cost to complete for work-in-progress items) were in excess of their net realisable value and whether an appropriate write down to net realisable value had been recognised. We specifically assessed the forecast cost schedules associated with new programmes to challenge the key assumptions associated with the production learning curves.

  From identified inventories with negative gross margins, we selected a sample and assessed the appropriateness of the level of provision.
- **Assessing transparency:** Assess the adequacy of the Group's disclosures in respect of inventories.

Our results

- We found the carrying value of work-in-progress and finished goods to be acceptable.

Recoverability of the Parent Company's investment in its subsidiary

£259.9m (2017: £259.9m)

Refer to Note 38 (accounting policies) and Note 40 (investments in subsidiaries) and Company Balance Sheet.

Low risk, high value

The carrying amount of the Parent Company's investment in its subsidiaries represents 64% of its total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgment. However, due to its materiality in the context of the Parent Company Financial Statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.

Our procedures included:

- **Carrying value:** We compared the carrying amount of the investment with the relevant subsidiary's draft statutory balance sheet to identify whether its net assets, being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessed whether the subsidiary has historically been profit-making.

Our results

- We found the Parent Company's assessment of the recoverability of the investment in subsidiaries to be acceptable.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The materiality for the Group Financial Statements as a whole was set at £3.2m (2017: £2.6m) determined with reference to a benchmark of Group profit before tax from continuing operations of which it represents 5% (2017: 5%).

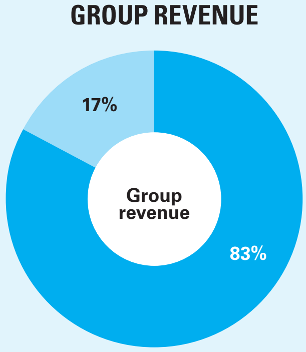
Materiality for the Parent Company Financial Statements as a whole was capped at £2.9m (2017: £2.3m), determined with reference to a benchmark of company total assets, and then capped at 90% (2017: 90%) of the overall Group materiality.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £162,000 (2017: £130,000) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 34 (2017: 34) reporting components (excluding the Parent Company), we subjected 23 components to full scope audits (2017: 23) for group purposes.

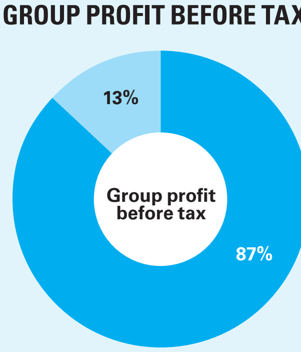
The components within the scope of our work, including the Parent Company, accounted for the percentages illustrated below.

GROUP REVENUE



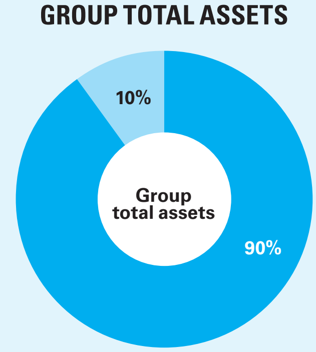
(2017: 84%)

GROUP PROFIT BEFORE TAX*



(2017: 92%)

GROUP TOTAL ASSETS



(2017: 91%)

■ Full scope for Group audit purposes 2018

■ Residual components

*Arises from total profits and losses that made up Group profit before tax

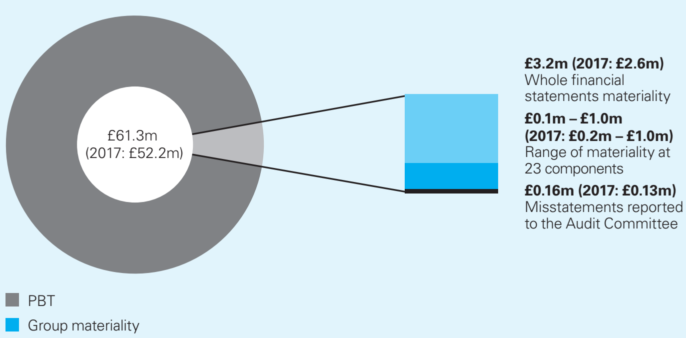
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENIOR PLC CONTINUED

The remaining 17% of total group revenue, 13% of group profit before tax and 10% of total group assets is represented by 11 reporting components, none of which individually represented more than 5% of any of total group revenue, group profit before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group Audit Team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.1m to £1.0m (2017: £0.2m – £1.0m) (excluding the component materiality for Parent Company, which was set at £2.9m (2017: £2.3m)), having regard to the mix of size and risk profile of the Group across the components. The work on 14 of the 23 components (2017: 14) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group Audit Team.

The Group Audit Team visited six component locations (2017: seven) in the US and the UK to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group Audit Team were discussed in more detail, and any further work required by the Group Audit Team was then performed by the component auditor.

GROUP PROFIT BEFORE TAX



4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- We have anything material to add or draw attention to in relation to the Directors' Statement in Note 1 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the Financial Statements; or
- The related statement under the Listing Rules set out on page 29 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- We have not identified material misstatements in the strategic report and the Directors' report;
- In our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our Financial Statements audit, we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation within the Viability Statement on page 29 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- The Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our Financial Statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our Financial Statements audit and the Directors' Statement that they consider that the annual report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- The section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities
As explained more fully in their statement set out on page 73, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Financial Statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, employment law and export laws and regulations. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
1 March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	**Year ended 2018 £m**	Year ended 2017 £m
Revenue	3	**1,082.1**	1,023.4
Trading profit		**69.3**	64.8
Share of joint venture profit	15	**0.6**	0.7
Operating profit[1]	5	**69.9**	65.5
Investment income	7	**0.6**	0.2
Finance costs	8	**(9.2)**	(9.7)
Loss on disposal	31	**–**	(3.8)
Profit before tax[2]		**61.3**	52.2
Tax (charge)/credit	10	**(11.2)**	8.1
Profit for the period		**50.1**	60.3
Attributable to:			
Equity holders of the parent		**50.1**	60.3
Earnings per share			
Basic[3]	12	**11.99p**	14.39p
Diluted[4]	12	**11.83p**	14.30p

[1] Adjusted operating profit	9	**91.6**	82.6
[2] Adjusted profit before tax	9	**83.0**	73.1
[3] Adjusted earnings per share	12	**16.08p**	14.39p
[4] Adjusted and diluted earnings per share	12	**15.87p**	14.30p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**Year ended 2018 £m**	Year ended 2017 £m
Profit for the period		**50.1**	60.3
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on foreign exchange contracts – cash flow hedges during the period		**(8.0)**	12.9
Reclassification adjustments for losses/(profits) included in profit		**1.3**	(1.4)
(Losses)/gains on foreign exchange contracts – cash flow hedges	28	**(6.7)**	11.5
Exchange differences on translation of overseas operations	28	**20.3**	(18.2)
Tax relating to items that may be reclassified	10	**1.3**	(2.3)
		14.9	(9.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefit pension schemes	35	**5.8**	5.2
Tax relating to items that will not be reclassified	10	**(0.8)**	0.7
		5.0	5.9
Other comprehensive income/(expense) for the period, net of tax		**19.9**	(3.1)
Total comprehensive income for the period		**70.0**	57.2
Attributable to:			
Equity holders of the parent		**70.0**	57.2

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Notes	Year ended 2018 £m	Year ended 2017 £m
Non-current assets			
Goodwill	13	**312.9**	302.4
Other intangible assets	14	**26.7**	41.6
Investment in joint venture	15	**3.0**	2.4
Property, plant and equipment	16	**285.6**	256.1
Deferred tax assets	21	**2.4**	1.6
Loan to joint venture	15	**–**	0.3
Retirement benefits	35	**30.9**	19.4
Trade and other receivables	18	**0.5**	0.5
Total non-current assets		**662.0**	624.3
Current assets			
Inventories	17	**177.8**	154.5
Loan to joint venture	15	**–**	0.2
Current tax receivables	21	**2.7**	1.0
Trade and other receivables	18	**165.0**	154.3
Cash and bank balances	32c	**17.2**	12.6
Assets classified as held for sale	31	**–**	3.9
Total current assets		**362.7**	326.5
Total assets		**1,024.7**	950.8
Current liabilities			
Trade and other payables	23	**196.0**	173.0
Current tax liabilities	21	**21.5**	21.2
Obligations under finance leases	22	**0.2**	0.3
Bank overdrafts and loans	19	**2.7**	60.5
Provisions	24	**11.3**	5.5
Total current liabilities		**231.7**	260.5
Non-current liabilities			
Bank and other loans	19	**167.3**	106.7
Retirement benefits	35	**12.4**	14.7
Deferred tax liabilities	21	**42.2**	34.3
Obligations under finance leases	22	**–**	0.2
Provisions	24	**0.2**	0.2
Others		**2.7**	2.6
Total non-current liabilities		**224.8**	158.7
Total liabilities		**456.5**	419.2
Net assets		**568.2**	531.6
Equity			
Issued share capital	25	**41.9**	41.9
Share premium account	26	**14.8**	14.8
Equity reserve	27	**5.7**	3.9
Hedging and translation reserve	28	**48.2**	33.3
Retained earnings	29	**465.6**	438.8
Own shares	30	**(8.0)**	(1.1)
Equity attributable to equity holders of the parent		**568.2**	531.6
Total equity		**568.2**	531.6

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 1 March 2019. They were signed on its behalf by:

DAVID SQUIRES
DIRECTOR

BINDI FOYLE
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Notes	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
		All equity is attributable to equity holders of the parent						
Balance at 1 January 2017		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	28	–	–	–	11.5	–	–	11.5
Exchange differences on translation of overseas operations	28	–	–	–	(18.2)	–	–	(18.2)
Actuarial gains on defined benefit pension schemes	35	–	–	–	–	5.2	–	5.2
Tax relating to components of other comprehensive income	10	–	–	–	(2.3)	0.7	–	(1.6)
Total comprehensive income for the period		–	–	–	(9.0)	66.2	–	57.2
Share-based payment charge	34	–	–	1.9	–	–	–	1.9
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	(0.1)	(0.1)
Use of shares held by employee benefit trust	30	–	–	–	–	(0.5)	0.5	–
Transfer to retained earnings	29	–	–	(1.0)	–	1.0	–	–
Dividends paid	11	–	–	–	–	(27.9)	–	(27.9)
Balance at 31 December 2017		41.9	14.8	3.9	33.3	438.8	(1.1)	531.6
Profit for the year 2018		**–**	**–**	**–**	**–**	**50.1**	**–**	**50.1**
Losses on foreign exchange contracts – cash flow hedges	28	**–**	**–**	**–**	**(6.7)**	**–**	**–**	**(6.7)**
Exchange differences on translation of overseas operations	28	**–**	**–**	**–**	**20.3**	**–**	**–**	**20.3**
Actuarial gains on defined benefit pension schemes	35	**–**	**–**	**–**	**–**	**5.8**	**–**	**5.8**
Tax relating to components of other comprehensive income	10	**–**	**–**	**–**	**1.3**	**(0.8)**	**–**	**0.5**
Total comprehensive income for the period		**–**	**–**	**–**	**14.9**	**55.1**	**–**	**70.0**
Share-based payment charge	34	**–**	**–**	**3.4**	**–**	**–**	**–**	**3.4**
Purchase of shares held by employee benefit trust	30	**–**	**–**	**–**	**–**	**–**	**(7.2)**	**(7.2)**
Use of shares held by employee benefit trust	30	**–**	**–**	**–**	**–**	**(0.3)**	**0.3**	**–**
Transfer to retained earnings	29	**–**	**–**	**(1.6)**	**–**	**1.6**	**–**	**–**
Dividends paid	11	**–**	**–**	**–**	**–**	**(29.6)**	**–**	**(29.6)**
Balance at 31 December 2018		**41.9**	**14.8**	**5.7**	**48.2**	**465.6**	**(8.0)**	**568.2**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Notes	**Year ended 2018 £m**	Year ended 2017 £m
Net cash from operating activities	32a	**100.7**	110.9
Investing activities			
Interest received		**0.4**	0.4
Proceeds on disposal of property, plant and equipment		**0.5**	1.8
Purchases of property, plant and equipment	16	**(54.6)**	(52.3)
Purchases of intangible assets	14	**(1.7)**	(2.5)
Proceeds on disposal	31	**–**	0.4
Loan repayment by joint venture	15	**0.5**	0.3
Net cash used in investing activities		**(54.9)**	(51.9)
Financing activities			
Dividends paid	11	**(29.6)**	(27.9)
New loans		**111.9**	78.7
Repayment of borrowings		**(114.3)**	(115.8)
Repayments of obligations under finance leases		**(0.3)**	(0.5)
Purchase of shares held by employee benefit trust		**(7.2)**	(0.1)
Net cash used in financing activities		**(39.5)**	(65.6)
Net increase/(decrease) in cash and cash equivalents		**6.3**	(6.6)
Cash and cash equivalents at beginning of period		**9.7**	16.8
Effect of foreign exchange rate changes		**1.0**	(0.5)
Cash and cash equivalents at end of period	32c	**17.0**	9.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Senior plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the inside back cover. The nature of the Group's operations and its principal activities are set out in Note 4 and on pages 1 to 37.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Financial Statements are presented in Pounds Sterling, which is the Company's functional and the Group's presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and they therefore comply with Article 4 of the EU IAS Regulation. They have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and retirement benefit costs measured in accordance with IAS 19. They have also been prepared on the going concern basis as set out in the Financial Review on pages 26 to 29. The Directors have, at the time of approving these Financial Statements, a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

Changes in accounting policies

At the date of authorisation of these Financial Statements, a number of new standards and amendments to existing standards have been issued, all of which are effective, apart from IFRS 16, which is effective on 1 January 2019 and has 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 cash generated by Operations nor on free cash flow, apart from IFRS 16, which is explained below.

a) IFRS 9 Financial instruments

This standard covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model. It replaced IAS 39 Financial Instruments from 1 January 2018. The standard requires financial assets and financial liabilities to be held at amortised cost or to be fair valued through either the profit and loss account (FVTPL) or other comprehensive income (FVTOCI). All non-derivative financial assets and liabilities are held at amortised cost. All derivative assets and liabilities are fair valued and held for trading (FVTPL) or are cash flow hedges (FVTOCI). In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated with the exception of certain aspects of hedge accounting.

There is no material impact for the Group on transition to the new standard.

b) IFRS 15 Revenue from Contracts with Customers

This standard, which has replaced existing revenue standards, 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.

The Group has adopted this standard using the cumulative effect method, therefore the information presented for 2017 has not been restated. This involved calculating the relevant adjustments required for contracts not completed as at the transition date of 1 January 2018.

The impact of the transition on the Financial Statements for 2018 is not material. Market practice and industry interpretations of IFRS 15 are continuing to evolve. The Group will continue to monitor these developments and will re-evaluate the transitional adjustments as necessary, but we do not anticipate any material adjustments being required given the Group's operating model.

c) IFRS 16 Leases. Effective for annual periods beginning 1 January 2019

Effective for annual periods beginning 1 January 2019, IFRS 16 Leases will replace IAS 17 Leases and requires lessees to recognise right of use assets and lease liabilities for all leases (be they operating or financing in classification under IAS 17), unless the lease term is 12 months or less or the underlying asset is low value. As at 31 December 2018, the Group holds a significant number of operating leases which under IAS 17 were expensed on a straight-line basis over the lease term (see Note 33).

The Group has undertaken a comprehensive review across all lease commitments and performed the required assessment of its cumulative adjustment on transition to IFRS 16 on 1 January 2019 and applied the standard from the transitional date using the modified retrospective approach and not restating comparatives. As at 1 January 2019, the Group's audited right of use assets were £96.7m, finance lease liabilities were £96.3m and working capital and non-current liabilities decreased by £0.4m in total.

The estimated annual financial impact has also been updated from prior guidance in order to reflect the lease portfolio and financial conditions at the date of transition; actual financial impacts will differ as these conditions change. From the financial year ending 31 December 2019, depreciation (£10.2m annually as determined at the date of transition) on the right of use assets will be charged to the Consolidated Income Statement while interest (£3.6m annually as determined at the date of transition) will be accrued against the lease liabilities. These charges to the Consolidated Income Statement will be partly offset by operating lease rentals that will no longer be expensed to the Consolidated Income Statement (£11.3m annually as determined at the date of transition).

As a result of this accounting change and the related classification of certain items in the Consolidated Cash Flow Statement, in the financial year ending 31 December 2019, cash generated by Operations and free cash flow (as defined in Note 32) are expected to increase by £11.3m and £7.7m respectively. Capital repayments of lease liabilities will be classified to net cash used in financing activities, resulting in a neutral effect on the movement in cash and cash equivalents.

The adoption of IFRS 16 does not impact the Group's lending covenants, as these are based currently on frozen GAAP.

The following practical expedients for IFRS 16 are expected to be taken on the transition date:

- the Group will not reassess whether existing contracts are, or contain, a lease and will apply IFRS 16 only to existing contracts that were previously identified as leases under IAS 17;
- the Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- for leases which have a remaining term of less than 12 months from the transition date, the Group will treat these leases in the same way as short-term leases.

d) Other new standards and amendments to existing standards

There are no other material new standards, amendments to standards or interpretations which are effective for the year ended 31 December 2018. IFRIC 23, which clarifies accounting for uncertainties in income taxes, is effective on 1 January 2019 and is not expected to have a significant impact on the Consolidated Financial Statements of the Group.

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of Senior plc and the entities controlled by it (its subsidiaries) made up to 31 December 2018. Control is achieved when Senior plc has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for each acquisition is the aggregate of the fair values (at the date of exchange) of assets

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

transferred, liabilities incurred or assumed, and equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The results of joint ventures are accounted for using the equity accounting method.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. It is recognised as an asset and reviewed for impairment at least annually and will be reviewed for indicators of impairment at the Balance Sheet date. Any impairment is recognised immediately through the Consolidated Income Statement and is not subsequently reversed.

If the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree is less than the fair value of the net assets acquired (i.e. bargain purchase), the difference is credited to the Consolidated Income Statement in the period of acquisition.

Goodwill acquired in a business combination is allocated, at aquisition, to the group of cash-generating units (CGU groups) that are expected to benefit from that business combination. CGU groups to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the CGU group may be impaired. The recoverable amount of the CGU group is determined by applying a pre-tax discount rate to its pre-tax future cash flows. If the recoverable amount of the CGU group is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU group and then to the other assets of the CGU group pro rata on the basis of the carrying amount of each asset in the CGU group. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or part thereof, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions prior to the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

The Group predominantly has one revenue stream relating to engineered components or systems (products), which are customer specific, with a secondary revenue stream of funded development revenue. Both streams have identifiable customer contracts and pricing specific performance obligations.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognised net of discounts, VAT and other sales related taxes. The determination of the transaction price is based upon pricing specified in the customer contract i.e. a price per unit.

Revenue is recognised as the identified performance obligations are satisfied.

The performance obligation for goods is a specific point in time when the customer obtains control, which is upon delivery or when available for collection. Allocation of transaction price to performance obligations is given in the contract i.e. a unit delivered or available for collection.

The performance obligation for development revenue is a specific point in time when the customer obtains control of the output, for example a first article good, which is the acceptance milestone specified in the customer contract.

Dividend income from investments is recognised when the shareholders' legal rights to receive payment have been established.

Interest

Interest receivable/payable is credited/charged to the Income Statement using the effective interest method.

Leasing

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation in order to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Income Statement.

Rentals payable under operating leases are expensed on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as incentives to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Balance Sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity, subject to meeting the requirements under IAS 21.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts (see section below on derivative financial instruments and hedging for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the Balance Sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange rate differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate on the relevant Balance Sheet date.

The exchange rates for the major currencies applied in the translation of results were as follows:

	Average rates 2018	Average rates 2017	**Year-end rates 2018**	Year-end rates 2017
US Dollar	**1.34**	1.29	**1.28**	1.35

Government grants

Government grants received for items of a revenue nature are recognised as income over the period necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to investment in property, plant and equipment are deducted from the initial carrying value of the related capital asset.

Retirement benefit costs

Payments to defined contribution retirement plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit plans are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement plan.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Method, with full actuarial valuations being carried out on a triennial basis, and updated at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and are presented in the Statement of Comprehensive Income.

Past service cost is recognised as an expense at the earlier of a plan amendment, curtailment, or restructuring.

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation, and as reduced by the fair value of scheme assets. Any net asset resulting from this calculation is limited to the past service cost plus the present value of available refunds and reductions in future contributions to the plan.

The discount rate and inflation rate used to measure the UK retirement benefit scheme have been updated in 2018 in line with developing market practice following actuarial advice, which do not have a significant impact on the Financial Statements.

Taxation

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Provisions for tax uncertainties are included within current tax liabilities on the Consolidated Balance Sheet. There are transactions and activities that the Group engages in where the ultimate tax determination is uncertain and a provision may be made against the tax benefit. For example, the Group seeks to price transactions between Group companies as if they were unrelated parties in compliance with OECD transfer pricing principles and the laws of the relevant jurisdictions and this involves a degree of uncertainty. Provisions against uncertainties are established based on management judgment of the range of likely tax outcomes in open years and in consideration of the strength of technical arguments and are based on amounts that the company expect to pay following this assessment. When making this assessment, the Group utilises specialist in-house tax knowledge and experience and takes into consideration specialist tax advice from third party advisers on specific items.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the Group's taxable profit nor its accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the Balance Sheet date. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited to Other Comprehensive Income or directly to equity, in which case the deferred tax is also dealt with in Other Comprehensive Income or equity.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Balance Sheet at their historical cost, or at modified historical cost, being a revaluation undertaken in 1988 which has been taken as the effective cost on transition to IFRS. Land and buildings were revalued to fair value at the date of revaluation.

The Group does not intend to conduct annual revaluations.

Fixtures, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to write off the cost of an asset on a straight-line basis over the estimated useful life of the asset, and is charged from the time an asset becomes available for its intended use. Annual rates are as follows:

Freehold land	Nil
Freehold buildings	2%
Leasehold buildings	over their expected useful lives on the same basis as owned assets or, where shorter, over the lease term
Plant and equipment	5% – 33%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset at disposal and is recognised in the Consolidated Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Internally generated intangible assets – research and development expenditure

An intangible asset arising from unfunded development work shall be recognised if the following can be demonstrated:

i. the asset can be separately identified.

ii. it is probable that the asset created will generate future economic benefits.

iii. the development cost of the asset can be measured reliably during its development.

iv. it is technically feasible to complete the asset so that it will be available for use or sale.

v. there is intention to complete the asset and use or sell it.

vi. the Group has ability to use or sell the asset.

vii. the Group has availability of adequate technical, financial and other resources to complete the development work and to use or sell the asset.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives.

Costs incurred in relation to funded development work are accumulated in inventory and are recognised when the related billings are made. Any amounts held in inventory are subject to normal inventory valuation principles.

Other expenditure on research and development activities, that do not meet the capitalisation criteria above, is recognised as an expense in the period in which it is incurred.

Other intangible assets

Other intangible assets include computer software and intangible assets acquired as part of a business combination.

The cost of acquiring computer software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Capitalised computer software is amortised over its estimated useful life of between three and five years on a straight-line basis, and is stated at cost less accumulated amortisation and impairment losses.

Intangible assets acquired as part of a business combination principally comprise customer relationships, contracts and trade names. They are shown at fair value at the date of acquisition less accumulated amortisation at the rates of between three and five years on a straight-line basis.

Impairment of tangible and intangible assets excluding goodwill

At each Balance Sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less the costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and an appropriate allocation of production overheads. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Financial instruments are classified as cash and cash equivalents, bank overdrafts and loans, obligations under finance leases, trade receivables, trade payables, deferred consideration receivable, other receivables and other payables, as appropriate.

Non-derivative financial assets are categorised as "Financial assets at amortised cost" and non-derivative financial liabilities are categorised as "Financial liabilities at amortised cost". Derivative financial assets and liabilities that are not designated and effective as hedging instruments are categorised as "financial assets at fair value through profit or loss" and "financial liabilities at fair value through profit or loss", respectively. The classification depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by loss allowance. The Group has elected to measure loss allowance for trade receivables at an amount equal to the lifetime expected credit losses (ECLs), which are based on quantitative and qualitative credit risk assessments, using historical and forward looking information. Changes in the carrying amounts of the loss allowance are recognised in the Consolidated Income Statement.

Trade receivables in default are considered uncollectible and are written off against the loss allowance. The Group considers a trade receivable to be in default when the customer is experiencing significant financial difficulties, bankruptcy, financial reorganisation or is in default or delinquent in paying its credit obligations to the Group in full. Subsequent recoveries of amounts previously written off are credited against the loss allowance.

Trade receivables are derecognised when factored, without recourse, through third party financial institutions (the Factors).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Non-derivative financial liabilities

Non-derivative financial liabilities are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised financial liability and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

Equity instruments

Equity instruments issued by the Company are recorded at the value of the proceeds received, net of direct transaction costs.

Derivative financial instruments and hedging

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange contracts and, on occasion, interest rate swap contracts to hedge these exposures. The use of financial derivatives is governed by the Group's Treasury Policies as approved by the Board of Directors, which provides written principles on the use of derivatives. The Group does not use derivative financial instruments for speculative purposes.

Certain derivative instruments do not qualify for hedge accounting. These are categorised as at "fair value through profit or loss" and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

The Group designates certain hedging instruments in respect of foreign currency risk as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents, both at hedge inception and on an ongoing basis, whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For the Group's cash flow hedges of highly probable forecast transactions in foreign currencies, the hedged risk is always considered to be 1:1. If the underlying exposure changes over time, either due to commercial factors or timing differences, the hedging instruments will be rebalanced to ensure that the hedge ratio of 1:1 is maintained.

Changes in the fair value of derivative financial instruments that are designated and are effective as a cash flow hedge are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement. Gains or losses from remeasuring the derivative are also recognised in the Consolidated Income Statement. If the hedge is effective, these entries will offset in the Consolidated Income Statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Consolidated Income Statement for the period.

Gains and losses accumulated in equity are recognised in the Consolidated Income Statement on disposal of the overseas operation.

Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months. Assets that are classified as held for sale are not depreciated. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, taking into account the risks and uncertainties (such as timing or amount) surrounding the obligation. They are not discounted to present value if the effect is not material.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring and the plan has been communicated to the affected parties. Provisions for the expected cost for warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products.

Share-based payments

The Group applies the requirements of IFRS 2 Share-based payments.

The Group issues equity-settled share-based payments to certain employees. The fair value (excluding the effect of non-market-related conditions), as determined at the grant date, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market-related conditions.

Fair value is measured by use of a Black-Scholes model for the share option plans, and a binomial model for the share awards under the 2005 Long-Term Incentive Plan.

The liability in respect of equity-settled amounts is included in equity.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Critical accounting judgments

IAS requires disclosure of the judgments Management makes when applying its significant accounting policies and that have the most significant effect on amounts that are recognised in the Group's Financial Statements. In the course of preparing the Financial Statements, no significant critical judgments have been made in the process of applying the Group's accounting policies, other than those involving estimations, which are dealt with separately below. Management makes other judgments in the normal course of conducting business, such as those in relation to contractual matters and legal costs (see Note 24 for further details).

Key sources of estimation and uncertainty

When applying the Group's accounting policies, Management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the Balance Sheet date and the amounts of revenue and expenses recognised during the period. Such assumptions are based upon factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources. The key sources of estimation and uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and beyond include:

Income taxes

In determining the Group provisions for income tax and deferred tax, it is necessary to consider transactions in a small number of key tax jurisdictions for which the ultimate tax determination is uncertain. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to income tax and deferred tax provisions held in the period the determination is made. The carrying amount of net current tax liability and deferred tax liability at 31 December 2018 was £18.8m (2017 – £20.2m) and £39.8m (2017 – £32.7m), respectively. Further details on these estimates are set out in Notes 10 and 21.

Retirement benefits

Management makes assumptions and estimates, for the next financial year and beyond, which affect the value of the carrying amount of the UK Plan retirement benefit obligation at 31 December 2018. Management follows actuarial advice from a third party when determining assumptions and estimates on discount rate, inflation and demography (see Note 35). In 2018, the past service charge required for the equalisation of historical UK Guaranteed Minimum Pensions has been estimated to increase the UK Plan liabilities by £2.4m (see Note 9 and Note 35).

The carrying amount of the UK Plan's retirement benefits at 31 December 2018 was a surplus of £30.9m (2017 – surplus of £19.4m), being the present value of the defined benefit obligations of £278.7m (2017 – £301.8m) and fair value of plan assets of £309.6m (2017 – £321.2m). Further details and sensitivities from changes in estimates are set out in Note 35g.

Other estimates

The Board has considered the estimation applied to inventory and concluded that there is not a significant risk of a material adjustment arising over the next financial year. Management assesses the carrying value of inventory to ensure that it is held at lower of cost and net realisable value. Where necessary, management makes an estimate to write down inventory to its net realisable value. The Group held a net inventory balance at the year end of £177.8m (2017 – £154.5m). In determining an estimate of net realisable value, management has made assumptions in respect of the durability, quality, specificity and order cover, which provide some protection against adverse market conditions, and competitor product development and pricing activity. Inventory held is typically built on a demand basis and is customer specific.

3. REVENUE

Total revenue is disaggregated by market sectors as follows:

	Year ended 2018 £m	Year ended 2017 £m
Civil Aerospace	**563.6**	533.4
Military Aerospace	**125.6**	123.6
Other	**71.2**	68.3
Aerospace	**760.4**	725.3
Land Vehicles	**167.0**	157.8
Power & Energy	**147.8**	133.3
Other	**8.1**	7.7
Flexonics	**322.9**	298.8
Eliminations	**(1.2)**	(0.7)
Total revenue	**1,082.1**	1,023.4

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

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

4. SEGMENT INFORMATION

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 and the sales between segments are carried out at arm's length. Adjusted operating profit, as described in Note 9, is the key measure reported to the Group's Executive Committee for the purpose of resource allocation and assessment of segment performance. Investment income, finance costs and tax are not allocated to segments, as this type of activity is driven by the central tax and treasury function.

Segment assets include directly attributable computer software assets, property, plant and equipment, working capital assets, goodwill and intangible assets from acquisitions. Cash, deferred and current tax and other financial assets (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Group's Executive Committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. SEGMENT INFORMATION CONTINUED

Segment liabilities include directly attributable working capital liabilities. Debt, finance leases, retirement benefits, deferred and current tax and other financial liabilities (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Group's Executive Committee.

Central costs, assets and liabilities are corporate items not allocated to segments, which is consistent with the format used by the chief operating decision maker.

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

	Notes	**Aerospace Year ended 2018 £m**	**Flexonics Year ended 2018 £m**	**Eliminations/ central costs Year ended 2018 £m**	**Total Year ended 2018 £m**	Aerospace Year ended 2017 £m	Flexonics Year ended 2017 £m	Eliminations/ central costs Year ended 2017 £m	Total Year ended 2017 £m
External revenue		**759.4**	**322.7**	**–**	**1,082.1**	724.7	298.7	–	1,023.4
Inter-segment revenue		**1.0**	**0.2**	**(1.2)**	**–**	0.6	0.1	(0.7)	–
Total revenue		**760.4**	**322.9**	**(1.2)**	**1,082.1**	725.3	298.8	(0.7)	1,023.4
Adjusted trading profit		**80.4**	**26.1**	**(15.5)**	**91.0**	76.6	20.0	(14.7)	81.9
Share of joint venture profit		**–**	**0.6**	**–**	**0.6**	–	0.7	–	0.7
Adjusted operating profit		**80.4**	**26.7**	**(15.5)**	**91.6**	76.6	20.7	(14.7)	82.6
UK Guaranteed Minimum Pensions	9	**–**	**–**	**(2.4)**	**(2.4)**	–	–	–	–
US class action lawsuits	9	**–**	**–**	**(3.9)**	**(3.9)**	–	–	–	–
Amortisation of intangible assets from acquisitions		**(8.3)**	**(7.1)**	**–**	**(15.4)**	(8.5)	(8.6)	–	(17.1)
Operating profit		**72.1**	**19.6**	**(21.8)**	**69.9**	68.1	12.1	(14.7)	65.5
Investment income					**0.6**				0.2
Finance costs					**(9.2)**				(9.7)
Loss on disposal					**–**				(3.8)
Profit before tax					**61.3**				52.2
Tax					**(11.2)**				8.1
Profit after tax					**50.1**				60.3

Trading profit and adjusted trading profit is operating profit and adjusted operating profit respectively before share of joint venture profit. See Note 9 for the derivation of adjusted operating profit.

Segment information for assets, liabilities, additions to non-current assets and depreciation and amortisation is presented below:

Assets	**Year ended 2018 £m**	Year ended 2017 £m
Aerospace	**723.1**	667.8
Flexonics	**244.1**	244.2
Segment assets for reportable segments	**967.2**	912.0
Unallocated		
Central	**4.0**	3.7
Cash	**17.2**	12.6
Deferred and current tax	**5.1**	2.6
Retirement benefits	**30.9**	19.4
Others	**0.3**	0.5
Total assets per Consolidated Balance Sheet	**1,024.7**	950.8

Liabilities	**Year ended 2018 £m**	Year ended 2017 £m
Aerospace	**134.7**	120.3
Flexonics	**58.3**	48.1
Segment liabilities for reportable segments	**193.0**	168.4
Unallocated		
Central	**14.1**	11.0
Debt	**170.0**	167.2
Finance leases	**0.2**	0.5
Deferred and current tax	**63.8**	55.5
Retirement benefits	**12.4**	14.7
Others	**3.0**	1.9
Total liabilities per Consolidated Balance Sheet	**456.5**	419.2

4. SEGMENT INFORMATION CONTINUED

	Additions to non-current assets Year ended 2018 £m	Additions to non-current assets Year ended 2017 £m	**Depreciation and amortisation Year ended 2018 £m**	Depreciation and amortisation Year ended 2017 £m
Aerospace	**43.3**	41.0	**37.3**	36.2
Flexonics	**12.8**	13.4	**19.4**	21.5
Sub-total	**56.1**	54.4	**56.7**	57.7
Central	**0.2**	0.4	**0.2**	0.2
Total	**56.3**	54.8	**56.9**	57.9

The Group's revenues from its major products is presented below:

	Year ended 2018 £m	Year ended 2017 £m
Aerospace – Structures	**424.6**	416.9
Aerospace – Fluid Systems	**334.8**	307.8
Aerospace total	**759.4**	724.7
Land vehicles	**167.0**	157.8
Power & Energy and others	**155.7**	140.9
Flexonics total	**322.7**	298.7
Group total	**1,082.1**	1,023.4

Revenue of approximately £118.9m (2017 – £102.6m) arose from sales to the Group's largest customer, revenue of approximately £113.8m (2017 – £119.6m) arose from sales to the Group's second largest customer and revenue of approximately £108.8m (2017 – £97.2m) arose from sales to the Group's third largest customer.

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

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods. The carrying values of segment non-current assets are analysed by the geographical area in which the assets are located.

	Sales revenue Year ended 2018 £m	Sales revenue Year ended 2017 £m	**Segment non-current assets Year ended 2018 £m**	Segment non-current assets Year ended 2017 £m
USA	**513.7**	478.2	**343.4**	318.8
UK	**178.7**	161.0	**154.5**	147.1
Rest of the World	**389.7**	384.2	**161.7**	156.8
Sub-total	**1,082.1**	1,023.4	**659.6**	622.7
Unallocated amounts	**–**	–	**2.4**	1.6
Total	**1,082.1**	1,023.4	**662.0**	624.3

The unallocated amounts on non-current assets relate to deferred tax assets.

5. OPERATING PROFIT

Operating profit can be analysed as follows:

	Year ended 2018 £m	Year ended 2017 £m
Revenue	**1,082.1**	1,023.4
Cost of sales	**(857.3)**	(805.2)
Gross profit	**224.8**	218.2
Distribution costs	**(8.8)**	(7.6)
Administrative expenses	**(146.3)**	(146.0)
(Loss)/profit on sale of fixed assets	**(0.4)**	0.2
Share of joint venture profit	**0.6**	0.7
Operating profit	**69.9**	65.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. OPERATING PROFIT CONTINUED

Operating profit for the period has been arrived at after charging:

	Year ended 2018 £m	Year ended 2017 £m
Net foreign exchange losses	**0.9**	1.6
Net foreign exchange losses on ineffective cash flow hedges	**–**	–
Net foreign exchange losses on derivatives held for trading	**–**	0.2
Research and development costs	**29.7**	25.6
Depreciation of property, plant and equipment	**39.5**	38.8
Amortisation of intangible assets included in administration expenses	**17.4**	19.1
Cost of inventories recognised as expense	**857.3**	805.2
Provision for impairment of doubtful receivables	**0.3**	1.3

Staff costs are disclosed in Note 6.

The majority of research and development costs incurred during the year have been expensed in line with Note 2 Significant Accounting Policies.

The analysis of the Auditor's remuneration is as follows:

	Year ended 2018 £m	Year ended 2017 £m
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	**0.2**	0.2
Fees payable to the Company's Auditor and their associates for other services to the Group		
– The audit of the Company's subsidiaries	**0.8**	0.8
Total audit fees	**1.0**	1.0

Fees payable to Company's Auditor and their associates for non-audit services to the Company are not required to be disclosed because the Consolidated Financial Statements are required to disclose such fees on a consolidated basis.

The Group paid £0.06m (2017 – £0.04m) to the Company's Auditor for audit related services. There were no other advisory services provided to the Group during 2018 and 2017.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the Auditor was used rather than another supplier and how the Auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on pages 49 to 52. No services were provided pursuant to contingent fee arrangements.

6. STAFF COSTS

The average monthly number of employees (including Directors) was:

	Year ended 2018 Number	Year ended 2017 Number
Production	**7,019**	6,634
Distribution	**75**	69
Sales	**327**	314
Administration	**647**	641
Total	**8,068**	7,658

	Notes	**Year ended 2018 £m**	Year ended 2017 £m
Their aggregate remuneration comprised:			
Wages and salaries		**269.7**	255.5
Social security costs		**31.3**	30.0
Other pension costs – defined contribution (see Note 35a)		**10.8**	10.3
Other pension costs – defined benefit (see Note 35e)		**0.5**	0.9
Share-based payments (see Note 34)		**3.5**	2.1
UK Guaranteed Minimum Pensions	9	**2.4**	–
Aggregate remuneration		**318.2**	298.8

The Group also incurred medical and other employee benefit expenses during the year of £26.3m (2017 – £25.0m).

7. INVESTMENT INCOME

	Year ended 2018 £m	Year ended 2017 £m
Interest on bank deposits	**0.1**	0.1
Net finance income of retirement benefits (Note 35e)	**0.2**	–
Other interest income	**0.3**	0.1
Total income	**0.6**	0.2

Other interest income includes £0.3m (2017 – £nil) relating to foreign exchange contracts – held for trading.

8. FINANCE COSTS

	Year ended 2018 £m	Year ended 2017 £m
Interest on bank overdrafts and loans	**0.9**	1.2
Interest on other loans and other finance costs	**8.3**	8.3
Net finance cost of retirement benefits (Note 35e)	**–**	0.2
Total finance costs	**9.2**	9.7

9. ADJUSTED OPERATING PROFIT AND ADJUSTED PROFIT BEFORE TAX

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, have been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, the UK Guaranteed Minimum Pensions charge, the costs associated with the US class action lawsuits and loss on disposal of the BWT Ilkeston facility (see Note 31). The Board has adopted a policy to separately disclose those items that it considers are outside the operating results for the particular year under review and against which the Board measures and assesses the performance of the businesses.

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

The amortisation charge relates to prior years' acquisitions. It is charged on a straight line basis and reflects a non-cash item for the reported year. The UK Guaranteed Minimum Pensions charge is isolated and one-off in nature. The US class action lawsuits relates to an historic legal matter. None of these charges, including the loss on the sale of BWT Ilkeston facility in the prior year, are reflective of in-year performance. They are therefore excluded by the Board when measuring the operating performance of the businesses.

	Notes	Year ended 2018 £m	Year ended 2017 £m
Operating profit		**69.9**	65.5
Amortisation of intangible assets from acquisitions		**15.4**	17.1
UK Guaranteed Minimum Pensions		**2.4**	–
US class action lawsuits		**3.9**	–
Adjusted operating profit		**91.6**	82.6
Profit before tax		**61.3**	52.2
Adjustments to profit before tax as above		**21.7**	17.1
Loss on disposal	31	**–**	3.8
Adjusted profit before tax		**83.0**	73.1

UK Guaranteed Minimum Pensions

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

US class action lawsuits

As previously reported, in March 2018 a wage and hour class action lawsuit was filed against Steico Industries, Inc and Senior Aerospace SSP in California, USA. This alleged breaches of regulations concerning meal and rest breaks, unpaid wages and related penalties covering the period 2014 to 2016. Mediations took place in the second half of 2018, resulting in a Company agreed settlement and related costs of £3.9m, charged to the Consolidated Income Statement, of which £0.2m was paid in 2018. At 31 December 2018 the carrying amount was a provision of £3.9m which included an adverse exchange effect of £0.2m. The charge has been reported as an adjusted item given its nature and materiality and the fact that it is related to prior years and not reflective of in year performance. Court approval of the settlements for both lawsuits is expected in the second half of 2019.

10. TAXATION

	Year ended 2018 £m	Year ended 2017 £m
Current tax:		
Current year	**11.7**	11.8
Adjustments in respect of prior periods	**(6.3)**	(5.7)
	5.4	6.1
Deferred tax (Note 21):		
Current year	**4.5**	(15.5)
Adjustments in respect of prior periods	**1.3**	1.3
	5.8	(14.2)
Total tax charge/(credit)	**11.2**	(8.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. TAXATION CONTINUED

The Finance (No.2) Act 2015 and Finance Act 2016 provide for reductions in the main rate of Corporation Tax from 20% to 19% for the financial year beginning 1 April 2017 and to 17% for the financial year beginning 1 April 2020. UK deferred tax at the Balance Sheet date has been calculated at enacted tax rates that are expected to apply to the period when assets are realised or liabilities are settled.

UK Corporation Tax is calculated at an effective rate of 19.0% (2017 – 19.25%) of the estimated assessable profit for the year. Included within the total tax charge is £0.8m (2017 – £2.0m) in respect of current year UK Corporation Tax. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Prior year adjustments totalling £5.0m arise primarily from adjustments to amounts provided following the filing of tax returns and as a result of the expiration of statutes of limitations and closure of tax authority audits.

The total charge for the year can be reconciled to the profit before tax per the Consolidated Income Statement as follows:

	Year ended 2018 £m	**Year ended 2018 %**	Year ended 2017 £m	Year ended 2017 %
Profit before tax	**61.3**		52.2	
Expected tax at the UK standard corporation tax rate 19.00%/19.25%	**11.6**		10.0	
Amounts recognised in the period arising from US tax reform	**–**		(16.0)	
Effect of different statutory rates of overseas jurisdictions	**0.5**		3.2	
Tax incentives and credits	**(2.2)**		(1.6)	
Non-tax deductible expenses including acquisition costs	**1.0**		1.1	
Deferred tax impact of unrecognised timing differences including losses	**3.5**		1.2	
Impact of share options	**0.8**		0.5	
Effect of difference in treatment of financing activities between jurisdictions	**(0.8)**		(3.5)	
Other permanent differences	**1.7**		1.0	
Non-tax deductible goodwill	**–**		0.3	
Withholding taxes	**0.2**		0.2	
Effect of taxation of associates and joint ventures reported within operating profit	**(0.1)**		(0.1)	
Adjustments in respect of prior periods	**(5.0)**		(4.4)	
Tax charge/(credit) and effective tax rate for the year	**11.2**	**18.3%**	(8.1)	(15.5%)

In addition to the amount charged to the Consolidated Income Statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	Year ended 2018 £m	Year ended 2017 £m
Deferred tax:		
Items that will not be reclassified subsequently to profit and loss		
Tax on actuarial items	**(0.8)**	0.7
Items that may be reclassified subsequently to profit or loss		
Tax on foreign exchange contracts – cash flow hedges	**1.3**	(2.3)
Total tax credit/(charge) recognised directly in other comprehensive income	**0.5**	(1.6)
Deferred tax (Note 21)	**0.5**	(1.6)

During the year, there were no tax items recognised directly in the Equity reserve (2017 – £nil).

11. DIVIDENDS

	Year ended 2018 £m	Year ended 2017 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2017 of 4.90p (2016 – 4.62p) per share	**20.5**	19.4
Interim dividend for the year ended 31 December 2018 of 2.19p (2017 – 2.05p) per share	**9.1**	8.5
	29.6	27.9
Proposed final dividend for the year ended 31 December 2018 of 5.23p (2017 – 4.90p) per share	**21.8**	20.5

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting for 2018 on 26 April 2019 and has not been included as a liability in these Financial Statements.

12. EARNINGS PER SHARE

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

Number of shares	**Year ended 2018 Million**	Year ended 2017 Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**417.8**	418.9
Effect of dilutive potential ordinary shares:		
Share options	**5.7**	2.9
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**423.5**	421.8

		Year ended 2018		Year ended 2017	
Earnings and earnings per share	Notes	**Earnings £m**	**EPS pence**	Earnings £m	EPS pence
Profit for the period		**50.1**	**11.99**	60.3	14.39
Adjust:					
Amortisation of intangible assets from acquisitions net of tax of £3.2m (2017 – £4.5m)		**12.2**	**2.93**	12.6	3.01
UK Guaranteed Minimum Pensions net of tax of £0.4m (2017 – £nil)	9	**2.0**	**0.47**	–	–
US class action lawsuits net of tax of £1.0m (2017 – £nil)	9	**2.9**	**0.69**	–	–
Loss on disposal net of tax of £nil (2017 – £0.4m)		**–**	**–**	3.4	0.81
Exceptional non-cash tax credit of £nil (2017 – £16.0m)	10	**–**	**–**	(16.0)	(3.82)
Adjusted earnings after tax		**67.2**	**16.08**	60.3	14.39
Earnings per share					
– basic			**11.99p**		14.39p
– diluted			**11.83p**		14.30p
– adjusted			**16.08p**		14.39p
– adjusted and diluted			**15.87p**		14.30p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2017 – £nil).

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

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

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

The amortisation charge relates to prior years' acquisitions. It is charged on a straight line basis and reflects a non-cash item for the reported year. The UK Guaranteed Minimum Pensions charge is isolated and one-off in nature. The US class action lawsuits relates to an historic legal matter. None of these charges, including the loss on the sale of BWT Ilkeston facility and exceptional non-cash tax credit in the prior year, are reflective of in-year performance. They are therefore excluded by the Board when measuring the earnings of the businesses.

13. GOODWILL

	Year ended 2018 £m	Year ended 2017 £m
Cost		
At 1 January	**357.9**	378.4
Exchange differences	**13.0**	(18.8)
Disposal	**–**	(1.7)
At 31 December	**370.9**	357.9
Accumulated impairment losses		
At 1 January	**55.5**	59.6
Exchange differences	**2.5**	(4.1)
At 31 December	**58.0**	55.5
Carrying amount at 31 December	**312.9**	302.4

Goodwill is allocated to the group of CGUs (CGU groups) within the two Aerospace sub-divisions (Aerostructures and Fluid Systems) and Flexonics, reflecting the lowest level at which management exercises oversight and monitors the Group's performance. The table below highlights the carrying amount of goodwill allocated to these CGU groups, all of which are considered significant in comparison with the total carrying amount of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. GOODWILL CONTINUED

	Year ended 2018 £m	Year ended 2017 £m
Aerostructures	**161.3**	154.6
Fluid Systems	**73.5**	72.1
Flexonics	**78.1**	75.7
Total	**312.9**	302.4

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The 2018 goodwill impairment review was undertaken as at 30 September 2018 to coincide with the board review of the most recent financial strategy. The recoverable amounts are determined from value in use calculations. The key assumptions on which the value in use calculations are based relate to business performance over the next five years, long-term growth rates beyond 2023 and the discount rates applied. The key estimates are the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flow in each year. The forecast compound annual growth rate in revenue to 2023 are in the range from 4% to 7% (2017 – 5% to 8%).

Forecasts used in the cash flow are based on the most recent financial strategy, as approved by Management for the next five years to 2023. These estimates up to 2023, where appropriate, take account of the current economic environment as set out in the Strategic Report on pages 1 to 37.

Cash flows after 2023 have been extrapolated based on estimated long-term growth rates into perpetuity, which has been determined by the lower of the long-term market growth rates and the historical forecast compound annual growth in revenue to 2023. For Aerostructures and Fluid Systems, the long-term market growth rates are 3.1% per annum (2017 – 3.1%), which do not exceed the long-term average growth rate forecasts for the aerospace market as included in market outlooks from Boeing, Airbus and Bombardier. For Flexonics, the long-term market growth rates are 1.5% per annum (2017 – 1.7%), which are based on world long-term forecast GDP growth for advanced economies.

The pre-tax discount rates applied to discount the pre-tax cash flows for Aerostructures, Fluid Systems and Flexonics are 10.8%, 10.3% and 12.0% respectively (2017 – 10.4%, 9.8% and 11.5%; these discount rates include CGU group specific risk adjustments) which are the measurements used by management in assessing investment appraisals specific to each CGU group.

Sensitivities have also been considered for each CGU group in relation to the value in use calculations: the long-term growth rate assumption was reduced to 1 percentage point and the discount rate was increased by a 1 percentage point. This did not result in the carrying amount of the CGU groups exceeding their recoverable amount.

14. OTHER INTANGIBLE ASSETS

	Intangible assets from acquisitions Year ended 2018 £m	Computer software and others Year ended 2018 £m	Total Year ended 2018 £m	Intangible assets from acquisitions Year ended 2017 £m	Computer software and others Year ended 2017 £m	Total Year ended 2017 £m
Cost						
At 1 January	**130.3**	**19.3**	**149.6**	136.1	17.3	153.4
Additions	**–**	**1.7**	**1.7**	–	2.5	2.5
Disposals	**–**	**(0.3)**	**(0.3)**	–	(0.2)	(0.2)
Exchange differences	**4.4**	**0.7**	**5.1**	(5.8)	(0.3)	(6.1)
At 31 December	**134.7**	**21.4**	**156.1**	130.3	19.3	149.6
Amortisation						
At 1 January	**94.7**	**13.3**	**108.0**	81.4	11.5	92.9
Charge for the year	**15.4**	**2.0**	**17.4**	17.1	2.0	19.1
Disposals	**–**	**(0.3)**	**(0.3)**	–	(0.2)	(0.2)
Exchange differences	**3.7**	**0.6**	**4.3**	(3.8)	–	(3.8)
At 31 December	**113.8**	**15.6**	**129.4**	94.7	13.3	108.0
Carrying amount at 31 December	**20.9**	**5.8**	**26.7**	35.6	6.0	41.6

As at 31 December 2018, the carrying amount of intangible assets from acquisitions consists of £11.1m for customer relationships (2017 – £19.5m), £6.7m for customer contracts (2017 – £11.4m) and £3.1m for trade names (2017 – £4.7m).

15. INVESTMENT IN JOINT VENTURE

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China, which was set up in 2012. Senior Flexonics Technologies (Wuhan) Limited is a precision manufacturer of automotive components.

The results of the joint venture are accounted for using equity accounting.

The Group's investment of £3.0m (2017 – £2.4m) represents the Group's share of the joint venture's net assets as at 31 December 2018.

The following amounts represent the aggregate amounts relating to the revenue and expenses and assets and liabilities of Senior Flexonics Technologies (Wuhan) Limited for the years ended 31 December 2018 and December 2017.

	2018 £m	2017 £m
Revenue	**7.5**	10.9
Expenses	**(6.2)**	(9.5)
Profit	**1.3**	1.4
Total assets	**8.5**	9.4
Total liabilities	**(2.3)**	(4.4)
Net assets	**6.2**	5.0
Group's share of profit	**0.6**	0.7
Group's share of net assets	**3.0**	2.4

At the year end the Group had provided loans of £nil (2017 – £0.5m) to the joint venture, £nil (2017 – £0.2m) is reported as a current asset and £nil (2017 – £0.3m) as a non-current asset. In accordance with the Group's accounting policy, these non-derivative assets are stated at amortised cost.

During the year, £0.5m of the loans were repaid (2017 – £0.3m repaid), with £nil of foreign exchange losses.

Since the joint venture has a strong capacity to meet its contractual obligations in the near term, the credit risk on these loans are considered to be low and no impairment provision is deemed necessary.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings Year ended 2018 £m	**Leasehold buildings Year ended 2018 £m**	**Plant and equipment Year ended 2018 £m**	**Total Year ended 2018 £m**	Freehold land and buildings Year ended 2017 £m	Leasehold buildings Year ended 2017 £m	Plant and equipment Year ended 2017 £m	Total Year ended 2017 £m
Cost or valuation								
At 1 January	**95.7**	**4.0**	**469.0**	**568.7**	96.9	4.3	453.3	554.5
Additions	**2.1**	**0.1**	**52.4**	**54.6**	4.3	0.1	47.9	52.3
Exchange differences	**4.3**	**0.2**	**14.3**	**18.8**	(3.6)	(0.3)	(20.1)	(24.0)
Disposals	**(0.1)**	**–**	**(6.8)**	**(6.9)**	(1.9)	(0.1)	(12.1)	(14.1)
Reclassified from held for sale	**8.1**	**–**	**–**	**8.1**	–	–	–	–
At 31 December	**110.1**	**4.3**	**528.9**	**643.3**	95.7	4.0	469.0	568.7
Accumulated depreciation and impairment								
At 1 January	**25.0**	**2.7**	**284.9**	**312.6**	24.7	2.7	272.9	300.3
Charge for the year	**2.5**	**0.4**	**36.6**	**39.5**	1.8	0.3	36.7	38.8
Exchange differences	**1.2**	**0.1**	**5.7**	**7.0**	(0.7)	(0.2)	(13.8)	(14.7)
Eliminated on disposals	**–**	**–**	**(6.0)**	**(6.0)**	(0.8)	(0.1)	(10.9)	(11.8)
Reclassified from held for sale	**4.6**	**–**	**–**	**4.6**	–	–	–	–
At 31 December	**33.3**	**3.2**	**321.2**	**357.7**	25.0	2.7	284.9	312.6
Carrying amount at 31 December	**76.8**	**1.1**	**207.7**	**285.6**	70.7	1.3	184.1	256.1

The carrying amount of the Group's land and buildings and plant and equipment includes an amount of £1.3m (2017 – £1.6m) in respect of assets held under finance leases.

At 31 December 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £16.5m (2017 – £6.9m).

17. INVENTORIES

	Year ended 2018 £m	Year ended 2017 £m
Raw materials	**60.9**	48.7
Work-in-progress	**78.1**	72.7
Finished goods	**38.8**	33.1
Total	**177.8**	154.5

Inventory write-downs recognised as an expense in 2018 were £2.5m (2017 – £2.9m). There was no material reversal of any write down to net realisable value during this year or the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. TRADE AND OTHER RECEIVABLES

Trade and other receivables at 31 December comprise the following:

	Year ended 2018 £m	Year ended 2017 £m
Non-current assets		
Other receivables	**0.5**	0.5
	0.5	0.5
Current assets		
Trade receivables	**149.2**	137.8
Value added tax	**3.2**	3.1
Foreign exchange contracts	**1.1**	3.7
Prepayments	**10.1**	8.1
Other receivables	**1.4**	1.6
	165.0	154.3
Total trade and other receivables	**165.5**	154.8

Credit risk

The Group's principal financial assets are bank balances and cash and trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables. There are no other credit or impairment losses for other classes of financial assets.

Further disclosures on credit risk are included in Note 20.

The average credit period taken on sales of goods is 54 days (2017 – 55 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.5m (2017 – £2.0m). In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Of the trade receivables balance at the end of the year, £4.6m (2017 – £3.8m) is due from the Group's largest customer, £20.7m (2017 – £19.6m) is due from the Group's second largest customer and £18.0m (2017 – £14.8m) is due from the Group's third largest customer. The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the Directors believe that there is no further credit provision risk in excess of the allowance for doubtful receivables.

Expected credit loss

	Year ended 2018 £m	Year ended 2017 £m
Movements in allowance for doubtful receivables:		
At 1 January	**2.0**	2.2
Provision for impairment	**0.3**	1.3
Amounts written off as uncollectible	**–**	(1.4)
Amounts recovered	**(0.7)**	(0.2)
Exchange differences	**(0.1)**	0.1
At 31 December	**1.5**	2.0
Ageing analysis of past due but not impaired trade receivables:		
Up to 30 days past due	**13.1**	13.9
31 to 60 days past due	**4.0**	2.6
61 to 90 days past due	**1.9**	1.1
91 to 180 days past due	**1.2**	1.4
Total past due but not impaired	**20.2**	19.0
Not past due	**129.0**	118.8
Total current trade receivables	**149.2**	137.8

There are no items past due in any other class of financial assets except for trade receivables.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above. The Group does not hold any collateral as security.

19. BANK OVERDRAFTS AND LOANS

	Year ended 2018 £m	Year ended 2017 £m
Bank overdrafts	**0.2**	2.9
Bank loans	**16.4**	8.1
Other loans	**153.4**	156.2
	170.0	167.2

	Year ended 2018 £m	Year ended 2017 £m
The borrowings are repayable as follows:		
On demand or within one year	**2.7**	60.5
In the second year	**15.6**	8.7
In the third to fifth years inclusive	**29.5**	29.0
After five years	**122.2**	69.0
	170.0	167.2
Less: amount due for settlement within 12 months (shown under current liabilities)	**(2.7)**	(60.5)
Amount due for settlement after 12 months	**167.3**	106.7

Analysis of borrowings by currency

31 December 2018

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
Bank overdrafts	**0.2**	**–**	**–**	**–**	**0.2**
Bank loans	**16.4**	**2.1**	**–**	**14.3**	**–**
Other loans	**153.4**	**26.9**	**25.2**	**101.3**	**–**
	170.0	**29.0**	**25.2**	**115.6**	**0.2**

31 December 2017

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
Bank overdrafts	2.9	4.8	(0.7)	(2.1)	0.9
Bank loans	8.1	4.4	–	3.7	–
Other loans	156.2	–	26.8	129.4	–
	167.2	9.2	26.1	131.0	0.9

The weighted average interest rates paid were as follows:

	Year ended 2018 %	Year ended 2017 %
Bank loans and overdrafts	**2.47**	1.62
Other loans	**3.49**	4.78

Bank overdrafts include credit balances (Euros and US dollars) that have a legally enforceable right of offset with debit balances.

Bank loans and overdrafts of £16.6m (2017 – £11.0m) are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Other borrowings are mainly arranged at fixed interest rates and expose the Group to fair value interest rate risk. No interest rate swaps were taken out in 2017 or 2018.

The Directors estimate the fair value of the Group's borrowings to be as follows:

	Year ended 2018 £m	Year ended 2017 £m
Bank loans and overdrafts	**16.6**	11.0
Other loans	**155.5**	159.1
	172.1	170.1

The fair value of Other loans has been determined by applying a make-whole calculation using the prevailing treasury bill yields plus the applicable credit spread for the Group (level 2 of the fair value hierarchy as defined in Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. BANK OVERDRAFTS AND LOANS CONTINUED

The other principal features of the Group's borrowings are as follows:

Bank overdrafts are repayable on demand. The effective interest rates on bank overdrafts are determined based on appropriate LIBOR rates plus applicable margin.

The Group's main loans are unsecured guaranteed loan notes in the US private placement market and revolving credit facilities.

a) Loan notes of $95m, (2017 – £70.4m) were taken out in October 2008 and were outstanding at 31 December 2017. Notes of $75m carried interest at the rate of 6.84% and were repaid in October 2018. Notes of $20m, 2018 £15.6m carry interest at the rate of 6.94% and are due for repayment in October 2020.

b) Loan notes of €28m, 2018 £25.2m (2017 – £24.8m) were taken out in January 2017 carry interest at the rate of 1.51% and mature on 1 February 2027.

c) Loan notes of $20m, 2018 £15.6m (2017 – £14.8m) were taken out in October 2015 and are due for repayment in October 2022. The loan notes carry interest at the rate of 3.42% per annum.

d) Loan notes of $60m, 2018 £47.0m (2017 – £44.3m) were taken out in October 2015 and are due for repayment in October 2025. The loan notes carry interest at the rate of 3.75% per annum.

e) Loan notes of £27m were drawn down in January 2018, carry interest at a rate of 2.35% and are due for repayment in January 2025.

f) Loan notes of $30m, 2018 £23.4m were taken out in September 2018, carry interest at the rate of 4.18% and are due for repayment in September 2028.

Transaction costs of £0.4m, directly attributable to the GBP notes (£0.1m) and the US dollar notes (£0.3m), have been deducted from their carrying value.

The Group also has three revolving credit facilities.

A committed £60m five-year syndicated multi-currency facility was entered into in November 2014, and amended and extended in October 2016 for five years. There were no amounts drawn under this facility at 31 December 2017 and at 31 December 2018.

A committed £20m two year syndicated sterling facility was entered into in March 2015. This facility was amended and extended in October 2016. As at 31 December 2018, £2.5m (2017 – £5.0m) was drawn under this facility.

In February 2019, the Group refinanced its main UK revolving credit facilities of £80.0m by increasing the committed facilities to £120.0m and extended the maturity to February 2024. Allowing for this transaction and the related cancellation of £80.0m committed revolving credit facilities (£20.0m that had been due to mature in March 2019 and £60.0m that had been due to mature in November 2021), the weighted average maturity of the Group's committed facilities is currently 5.3 years.

A committed $50m single bank (£39.1m) loans and letter of credit facility was amended in June 2018 and matures in June 2021. There were $18.3m (£14.3m) loans drawn under the facility on 31 December 2018 and $5.0m (£3.7m) loans drawn on 31 December 2017 and there were letters of outstanding credit of $2.4m (£1.9m) (2017 – £1.9m).

Transaction costs of £0.4m, directly attributable to the £60m revolving credit facility, have been deducted from its carrying value.

As at 31 December 2018, the Group had available £100.4m (2017 – £133.4m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

20. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital structure to safeguard its ability to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the balance between debt and equity. In considering the appropriate level of net debt, the Group pays close attention to its level as compared to the cash generation potential of the Group (EBITDA is defined on page 1). The Group also monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total of bank and other loans and obligations under finance leases, less cash and cash equivalents (see Note 32c). Total capital is the equity shown in the Consolidated Balance Sheet.

All of the Group's external borrowing facilities at 31 December 2018 have a requirement for the ratio of net debt to EBITDA to be less than 3.0x. Internally the Group aims for this ratio to be between 0.5x and 1.5x. At 31 December 2018, net debt was 1.1x the Group's level of EBITDA (31 December 2017 – 1.3x). In addition, all borrowing facilities contain the requirement for EBITDA interest cover (the number of times net interest is covered by the Group's EBITDA) to be in excess of 3.5x. At 31 December 2018 EBITDA was 15.2 x the level of net interest (31 December 2017 – 13.3x). Therefore, the Group currently has considerable funding headroom.

The Group's strategy in respect of gearing is to target a long-term gearing ratio within the range of 30% to 60%. The gearing ratio for the Group at the end of 2018 was 27% (2017 – 29%).

Financial risk management

The Group's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall treasury risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposures limits is reviewed by the Group's Treasury Committee on a regular basis. The Group does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

Foreign exchange risk management

The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on the operations' trading activities in foreign currencies. Where commented on below, the sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and left unchanged throughout the reporting period, with all other variables held constant (such as interest rates). The sensitivity assumptions are based on analysis reviewed by the Group's Treasury Committee.

Translation risk

The Group derived 84% of its revenue from businesses outside the United Kingdom, with 59% relating to operations in North America. Fluctuations in the value of the US dollar and other currencies in relation to Pound Sterling have had, and may continue to have, a significant impact on the results of the Group's operations when reported in Pound Sterling. The Group decided not to hedge this translation risk. In addition, the majority of assets are denominated in foreign currency, particularly in US dollars. In order to provide a hedge against volatility in the value of these assets compared to the Group's earnings, and hence provide a natural hedge against the Group's principal lending covenant (the ratio of net debt to EBITDA), the Group aims to borrow in foreign currencies in similar proportions to its generation of foreign currency EBITDA, where practical and economic. A 10% appreciation (or depreciation) of all other currencies against the Pound Sterling would have increased (or decreased) 2018 Group operating profit by £9.0m (£6.0m of which would have been due to the US dollar movement) and would have increased (or decreased) equity by £43.6m (£25.1m of which would have been due to the US dollar movement).

Transaction risk

The Group has a number of transaction-related foreign currency exposures, particularly between the US dollar and the Pound Sterling, Thai Baht and Malaysian Ringgit. The Group seeks to hedge between 0% to 100% of transaction-related exposures mainly on a rolling 15 to 18-month forward basis, but in some cases for periods of up to 60 months and applies hedge accounting where the forwards can be designated in a qualifying cash flow hedge relationship. Based on the net of the annual sales and purchase-related exposures, all transaction-related foreign currency exposures to Group profit after hedging in existence at 31 December 2018 are immaterial. The impact on equity is determined by the unrecognised portion of open forward contracts at the year-end. A 10% appreciation (or depreciation) of the US dollar against the Pound Sterling, Thai Baht and the Malaysian Ringgit would have decreased (or increased) equity by £13.5m, £1.8m and £0.7m, respectively.

Interest rate risk management

The Group has a policy of maintaining approximately 60% of its borrowing costs at fixed interest rates. The Group generally borrows long-term in fixed rates but at times may borrow at floating rates and swap into fixed depending on credit market conditions. Occasionally a portion of fixed debt interest is swapped into floating rates. The combination of maintaining an acceptable balance of fixed and floating rate debt, and the Group's policy of borrowing in foreign currency in proportion to its generation of foreign currency earnings, provides an effective hedge against the impact of interest rate and foreign currency volatility on total interest costs. As at year end 2018, the percentage of debt at fixed interest was 90% (2017 – 92%).

The following sensitivity analysis of the Group's exposure to interest rate risk in 2018 has been retrospectively determined based on the exposure to applicable interest rates on financial assets and liabilities held throughout the financial year, with all other variables held constant (such as foreign exchange rates). The sensitivity assumptions are based on analysis reviewed by the Group's Treasury Committee. If variable interest rates had been 0.5% lower (or higher), the Group's profit before tax would have increased (or decreased) by £0.1m. Any fixed interest debt is held to maturity and not fair value adjusted through the Consolidated Income Statement. An increase (or decrease) of 0.5% in the market interest rate for the fixed rate debt held up to maturity would have decreased (or increased) the fair value of the Group's borrowings by £4.4m. The Group's sensitivity to interest rates has remained broadly consistent with prior period due to the high proportion of fixed debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS CONTINUED

Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. The credit quality of customers is assessed taking into account their financial position, past experience and other factors. Further details on determining the recoverability of trade receivables is provided in Note 18. The Group is guarantor under five leases in the UK, three of which arose on the disposal of a former Group-owned subsidiary.

Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group derecognises trade receivables through non-recourse factoring arrangements, which were £18.5m at 31 December 2018 (31 December 2017 – £23.1m).

Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and revolving credit facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash flow forecasts are produced monthly, together with appropriate capacity planning and scenario analysis, to ensure that bank covenant and liquidity targets will be met. The Directors also regularly assess the balance of capital and debt funding of the Group, as part of a process to satisfy the Group's long-term strategic funding requirements.

As noted in the Financial Review on pages 26 to 29, the Group is currently in a well-funded position, with significant headroom under its committed borrowing facilities. It is considered unlikely that the Group will face any significant funding issues in the foreseeable future.

Categories of financial instruments

	Year ended 2018 £m	Year ended 2017 £m
Carrying value of financial assets:		
Cash and cash equivalents	**17.2**	12.6
Trade receivables	**149.2**	137.8
Other receivables	**1.9**	2.1
Financial assets at amortised cost	**168.3**	152.5
Foreign exchange contracts – cash flow hedges	**1.1**	3.7
Total financial assets	**169.4**	156.2
Carrying value of financial liabilities:		
Bank overdrafts and loans	**170.0**	167.2
Obligations under finance leases	**0.2**	0.5
Trade payables	**109.0**	101.9
Other payables	**63.0**	56.6
Financial liabilities at amortised cost	**342.2**	326.2
Foreign exchange contracts – cash flow hedges	**10.4**	4.9
Foreign exchange contracts – held for trading	**–**	0.2
Total financial liabilities	**352.6**	331.3
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	**178.1**	226.5
In the second to fifth years inclusive	**63.6**	50.1
After five years	**135.6**	75.9
	377.3	352.5
Less: future finance charges	**(35.1)**	(26.3)
Financial liabilities at amortised cost	**342.2**	326.2

The carrying amount is a reasonable approximation of fair value for the financial assets and liabilities noted above except for bank overdrafts and loans, disclosure of which are included within Note 19.

An ageing analysis of trade receivables is disclosed within Note 18.

20. FINANCIAL INSTRUMENTS CONTINUED

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on the operation's trading activities in foreign currencies in accordance with the Group's accounting policy as set out in Note 2. At the Balance Sheet date, total notional amounts and fair values of outstanding forward foreign exchange contracts that the Group have committed are given below:

	Year ended 2018 £m	Year ended 2017 £m
Notional amounts:		
Foreign exchange contracts – cash flow hedges	**189.4**	154.8
Foreign exchange contracts – held for trading at FVPL	**–**	22.2
Total	**189.4**	177.0
Less: amounts maturing within 12 months	**(109.7)**	(76.4)
Amounts maturing after 12 months	**79.7**	100.6
Contractual maturity:		
Cash flow hedges balances due within one year:		
Outflow	**113.5**	92.4
Inflow	**(109.9)**	(93.4)
Cash flow hedges balances due between one and two years:		
Outflow	**30.0**	23.3
Inflow	**(27.0)**	(21.9)
Cash flow hedges balances due between two and five years:		
Outflow	**58.3**	42.0
Inflow	**(52.7)**	(39.5)
Held for trading balances due within one year:		
Outflow	**–**	22.2
Inflow	**–**	(22.2)
Fair values:		
Foreign exchange contracts – cash flow hedges	**(9.3)**	(1.2)
Foreign exchange contracts – held for trading at FVPL	**–**	(0.2)
Total liability	**(9.3)**	(1.4)

These fair values are based on market values of equivalent instruments at the Balance Sheet date, comprising £1.1m (2017 – £3.7m) assets included in trade and other receivables and £10.4m (2017 – £5.1m) included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to £8.0m loss (2017 – £1.3m loss) has been deferred in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS CONTINUED

Fair values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1–3 based on the degree to which the fair value is observable:

Level 1 those fair values derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 those fair values derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements. Level 2 fair values are derived from future cash flows, of open forward contracts at 31 December, translated by the difference between contractual rates and observable forward exchange rates.

31 December 2018	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Foreign exchange contracts – cash flow hedges	**–**	**1.1**	**–**	**1.1**
Total assets	**–**	**1.1**	**–**	**1.1**
Liabilities				
Foreign exchange contracts – cash flow hedges	**–**	**10.4**	**–**	**10.4**
Foreign exchange contracts – held for trading at FVPL	**–**	**–**	**–**	**–**
Total liabilities	**–**	**10.4**	**–**	**10.4**

31 December 2017	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Foreign exchange contracts – cash flow hedges	–	3.7	–	3.7
Total assets	–	3.7	–	3.7
Liabilities				
Foreign exchange contracts – cash flow hedges	–	4.9	–	4.9
Foreign exchange contracts – held for trading at FVPL	–	0.2	–	0.2
Total liabilities	–	5.1	–	5.1

An amount of £1.3m loss (2017 – £1.4m gain) has been transferred to the Consolidated Income Statement, and is included within operating profit. There was no ineffectiveness to be recorded from foreign exchange cash flow hedges. A loss of £nil (2017 – £0.2m) has been recognised in the Consolidated Income Statement in respect of foreign exchange contracts held for trading.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above foreign exchange contracts this may arise if the timing of the transaction changes from what was originally estimated.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 60 months. Amounts deferred in equity are recognised in the Consolidated Income Statement in the same period in which the hedged items affect profit or loss, which is generally within 12 months from the Balance Sheet date.

21. TAX BALANCE SHEET

Current tax

The current tax receivable of £2.7m (2017 – £1.0m) includes excess tax paid to tax authorities that is expected to be recovered within 12 months by way of offset against future tax liabilities or refund as well as research and development tax credits receivable.

The majority of the Group's taxable profits arise in countries, including the US, where the estimated tax liabilities are paid in on-account instalments during the year to which they relate and are largely paid at the Balance Sheet date. The current tax liability of £21.5m (2017 – £21.2m) represents £3.9m (2017 – £3.6m) tax due on profits of the current and prior years as well as £17.6m (2017 – £17.6m) provisions for tax uncertainties that represent amounts expected to be paid but by their nature, there is uncertainty over timing and eventual settlement. The Group recognises provisions in respect of tax for items which are considered to have a range of possible tax outcomes. The outcomes considered by the Board include a range of estimates that could increase those liabilities by £14.1m. These uncertainties exist due to a number of factors including differing interpretations of local tax laws and the determination of appropriate arm's length pricing in accordance with OECD transfer pricing principles on internal transactions and financing arrangements. In calculating the carrying amount of provisions, management estimates the tax which could reasonably be expected to become payable as a result of differing interpretations and decisions by tax authorities in respect of transactions and events whose treatment for tax purposes is uncertain and establish provisions based on an assessment of the expected outcome.

Deferred tax liabilities and assets

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Unrealised FX gains £m	Goodwill and intangible amortisation £m	Retirement benefits £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 January 2017	24.0	(1.8)	43.9	(3.8)	(13.7)	–	48.6
(Credit)/charge to Consolidated Income Statement	(6.1)	(0.1)	(13.3)	3.9	4.2	(2.8)	(14.2)
Charge/(credit) to other comprehensive income	–	2.3	–	(0.7)	–	–	1.6
Exchange differences	(3.6)	–	(2.4)	0.1	2.4	0.2	(3.3)
At 1 January 2018	**14.3**	**0.4**	**28.2**	**(0.5)**	**(7.1)**	**(2.6)**	**32.7**
Charge/(credit) to Consolidated Income Statement	**2.1**	**(0.2)**	**–**	**1.7**	**(0.4)**	**2.6**	**5.8**
(Credit)/charge to other comprehensive income	**–**	**(1.3)**	**–**	**1.0**	**(0.2)**	**–**	**(0.5)**
Exchange differences	**0.4**	**(0.1)**	**0.5**	**0.2**	**0.8**	**–**	**1.8**
As at 31 December 2018	**16.8**	**(1.2)**	**28.7**	**2.4**	**(6.9)**	**–**	**39.8**

Other temporary differences include balances arising from temporary differences in relation to provisions, accruals, deferred compensation and share-based payments.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Year ended 2018	Year ended 2017
Deferred tax liabilities	**42.2**	34.3
Deferred tax assets	**(2.4)**	(1.6)
	39.8	32.7

At the Balance Sheet date, the Group has unused tax losses of £29.5m (2017 – £33.5m) available for offset against future profits and a deferred tax asset has been recognised in respect of £nil (2017 – £6.5m) of such losses. Due to the unpredictability of future taxable profit streams in the companies in which such losses arose, deferred tax on tax losses of £29.5m (2017 – £27.8m) have not been recognised. Included in unrecognised tax losses are losses of £4.1m (2017 – £4.3m) that will expire over a period of one to nine years. Other losses may be carried forward indefinitely.

In addition, at the Balance Sheet date, the Group has deductible temporary differences in respect of interest expense of £13.5m (2017 – £nil) for which no deferred tax asset has been recognised. Deferred tax assets have not been recognised in respect of these differences due to the uncertainty as to their future use.

At the Balance Sheet date, a deferred tax liability of £0.2m (2017 – £0.1m) has been recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries expected to reverse in the foreseeable future. No temporary difference has been recognised in respect of £49.1m (2017 – £34.4m) of undistributed earnings, which may be subject to a withholding tax, as the Group is in a position to control the timing of the reversal of the temporary differences and it is not probable that such differences will reverse in the foreseeable future.

At the Balance Sheet date, the Group had £5.0m (2017 – £5.0m) of surplus Advanced Corporation Tax ("ACT"), previously written off, for which no deferred tax asset has been recognised as it is unlikely to be recovered in the foreseeable future due to the UK earnings profile. The Group also has £18.0m (2017 – £16.6m) of unused capital losses, as reduced by gains rolled over, available for offset against future capital gains for which no deferred tax asset has been recognised as no such capital gains are anticipated to arise in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	Year ended 2018 £m	Year ended 2017 £m	**Year ended 2018 £m**	Year ended 2017 £m
Amounts payable under finance leases:				
Within one year	**0.2**	0.3	**0.2**	0.3
In the second to fifth years inclusive	**–**	0.2	**–**	0.2
After five years	**–**	–	**–**	–
	0.2	0.5	**0.2**	0.5
Less: Future finance charges	**–**	–	**–**	–
Present value of lease obligations	**0.2**	0.5	**0.2**	0.5
Less: amount due for settlement within 12 months (shown under current liabilities)			**(0.2)**	(0.3)
Amount due for settlement after 12 months			**–**	0.2

Approximately 95% (2017 – 92%) of the outstanding obligations represent leases which were acquired as part of the acquisition of Lymington in 2015, which expire between 2019 and 2020. The most significant lease, representing approximately 70% (2017 – 49%) of the Group's obligations, expires in 2020. For the year ended 31 December 2018, the average effective borrowing rate was 1.3% (2017 – 3.6%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

All lease obligation currencies are in Pound Sterling (2017 – Pound Sterling).

23. TRADE AND OTHER PAYABLES

Trade and other payables at 31 December comprise the following:

	Year ended 2018 £m	Year ended 2017 £m
Current liabilities		
Trade payables	**109.0**	101.9
Social security and PAYE	**4.9**	4.3
Value added tax	**1.8**	2.0
Foreign exchange contracts	**10.4**	5.1
Accrued expenses	**69.9**	59.7
Total trade and other payables	**196.0**	173.0

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The average credit period taken for trade purchases is 59 days (2017 – 57 days).

24. PROVISIONS

	Warranties £m	Other £m	Total £m
At 1 January 2017	2.5	1.1	3.6
Additional provision in the year	3.5	3.0	6.5
Utilisation of provision	(1.8)	(0.7)	(2.5)
Release of unused amounts	–	(1.6)	(1.6)
Exchange differences	(0.3)	–	(0.3)
At 1 January 2018	**3.9**	**1.8**	**5.7**
Additional provision in the year	**2.8**	**5.7**	**8.5**
Utilisation of provision	**(1.4)**	**(0.7)**	**(2.1)**
Release of unused amounts	**(0.1)**	**(0.9)**	**(1.0)**
Exchange differences	**0.3**	**0.1**	**0.4**
At 31 December 2018	**5.5**	**6.0**	**11.5**
Included in current liabilities	**5.3**	**6.0**	**11.3**

Warranty costs
Provisions for warranty costs are based on an assessment of future claims with reference to past experience.

Claims and legal costs
Other provisions include £1.8m (2017 – £1.3m) for expected legal costs and for contractual matters that have arisen in the ordinary course of business and £3.9m (2017 – £nil) for costs associated with the US class action lawsuits (see Note 9). Management exercises judgment to determine the estimated liability and amounts are recorded for known issues based on past experience of similar items and other known factors and circumstances. The provisions reflect the best estimate of the most likely outcome, having considered each provision separately and the possible range of outcomes. The settlement of provisions for expected legal costs and contractual matters that have arisen in the ordinary course of business is subject to ongoing discussion and are likely to take a number of reporting periods to complete. As with any judgment there is a high degree of inherent uncertainty, particularly with legal proceedings and claims, and the actual amounts of the settlement could differ from the amount provided.

25. SHARE CAPITAL

	Year ended 2018 £m	Year ended 2017 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	**41.9**	41.9

At 31 December 2018, the issued and fully paid up share capital was 419.4 million ordinary shares of 10p each.

No shares were issued during 2018 (2017 – 1,832 shares).

The Company has one class of ordinary shares which carry no right to fixed income.

26. SHARE PREMIUM ACCOUNT

	Year ended 2018 £m	Year ended 2017 £m
Balance at 1 January	**14.8**	14.8
Movement in year	**–**	–
Balance at 31 December	**14.8**	14.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. EQUITY RESERVE

	Year ended 2018 £m	Year ended 2017 £m
Balance at 1 January	**3.9**	3.0
Transfer to retained earnings reserve	**(1.6)**	(1.0)
Movement in year	**3.4**	1.9
Balance at 31 December	**5.7**	3.9

The transfer to retained earnings reserve is in respect of equity-settled share-based payments that vested during the year.

The movement in the year is £3.4m (2017 – £1.9m) in respect of the share-based payment charge for the year.

28. HEDGING AND TRANSLATION RESERVES

	Hedging reserve Year ended 2018 £m	Translation reserve Year ended 2018 £m	Total Year ended 2018 £m	Hedging reserve Year ended 2017 £m	Translation reserve Year ended 2017 £m	Total Year ended 2017 £m
Balance at 1 January	**(41.3)**	**74.6**	**33.3**	(50.5)	92.8	42.3
Exchange differences on translation of overseas operations	**–**	**20.3**	**20.3**	–	(18.2)	(18.2)
Change in fair value of hedging derivatives	**(6.7)**	**–**	**(6.7)**	11.5	–	11.5
Tax on foreign exchange contracts – cash flow hedges	**1.3**	**–**	**1.3**	(2.3)	–	(2.3)
Balance at 31 December	**(46.7)**	**94.9**	**48.2**	(41.3)	74.6	33.3

Hedging Reserve

The Group uses foreign currency forward contracts to manage its foreign currency risk associated with its highly probable forecast transactions, as described within Note 20. These contracts are designated as cash flow hedge relationships.

To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the hedging reserve.

Costs of Hedging

The Group designates the forward component of foreign currency forward contracts as hedging instruments in cash flow hedge relationships.

29. RETAINED EARNINGS

	Year ended 2018 £m	Year ended 2017 £m
Balance at 1 January	**438.8**	400.0
Dividends paid	**(29.6)**	(27.9)
Profit for the year	**50.1**	60.3
Pension actuarial gain	**5.8**	5.2
Transfer from equity reserve	**1.6**	1.0
Transfer from own share reserve	**(0.3)**	(0.5)
Tax on deductible temporary differences	**(0.8)**	0.7
Balance at 31 December	**465.6**	438.8

30. OWN SHARES

	Year ended 2018 £m	Year ended 2017 £m
Balance at 1 January	**(1.1)**	(1.5)
Transfer to retained earnings reserve	**0.3**	0.5
Purchase of new shares	**(7.2)**	(0.1)
Balance at 31 December	**(8.0)**	(1.1)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 34).

31. DISPOSAL AND ASSETS HELD FOR SALE

During the first half of 2018, the sale agreement that the Group had entered into to dispose of a property (land and building) in the Senior Flexonics Bartlett operation did not complete and the property is no longer marketed for sale. As a result, the property has been re-classified from held for sale as at 31 December 2017 into property, plant and equipment as at 31 December 2018. The net book value of the property at 31 December 2018 was £3.5m (31 December 2017 – £3.9m).

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 and £0.7m of property, plant and equipment and £1.7m of goodwill), offset by cash consideration of £0.4m.

32. NOTES TO THE CASH FLOW STATEMENT

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

	Year ended 2018 £m	Year ended 2017 £m
Operating profit	**69.9**	65.5
Adjustments for:		
Depreciation of property, plant and equipment	**39.5**	38.8
Amortisation of intangible assets	**17.4**	19.1
Loss/(profit) on sale of fixed assets	**0.4**	(0.2)
Share-based payment charges	**3.4**	1.9
Pension payments in excess of service cost	**(10.3)**	(9.7)
Pension curtailment gain	**(0.4)**	–
Costs on disposal	**–**	(0.8)
UK Guaranteed Minimum Pensions	**2.4**	–
Share of joint venture	**(0.6)**	(0.7)
Increase in inventories	**(16.8)**	(7.9)
Increase in receivables	**(7.6)**	(7.6)
Increase in payables and provisions	**13.3**	27.9
US class action lawsuits	**3.7**	–
Working capital and provisions currency movements	**1.7**	(0.5)
Cash generated by operations	**116.0**	125.8
Income taxes paid	**(6.0)**	(4.9)
Interest paid	**(9.3)**	(10.0)
Net cash from operating activities	**100.7**	110.9

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 used as a performance measure by the Board and Executive Committee and is derived as follows:

	Year ended 2018 £m	Year ended 2017 £m
Net cash from operating activities	**100.7**	110.9
Interest received	**0.4**	0.4
Proceeds on disposal of property, plant and equipment	**0.5**	1.8
Purchases of property, plant and equipment	**(54.6)**	(52.3)
Purchase of intangible assets	**(1.7)**	(2.5)
Free cash flow	**45.3**	58.3

c) Analysis of net debt

	At 1 January 2018 £m	Cash £m	Exchange movement £m	**At 31 December 2018 £m**
Cash and bank balances	12.6	3.6	1.0	**17.2**
Overdrafts	(2.9)	2.7	–	**(0.2)**
Cash and cash equivalents	9.7	6.3	1.0	**17.0**
Debt due within one year	(57.6)	56.8	(1.7)	**(2.5)**
Debt due after one year	(106.7)	(54.4)	(6.2)	**(167.3)**
Finance leases	(0.5)	0.3	–	**(0.2)**
Foreign exchange contracts – held for trading	(0.2)	–	0.2	**–**
Total	(155.3)	9.0	(6.7)	**(153.0)**

	Year ended 2018 £m	Year ended 2017 £m
Cash and cash equivalents comprise:		
Cash and bank balances	**17.2**	12.6
Overdrafts	**(0.2)**	(2.9)
Total	**17.0**	9.7

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Year ended 2018 £m	Year ended 2017 £m
Minimum lease payments under operating leases recognised in the Consolidated Income Statement for the year	**10.5**	10.4

The Group also received £0.1m under sub-leases recognised in the Consolidated Income Statement for the year (2017 – £0.6m).

At 31 December, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 2018 £m	Year ended 2017 £m
Within one year	**10.6**	9.2
In the second to fifth years inclusive	**28.9**	26.6
After five years	**26.4**	12.1
	65.9	47.9

The total of future minimum sub-lease payments expected to be received by the Group under non-cancellable sub-leases at the end of 2018 was £0.6m (2017 – £0.4m).

Operating lease payments principally represent rentals payable by the Group for certain of its manufacturing properties. The four most significant leases, representing 61% (2017 – 40%) of the Group's commitment, expire in 2038, 2026 and two in 2024.

34. SHARE-BASED PAYMENTS

The Group recognised total expenses of £3.5m (2017 – £2.1m) related to share-based payments, of which £3.4m (2017 – £1.9m) related to equity-settled share-based payments, and £0.1m (2017 – £0.2m) related to social security costs on share-based payments. As at 31 December 2018, the Group had a liability of £0.3m (2017 – £0.2m) arising from share-based payments relating to social security costs.

a) 2005 Long-Term Incentive Plan

Equity-settled Long-Term Incentive Plans

On 28 February 2018, 1,676,130 shares were awarded under the 2005 Long-Term Incentive Plan. Awards under this plan have a three-year vesting period, subject to adjusted earnings per share (EPS) and total shareholder return (TSR) performance conditions being met. Half the awards have an attaching performance target for adjusted EPS growth over the three-year performance period of at least 15%. The other half of the awards begin to vest if the Group's TSR falls in the top half of a comparator group at the end of the three-year performance period. Vesting levels increase with higher performance. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year, excluding for the Executive Directors, with adjusted EPS conditions is 286.8p, which is the share price at the date of grant. The estimated fair value for the awards granted in the year, excluding for the Executive Directors, with TSR conditions is 180.5p per share reflecting an adjustment of 37% to the fair value of the awards with adjusted EPS conditions due to the stringent TSR condition. The respective fair values for awards made to the Executive Directors is 261.0p and 164.3p reflecting the two-year retention period.

These fair values were calculated by applying a binomial option pricing model. This model incorporates a technique called "bootstrapping", which models the impact of the TSR condition. The model inputs at the date of grant were the share price (286.80p for the main award), expected volatility of 29% per annum, and the performance conditions as noted above. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

The following share awards were outstanding as at 31 December 2018 and 2017:

	Year ended 2018 Number of shares	Year ended 2017 Number of shares
Outstanding at 1 January	**4,857,368**	3,696,386
Granted	**1,676,130**	2,647,114
Exercised	**–**	–
Forfeited	**(801,193)**	(1,486,132)
Outstanding at 31 December	**5,732,305**	4,857,368

34. SHARE-BASED PAYMENTS CONTINUED

b) Enhanced SMIS Deferred Share Award

On 28 February 2018, 403,123 shares were awarded under the Enhanced SMIS Deferred Share Award. Shares earned under this award have a three-year deferral period and would be subject to forfeiture by a "bad leaver" over that deferral period. There are no performance criteria for this award. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year is 286.80p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2018 and 2017:

	Year ended 2018 Number of shares	Year ended 2017 Number of shares
Outstanding at 1 January	**484,376**	500,728
Granted	**403,123**	247,156
Exercised	**(116,329)**	(185,587)
Forfeited	**–**	(77,921)
Outstanding at 31 December	**771,170**	484,376

c) Savings-Related Share Option Plan

The Company operates a Savings-Related Share Option Plan for eligible employees across the Group. There are no performance criteria for this arrangement and options are issued to all participants in accordance with the HM Revenue & Customs rules for such savings plans. Savings-Related Share Options were last issued on 2 May 2017.

The following options were outstanding as at 31 December 2018 and 2017:

	Year ended 2018		Year ended 2017	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**4,542,625**	**226.17p**	4,133,402	244.43p
Granted	**–**	**–**	2,182,727	207.20p
Exercised	**(28,837)**	**218.83p**	(1,832)	219.57p
Forfeited	**(812,040)**	**252.46p**	(1,217,975)	245.85p
Expired	**(58,966)**	**335.80p**	(553,697)	244.40p
Outstanding at 31 December	**3,642,782**	**218.60p**	4,542,625	226.17p
Exercisable at 31 December	**117,447**	**335.80p**	–	–

28,837 shares were exercised in 2018. 1,832 shares were exercised in 2017. The weighted average share price at the date of exercise for share options exercised during 2018 was 282.84p. The options outstanding at 31 December 2018 had an exercise price of 207.20p, 222.00p and 335.80p per share, and a weighted average remaining contractual life of 1.4 years. The options outstanding at 31 December 2017 had exercise prices of 207.20p, 222.00p and 335.80p per share, and a weighted average remaining contractual life of 2.3 years.

d) Other share awards

On 1 May 2015, one-off awards over 96,770 shares were granted to David Squires in connection with his appointment as Group Chief Executive comprising an award over 4,770 shares that was exercised on appointment and two long-term incentive awards over 32,000 and 60,000 shares that mirror the rules and performance conditions attaching to the LTIP awards made to other Senior executives on 25 March 2013 and 21 March 2014 respectively under the Senior plc 2005 Long-Term Incentive Plan. For the 32,000 share award, 6,640 shares vested on 25 March 2016; the remaining 60,000 share award lapsed during 2017.

The following share awards were outstanding as at 31 December 2018 and 2017:

	Year ended 2018 Number of shares	Year ended 2017 Number of shares
Outstanding at 1 January	**–**	60,000
Granted	**–**	–
Exercised	**–**	–
Forfeited	**–**	(60,000)
Outstanding at 31 December	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. SHARE-BASED PAYMENTS CONTINUED

e) Restricted share awards

On 28 February 2018, 75,000 shares were awarded under this plan. Shares granted under this award have a three-year deferral period and would be subject to forfeiture by a "bad leaver" over that deferral period. There are no performance criteria for this award. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year is 286.8p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2018 and 2017:

	Year ended 2018 Number of shares	Year ended 2017 Number of shares
Outstanding at 1 January	**25,000**	–
Granted	**75,000**	25,000
Exercised	**–**	–
Forfeited	**–**	–
Outstanding at 31 December	**100,000**	25,000

35. RETIREMENT BENEFIT SCHEMES

The Group operates a number of pension plans in the UK, North America and Europe. These include both defined contribution arrangements and defined benefit arrangements. The Senior plc Pension Plan ("the UK Plan"), which is a funded scheme in the UK and closed to future accrual at the end of 6 April 2014, has the largest pension obligation in the Group and Company. This plan provides benefits based on final pensionable emoluments for the employees of the Group and Company. The latest full actuarial valuation was carried out as at 5 April 2016 and, for the purposes of accounting under IAS 19, this valuation has been rolled forward to 31 December 2018.

In addition, the Group operates two defined benefit plans in the US, one of which was closed to future accrual from October 2009. The second plan was closed to future participants from September 2013, and the Executive section was also closed to future accruals from December 2013. Separate disclosure is made for the funded UK and US defined benefit arrangements. In both the UK and US, the assets of funded plans are held in separate trustee administered funds managed by independent financial institutions and have pension costs assessed by consulting actuaries using the Projected Unit Method. The Trustees are required to act in the best interests of the plans' beneficiaries.

The Group also has a small number of unfunded post-retirement plans, including a closed healthcare scheme in the US. Separate disclosure is provided for these arrangements.

Further details on the arrangement of the UK Plan are given below.

The Trustee of the UK Plan is Senior Trustee Limited. The appointment of the Directors to the Board is determined by the articles of association of Senior Trustee Limited. There are six Trustee Directors in total and in accordance with statutory requirements under the Pensions Act 2004 at least two must be a Member Nominated Director. Currently, there are two Member Nominated Directors and four Directors who have been nominated by the Company, of which the Chairman and one other Director are viewed as independent.

The UK Plan exposes the Company to a number of risks. In particular:

- uncertainty in benefit payments – the value of the obligations will ultimately depend on the amount of benefits paid out. This in turn will depend on the level of inflation and how long individuals live. Inflation is capped, which reduces the exposure on the Plan liabilities;
- volatility in asset values – the value of the assets held to meet future benefit payments is volatile due to changes in stock markets and interest rates; and
- uncertainty in cash funding – movements in the value of the UK Plan's obligations or assets may result in the Company being required to provide higher levels of cash funding.

The investment strategy for the UK Plan is decided by the Trustee in consultation with Senior plc. The primary investment objective is for the plan to be able to meet benefit payments as they fall due. The UK Plan's average duration is around 16 years and benefits are expected to be paid for the next 60 to 70 years. These cash flow payments are expected to reach a peak around 2028, and gradually decline thereafter as the membership matures. In setting this strategy, the Trustee considers a wide range of asset classes, the risk and rewards of a number of possible asset allocation options, the sustainability of each asset class within each strategy, and the need for appropriate diversification between different asset classes. The primary investment objective is implemented by setting strategic asset allocations using a "linear de-risking" approach. Under this approach, the scheme's current asset strategy of 70% invested in low-risk matching assets, such as "liability driven investments" (LDI) and bonds, and 30% in higher-risk return seeking assets, such as equities, is expected to be linearly moved into 100% matching assets over the period from April 2021 to April 2036. LDI's help to mitigate investment risk for the UK Plan by minimising the fluctuations in the UK Plan's funding levels due to changes in the value of the liabilities. This is achieved through hedging movements in the funding liabilities caused by changes in interest rates and inflation expectations. The Trustee continues to review its investment strategy and has also implemented a switching mechanism to secure any outperformances of equities relative to bonds, by selling equities to buy bonds.

While the UK Plan was in a deficit position of £37.4m as at 5 April 2016 when measured on the Trustee's funding basis, the UK Plan is in a surplus position of £30.9m as at 31 December 2018 (2017 – £19.4m surplus, 2016 – £4.0m surplus) when measured on an IAS 19 basis. The difference between the triennial funding and annual IAS 19 valuation relates to the assumptions used. For example, the funding discount rate is based on the UK Plan's stated investment strategy, as opposed to the yields available on corporate bonds for the IAS 19 discount rate.

35. RETIREMENT BENEFIT SCHEMES CONTINUED

The IAS 19 surplus position on the UK Plan is recognised as an asset on the Consolidated and Company Balance Sheet, with no requirement to recognise an additional liability on the UK Plan, on the grounds that the Company has an unconditional right to a refund, assuming the gradual settlement of Plan liabilities over time until all members have left. In considering this, the Company has taken into account that the Trustees do not have unilateral powers to wind up the Plan or modify benefits. The IASB is considering amendments to pension accounting (IFRIC 14) as published in an exposure draft in June 2015. If implemented by the IASB, some of these amendments could result in derecognition of the UK Plan's IAS 19 surplus, or recognition of additional liabilities. The Group will reconsider the implications of any amendment to IFRIC 14 and IAS 19 if and when it has been finalised and published.

Cash contributions to the UK Plan are set by agreement between the Company and the Trustee of the UK Plan. These are set in accordance with legislation and take account of the intention to further reduce the risk associated with the UK Plan's investment strategy, as set out above. The contributions were last reviewed as at 5 April 2016 and were based on a forecast deficit at that time, as part of the 2016 triennial funding valuation. The Company has agreed with the Trustee of the UK Plan to make scheduled contributions over a five-year period from April 2016 to March 2021. Annual cash funding contributions of £8.1m are expected over this period, subject to review and amendment as appropriate, at the next funding valuation in 2019. The estimated contributions expected to be paid during 2019 in the US funded plans is £2.5m (2017 – £2.2m).

The Group is ultimately responsible for making up any shortfall in the UK Plan over a period agreed with the Trustees. To the extent that actual experience is different from that assumed, the funding position will be better or worse than anticipated. As such, the contributions required by the Group could vary in the future.

a) Defined contribution schemes

The Group has a number of different defined contribution and government-sponsored arrangements in place in the countries in which it operates. None of these are individually material to the Group and the aggregate cost of such schemes for the period was £10.8m (2017 – £10.3m).

b) Defined benefit schemes

The amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its defined benefit plans is set out below.

	31 December 2018				31 December 2017			
	UK plans funded £m	**US plans funded £m**	**Unfunded plans £m**	**Total £m**	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Present value of defined benefit obligations	**(278.7)**	**(52.5)**	**(8.0)**	**(339.2)**	(301.8)	(54.3)	(7.9)	(364.0)
Fair value of plan assets	**309.6**	**47.3**	**0.8**	**357.7**	321.2	47.1	0.4	368.7
Plan surplus/(deficit) per Consolidated Balance Sheet	**30.9**	**(5.2)**	**(7.2)**	**18.5**	19.4	(7.2)	(7.5)	4.7

c) Movements in the present value of defined benefit obligations were as follows:

		31 December 2018				31 December 2017			
	Notes	**UK plans funded £m**	**US plans funded £m**	**Unfunded plans £m**	**Total £m**	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
At 1 January		**301.8**	**54.3**	**7.9**	**364.0**	297.4	54.5	7.0	358.9
Current service cost		**–**	**0.4**	**0.1**	**0.5**	–	0.4	0.5	0.9
Past service cost	9	**2.4**	**–**	**–**	**2.4**	–	–	–	–
Interest cost		**7.0**	**1.9**	**0.1**	**9.0**	7.5	2.1	0.2	9.8
Experience on benefit obligations		**0.5**	**–**	**–**	**0.5**	4.1	0.9	–	5.0
Actuarial (losses)/gains – financial		**(16.6)**	**(4.1)**	**0.1**	**(20.6)**	7.6	3.6	–	11.2
Actuarial losses – demographic		**(1.9)**	**(0.5)**	**–**	**(2.4)**	(3.2)	(0.4)	–	(3.6)
Benefits paid		**(14.5)**	**(2.2)**	**–**	**(16.7)**	(11.6)	(2.3)	–	(13.9)
Curtailment credit		**–**	**–**	**(0.4)**	**(0.4)**	–	–	–	–
Exchange differences		**–**	**2.7**	**0.2**	**2.9**	–	(4.5)	0.2	(4.3)
At 31 December		**278.7**	**52.5**	**8.0**	**339.2**	301.8	54.3	7.9	364.0

The UK Plan past service cost of £2.4m in 2018 relates to the UK Guaranteed Minimum Pensions (see Note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. RETIREMENT BENEFIT SCHEMES CONTINUED

d) Movements in the fair value of plan assets were as follows:

	31 December 2018				31 December 2017			
	UK plans funded £m	**US plans funded £m**	**Unfunded plans £m**	**Total £m**	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
At 1 January	**321.2**	**47.1**	**0.4**	**368.7**	301.4	47.1	–	348.5
Interest on plan assets	**7.6**	**1.6**	**–**	**9.2**	7.7	1.8	0.1	9.6
Actual return on plan assets less interest	**(12.9)**	**(3.8)**	**–**	**(16.7)**	15.5	2.3	–	17.8
Contributions from employer	**8.6**	**2.2**	**0.4**	**11.2**	8.6	2.2	0.3	11.1
Benefits paid	**(14.5)**	**(2.2)**	**–**	**(16.7)**	(11.6)	(2.3)	–	(13.9)
Running costs	**(0.4)**	**–**	**–**	**(0.4)**	(0.4)	(0.1)	–	(0.5)
Exchange differences	**–**	**2.4**	**–**	**2.4**	–	(3.9)	–	(3.9)
At 31 December	**309.6**	**47.3**	**0.8**	**357.7**	321.2	47.1	0.4	368.7

e) Amounts recognised in the Consolidated Income Statement in respect of these defined benefit schemes are as follows:

	31 December 2018				31 December 2017			
	UK plans funded £m	**US plans funded £m**	**Unfunded plans £m**	**Total £m**	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Current service cost included within operating profit	**–**	**0.4**	**0.1**	**0.5**	–	0.4	0.5	0.9
Running costs	**0.4**	**–**	**–**	**0.4**	0.4	0.1	–	0.5
Past service cost	**2.4**	**–**	**–**	**2.4**	–	–	–	–
Curtailment credit	**–**	**–**	**(0.4)**	**(0.4)**	–	–	–	–
Charge/(income) included within operating profit	**2.8**	**0.4**	**(0.3)**	**2.9**	0.4	0.5	0.5	1.4
Included within finance (income)/costs	**(0.6)**	**0.3**	**0.1**	**(0.2)**	(0.2)	0.3	0.1	0.2
Amount recognised in the Income Statement	**2.2**	**0.7**	**(0.2)**	**2.7**	0.2	0.8	0.6	1.6

f) Amounts recognised in other comprehensive income are as follows:

	31 December 2018				31 December 2017			
	UK plans funded £m	**US plans funded £m**	**Unfunded plans £m**	**Total £m**	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Net actuarial gain/(losses) in the year due to:								
– Change in financial assumptions	**16.6**	**4.1**	**(0.1)**	**20.6**	(7.6)	(3.6)	–	(11.2)
– Change in demographic assumptions	**1.9**	**0.5**	**–**	**2.4**	3.2	0.4	–	3.6
– Experience adjustments on benefit obligations	**(0.5)**	**–**	**–**	**(0.5)**	(4.1)	(0.9)	–	(5.0)
Actual return on plan assets less interest on benefit obligations	**(12.9)**	**(3.8)**	**–**	**(16.7)**	15.5	2.3	–	17.8
Gains/(losses) recognised in other comprehensive income	**5.1**	**0.8**	**(0.1)**	**5.8**	7.0	(1.8)	–	5.2

Actuarial gains of £5.8m (2017 – £5.2m) have been recognised in the Statement of Comprehensive Income. The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income as at 31 December 2018 is £42.4m (2017 – £48.2m).

35. RETIREMENT BENEFIT SCHEMES CONTINUED

g) Assets and assumptions in funded plans

	UK plans funded		US plans funded	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Fair value of plan assets				
Equities	**23.5**	61.8	**–**	–
Bonds	**93.7**	91.8	**47.3**	47.1
Gilts	**131.8**	135.6	**–**	–
Diversified growth fund	**39.9**	–	**–**	–
Cash and net current assets	**20.7**	32.0	**–**	–
Total	**309.6**	321.2	**47.3**	47.1
Actual return on plan assets	**(5.3)**	23.2	**(2.2)**	4.1

The UK Plan's assets are invested in pooled funds, which are invested exclusively within instruments with quoted market prices in an active market, with the exception of the Plan's holdings in insurance annuity policies, valued at £6.0m (2017 – £6.7m). The value of the invested assets has been measured at bid value and the value of the insurance annuity policies has been set equal to the value of the corresponding obligations.

The Plan's equities are broadly split equally between UK and overseas companies. The UK equities are passively invested in line with the FTSE All-Share Index and the overseas equities are passively invested in line with the FTSE World ex-UK GBP Hedged Index. Therefore, the Plan is exposed to a typical breakdown of industries within those equity indices. The Plan's bonds are actively invested in investment grade UK corporate bonds, and are exposed to a fairly typical range of UK businesses. The majority of the Plan's gilts are passively invested in a range of UK index-linked government bonds, with the remainder actively invested in a range of swap instruments linked to movements in government bond prices. The risks associated with the Plan's bond and gilt investments are largely offset by corresponding risks present within the pricing of the Plan's benefit obligations. The diversified growth fund is an investment in Pyrford's absolute return fund. This fund is composed of positions in a range of assets, including bonds and equities. These positions vary over time according to Pyford's views. The fund looks to generate equity-like returns, with reduced volatility, whilst also providing diversification benefits to the Plan's other investments.

The UK Plan does not invest directly in property occupied by the Company or in financial securities issued by the Company.

	UK plans funded		US plans funded	
	2018	2017	**2018**	2017
Major assumptions (per annum %)				
Inflation	**3.20%**	3.10%	**N/A**	N/A
Increase in salaries	**N/A**	N/A	**N/A**	N/A
Increase in pensions	**3.10%**	3.00%	**0.00%**	0.00%
Increase in deferred pensions	**3.20%**	3.10%	**0.00%**	0.00%
Rate used to discount plan liabilities	**2.90%**	2.40%	**4.20%**	3.50%
Life expectancy of a male aged 65 at the year-end	**21.8**	21.9	**20.0**	20.7
Life expectancy of a male aged 65, 20 years after the year-end	**23.2**	23.3	**21.7**	22.3

The methodology used for determining the discount rate and inflation rate, used in measuring the UK retirement benefit scheme, have been updated in 2018 in line with developing market practice following actuarial advice, which do not have a significant impact on the Financial Statements. Benefits under the US funded plans are not linked to inflation.

The UK Plan retirement benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The assumption for estimating future Retail Prices Index (RPI) inflation is based on the difference in yields on fixed-interest and index-linked gilts. Demographic assumptions are set broadly in line with the most recent actuarial valuation of the UK Plan. The mortality assumption is 105% of standard mortality tables with an allowance for future improvements in line with the CMI 2017 core projections, with a long-term annual rate of improvement of 1.25% for males and for females.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. RETIREMENT BENEFIT SCHEMES CONTINUED

For the UK Plan, the estimated impact on the plan surplus at 31 December 2018 for changes in assumptions is as follows:

	Decrease in plan surplus £m
0.5% decrease in the discount rate	21.0
One-year increase in life expectancy	11.0
0.5% increase in inflation	13.0

These sensitivities, which factor in inflationary capping, have been calculated to show the movement in the surplus, including allowance for an increase to the value of insured annuity assets, but assuming no other changes in assets as at 31 December 2018. This is unlikely in practice – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Plan.

h) Other post-retirement liabilities

This balance comprises an unfunded German pension plan of £3.6m (2017 – £3.7m), unfunded closed pension and post-retirement healthcare plans in the USA of £0.4m (2017 – £0.4m), a provision for post-retirement payments in France of £2.9m (2017 – £3.4m) and £0.3m for post-retirement payments in Thailand (2017 – Immaterial).

The closed pension and post-retirement healthcare plans in the US have been valued on a Projected Unit Method using a discount rate of 4.2% and 3.5% respectively (2017 – 3.5% and 3.5%). No participants were eligible for medical benefits under the healthcare plan in 2018. The German plan has been subject to formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 2.1%, salary growth 0.0% and pension increase 1.8% (2017 – 1.8%, 0.0% and 1.6%). In France, the provision arises from a legal obligation to make payments to retirees in the first two years post-retirement. Hence, it is not subject to discounting to the same extent as the other longer-term post-retirement liabilities. The Thailand plan has been subject to a formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 3.19%, inflation rate 2.75%, salary growth 6%.

36. 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. Subsequently, Senior Aerospace Ketema was named as a co-defendant in a number of similar lawsuits filed by additional plaintiffs. Each of the lawsuits claim that Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located, allegedly causing harm to neighbouring properties and/or creating health risks. On 16 November 2017, the European Commission published its preliminary decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation, finding that the legislation is in breach of the EU State Aid rules. Like many other multinational groups that have acted in accordance with this UK legislation, the Group may be affected by the final outcome of this investigation. 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.

37. SUBSEQUENT EVENTS

On 15 February 2019, the Group sold its Flexonics operating company in France, Senior Flexonics Blois SAS ("Blois"). The sale enables management to have greater focus on opportunities in its core activities and to deploy capital in other parts of the Group with higher returns. For the financial year ended 31 December 2018, Blois external revenue was £19.6m and it incurred an operating loss of £0.9m.

The financial effect of this transaction is being processed. Currently, the loss on disposal is estimated to be in the range of £6m to £8m, after taking into account the fair value of net assets disposed and an initial estimate of the costs of disposal offset by an initial cash consideration and the previously recorded foreign exchange gain that will be recycled to the Consolidated Income Statement. The actual loss on disposal is subject to change from this estimate as costs of disposal are incurred and deferred consideration received. This one-off charge will be presented separately as an adjusting item in the Consolidated Income Statement for the year ending 31 December 2019.

COMPANY BALANCE SHEET

As at 31 December 2018

	Notes	Year ended 2018 £m	Year ended 2017 £m
Non-current assets			
Investment in subsidiaries	40	**259.9**	259.9
Property, plant and equipment	41	**0.2**	0.3
Other intangible assets	39	**0.3**	0.3
Debtors: amounts due after more than one year	42	**28.0**	28.9
Pension surplus asset	52	**30.9**	19.4
Total non-current assets		**319.3**	308.8
Current assets			
Debtors: amounts due within one year	42	**86.2**	122.6
Cash at bank and in hand	49	**1.9**	–
Current tax	51	**1.6**	–
Total current assets		**89.7**	122.6
Total assets		**409.0**	431.4
Creditors: amounts falling due within one year			
Trade and other creditors	44	**126.8**	74.0
Borrowings	43	**2.5**	60.8
Total creditors: amounts falling due within one year		**129.3**	134.8
Creditors: amounts falling due after more than one year			
Borrowings	43	**129.7**	103.0
Deferred tax liability	51	**4.8**	2.9
Total creditors: amounts falling due after more than one year		**134.5**	105.9
Total liabilities		**263.8**	240.7
Net assets		**145.2**	190.7
Capital and reserves			
Issued share capital	45	**41.9**	41.9
Share premium account		**14.8**	14.8
Equity reserve		**5.7**	3.9
Hedging and translation reserve	46	**(0.3)**	(0.3)
Profit and loss account	47	**91.1**	131.5
Own shares	48	**(8.0)**	(1.1)
Total shareholders' funds		**145.2**	190.7

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 1 March 2019. They were signed on its behalf by:

DAVID SQUIRES
DIRECTOR

BINDI FOYLE
DIRECTOR

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		All equity is attributable to equity holders of the Company						
	Notes	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Profit and loss account £m	Own shares £m	Total equity £m
Balance at 1 January 2017		41.9	14.8	3.0	(0.3)	120.0	(1.5)	177.9
Profit for the year 2017		–	–	–	–	31.9	–	31.9
Actuarial gains on defined benefit pension schemes		–	–	–	–	7.0	–	7.0
Total comprehensive income for the period		–	–	–	–	38.9	–	38.9
Share-based payment charge		–	–	1.9	–	–	–	1.9
Purchase of shares held by employee benefit trust	48	–	–	–	–	–	(0.1)	(0.1)
Use of shares held by employee benefit trust	48	–	–	–	–	(0.5)	0.5	–
Transfer to profit and loss account	47	–	–	(1.0)	–	1.0	–	–
Dividends paid	11	–	–	–	–	(27.9)	–	(27.9)
Balance at 31 December 2017		41.9	14.8	3.9	(0.3)	131.5	(1.1)	190.7
Loss for the year 2018		**–**	**–**	**–**	**–**	**(16.4)**	**–**	**(16.4)**
Actuarial gains on defined benefit pension schemes		**–**	**–**	**–**	**–**	**5.1**	**–**	**5.1**
Tax relating to components of other comprehensive income		**–**	**–**	**–**	**–**	**(0.8)**	**–**	**(0.8)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**(12.1)**	**–**	**(12.1)**
Share-based payment charge		**–**	**–**	**3.4**	**–**	**–**	**–**	**3.4**
Purchase of shares held by employee benefit trust	48	**–**	**–**	**–**	**–**	**–**	**(7.2)**	**(7.2)**
Use of shares held by employee benefit trust	48	**–**	**–**	**–**	**–**	**(0.3)**	**0.3**	**–**
Transfer to profit and loss account	47	**–**	**–**	**(1.6)**	**–**	**1.6**	**–**	**–**
Dividends paid	11	**–**	**–**	**–**	**–**	**(29.6)**	**–**	**(29.6)**
Balance at 31 December 2018		**41.9**	**14.8**	**5.7**	**(0.3)**	**91.1**	**(8.0)**	**145.2**

38. ACCOUNTING POLICIES

Basis of accounting (Company only)

The Company is incorporated in England and Wales under the Companies Act. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The Financial Statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101 Reduced Disclosure Framework).

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurements, capital management, presentation of a cash flow statement and disclosure of related party transactions.

The Financial Statements have been prepared on the historical cost and going concern basis. The principal accounting policies adopted are the same as those set out in Note 2 to the Consolidated Financial Statements, except in respect of investments in subsidiaries, which are stated at cost less, where appropriate, provisions for impairment.

39. OTHER INTANGIBLE ASSETS

	Year ended 2018 Computer software £m	Year ended 2017 Computer software £m
Cost		
At 1 January	**0.8**	0.8
Additions	**0.1**	–
At 31 December	**0.9**	0.8
Amortisation		
At 1 January	**0.5**	0.4
Charge for the year	**0.1**	0.1
At 31 December	**0.6**	0.5
Carrying amount at 31 December	**0.3**	0.3

40. INVESTMENTS IN SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given on pages 123 to 125.

	Year ended 2018 £m	Year ended 2017 £m
At 1 January	**259.9**	259.9
Additional investment in subsidiaries	**–**	–
At 31 December	**259.9**	259.9

41. PROPERTY, PLANT AND EQUIPMENT

	Year ended 2018 Plant and equipment £m	Year ended 2017 Plant and equipment £m
Cost		
At 1 January	**0.8**	0.8
Additions	**–**	–
Disposals	**(0.1)**	–
At 31 December	**0.7**	0.8
Accumulated depreciation		
At 1 January	**0.5**	0.4
Charge for the year	**0.1**	0.1
Eliminated on Disposals	**(0.1)**	–
At 31 December	**0.5**	0.5
Carrying amount at 31 December	**0.2**	0.3

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

42. DEBTORS

Debtors at 31 December comprise the following:

	Year ended 2018 £m	Year ended 2017 £m
Debtors: amounts due more than one year		
Due from subsidiaries	**28.0**	28.9
	28.0	28.9
Debtors: amounts due within one year		
Value added tax	**0.2**	0.1
Prepayments and accrued income	**0.7**	0.3
Due from subsidiaries	**85.3**	122.2
	86.2	122.6
Total debtors	**114.2**	151.5

The Directors consider that the carrying amount of debtors approximates to their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor above. The Company does not hold any collateral as security.

The carrying amounts due from subsidiaries approximates to their fair value. There are no past due or impaired debtor balances (2017 – £nil).

As at 31 December 2018, debtors due in more than one year consist of £2.8m (2017 – £1.9m) due in accordance with the vesting periods of share-based payments and £25.2m (£24.8m) of loans to subsidiaries, due to mature after 2019 at an interest rate based on a 1% margin above EURIBOR. As at 31 December 2017, loans to subsidiaries also contained £2.2m due to mature after 2019 at an interest rate of 6.9%.

43. BORROWINGS

	Year ended 2018 £m	Year ended 2017 £m
Bank overdrafts	**–**	5.3
Bank loans	**2.1**	4.4
Other loans	**130.1**	154.1
	132.2	163.8
The borrowings are repayable as follows:		
On demand or within one year	**2.5**	60.8
In the second year	**15.6**	5.0
In the third to fifth years inclusive	**15.2**	29.0
After five years	**98.9**	69.0
	132.2	163.8
Less: amount due for settlement within 12 months (shown under current liabilities)	**(2.5)**	(60.8)
Amount due for settlement after 12 months	**129.7**	103.0

Analysis of borrowings by currency

31 December 2018

	Total £m	**Pound Sterling £m**	**Euros £m**	**US Dollars £m**	**Others £m**
Bank overdrafts	**–**	**–**	**–**	**–**	**–**
Bank loans	**2.1**	**2.1**	**–**	**–**	**–**
Other loans	**130.1**	**26.9**	**25.2**	**78.0**	**–**
	132.2	**29.0**	**25.2**	**78.0**	**–**

31 December 2017

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
Bank overdrafts	5.3	5.3	–	–	–
Bank loans	4.4	4.4	–	–	–
Other loans	154.1	–	24.7	129.4	–
	163.8	9.7	24.7	129.4	–

43. BORROWINGS CONTINUED

The weighted average interest rates paid were as follows:

	Year ended 2018 %	Year ended 2017 %
Bank loans and overdrafts	**2.47**	1.62
Other loans	**3.37**	4.78

Bank loans and overdrafts of £2.1m (2017 – £9.7m) are arranged at floating rates, thus exposing the Company to cash flow interest rate risk. Other borrowings are mainly arranged at fixed interest rates and expose the Company to fair value interest rate risk. No interest rate swaps were taken out in 2017 or 2018.

The Directors estimate the fair value of the Company's borrowings to be as follows:

	Year ended 2018 £m	Year ended 2017 £m
Bank loans and overdrafts	**2.1**	9.7
Other loans	**131.5**	157.0
	133.6	166.7

44. TRADE AND OTHER CREDITORS

Trade and other creditors at 31 December comprise the following:

	Year ended 2018 £m	Year ended 2017 £m
Creditors: amounts falling due within one year		
Trade creditors	**0.7**	0.2
Social security and PAYE	**0.2**	0.1
Other creditors and accruals	**5.5**	4.9
Foreign currency derivatives	**–**	0.2
Due to subsidiaries	**120.4**	68.6
Total trade and other creditors	**126.8**	74.0

The Directors consider that the carrying amount of trade creditors approximates to their fair value.

45. ISSUED SHARE CAPITAL

	Year ended 2018 £m	Year ended 2017 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	**41.9**	41.9

At 31 December 2017, the issued and fully paid up share capital was 419.4 million ordinary shares of 10p each. No shares were issued during 2018 (2017 – 1,832 shares).

The Company has one class of ordinary shares, which carry no right to fixed income.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

46. HEDGING AND TRANSLATION RESERVES

	Hedging reserve Year ended 2018 £m	**Translation reserve Year ended 2018 £m**	**Total Year ended 2018 £m**	Hedging reserve Year ended 2017 £m	Translation reserve Year ended 2017 £m	Total Year ended 2017 £m
Balance at 1 January and 31 December	**–**	**(0.3)**	**(0.3)**	–	(0.3)	(0.3)

47. PROFIT AND LOSS ACCOUNT

	Year ended 2018 £m	Year ended 2017 £m
Balance at 1 January	**131.5**	120.0
Dividends paid	**(29.6)**	(27.9)
(Loss)/profit for the year	**(16.4)**	31.9
Pension actuarial gain	**5.1**	7.0
Transfer from equity reserve	**1.6**	1.0
Transfer from own share reserve	**(0.3)**	(0.5)
Tax on deductible temporary differences	**(0.8)**	–
Balance at 31 December	**91.1**	131.5

£7.5m (2017 – £7.5m) of the Company's retained earnings are considered undistributable.

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income, including the Income Statement and related Notes.

48. OWN SHARES

	Year ended 2018 £m	Year ended 2017 £m
Balance at 1 January	**(1.1)**	(1.5)
Transfer to profit and loss account	**0.3**	0.5
Purchase of new shares	**(7.2)**	(0.1)
Balance at 31 December	**(8.0)**	(1.1)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 34).

The nominal value of each share is £0.1 (2017 – £0.1). The total number of treasury shares at 31 December 2018 is 2,673,459 (2017 – 491,361).

49. CASH AT BANK AND IN HAND

	Year ended 2018 £m	Year ended 2017 £m
Cash and cash equivalents comprise:		
Cash	**1.9**	–
Bank overdrafts	**–**	(5.3)
Total	**1.9**	(5.3)

Cash at bank and in hand held by the Company (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 approximate to their face value.

50. OPERATING LEASE ARRANGEMENTS

The Company as lessee

	Year ended 2018 £m	Year ended 2017 £m
Minimum lease payments under operating leases recognised in the Income Statement for the year	**0.1**	0.1

At 31 December, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 2018 £m	Year ended 2017 £m
Within one year	**0.2**	0.1
In the second to fifth years inclusive	**0.9**	0.5
After five years	**0.8**	0.7
	1.9	1.3

As at the date of approving the accounts, the Company has guaranteed £0.5m (2017 – £1.0m) of annual lease commitments of certain current and previous subsidiary entities.

51. TAX BALANCE SHEET

Current tax

The current tax receivable of £1.6m (2017 – £nil) includes excess tax paid to tax authorities that is expected to be recovered within 12 months by way of offset against future tax liabilities or refund.

Deferred tax liabilities

The following are the major deferred tax liabilities and (assets) recognised by the Company and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Retirement benefits £m	Share-based payments £m	Total £m
At 1 January 2017	(0.2)	0.7	(0.1)	0.4
Charge/(credit) to income	–	2.6	(0.1)	2.5
At 1 January 2018	**(0.2)**	**3.3**	**(0.2)**	**2.9**
Charge/(credit) to income	**0.1**	**1.1**	**(0.1)**	**1.1**
Charge/(credit) to other comprehensive income	**–**	**0.8**	**–**	**0.8**
As at 31 December 2018	**(0.1)**	**5.2**	**(0.3)**	**4.8**

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Year ended 2018 £m	Year ended 2017 £m
Deferred tax liabilities	**4.8**	2.9

At the Balance Sheet date, the Company has unused capital losses of £15.6m (2017 – £15.6m) available for offset against future capital gains. No deferred tax asset has been recognised as no such capital gains are anticipated to arise in the foreseeable future.

52. RETIREMENT BENEFIT SCHEMES

The Company's defined benefit schemes are shown in Note 35 in the "UK plans funded" column.

53. RELATED PARTY TRANSACTIONS

The remuneration of the Directors and Senior Managers, who are the key management personnel of the Group, is set out in the Remuneration Report on pages 63 to 72.

The Group has a related party relationship with a number of pension schemes. Transactions between the Group and these pension schemes are disclosed in Note 35.

Bloom Energy Corporation is a related party of the Group as Susan Brennan, an independent non-executive Director of the Group, is its Executive Vice-President and Chief Operations Officer. In 2018, the Group sold £1.8m (2017 – £2.4m) of components to Bloom Energy Corporation. The gross receivable position as at 31 December 2018 was £0.2m (31 December 2017 – £0.5m).

54. SHARE-BASED PAYMENTS

The Company has a number of share-based payment arrangements that existed during 2018, the details of which can be found in Note 34.

For the savings-related share option plan, no shares were exercised in 2018 or 2017. The options outstanding at 31 December 2018 had an exercise price of 207.20p, 222.00p and 335.80p per share, and a weighted average remaining contractual life of 1.5 years. The options outstanding at 31 December 2017 had exercise prices of 207.20p, 222.00p and 335.80p per share, and a weighted average remaining contractual life of 2.5 years.

Share-based payment costs relating to subsidiaries are recharged from the Company.

FIVE-YEAR SUMMARY

Group income statement	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue					
Continuing operations	**1,082.1**	1,023.4	917.0	849.5	820.8
Adjusted operating profit					
Continuing operations	**91.6**	82.6	85.6	107.8	111.6
Amortisation of intangible assets from acquisitions	**(15.4)**	(17.1)	(19.8)	(12.2)	(7.2)
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)	–
Acquisition costs	**–**	–	–	(1.2)	(0.6)
Write-down of L85 inventory	**–**	–	–	–	(1.8)
Restructuring costs	**–**	–	–	–	(1.5)
UK Guaranteed Minimum Pensions	**(2.4)**	–	–	–	–
US class action lawsuits	**(3.9)**	–	–	–	–
Exceptional pension charge	**–**	–	–	–	(1.5)
Operating profit	**69.9**	65.5	65.8	72.3	89.6
Finance costs, net of investment income	**(8.8)**	(9.3)	(10.1)	(8.0)	(8.1)
Net finance income/(cost) of retirement benefits	**0.2**	(0.2)	(0.2)	(0.5)	(0.9)
Loss on disposal	**–**	(3.8)	–	–	–
Profit before tax	**61.3**	52.2	55.5	63.8	80.6
Tax	**(11.2)**	8.1	(10.1)	(15.3)	(17.1)
Profit for the year	**50.1**	60.3	45.4	48.5	63.5
Depreciation and amortisation of intangibles	**56.9**	57.9	54.0	40.0	32.1
Gross capital expenditure (including finance lease assets)	**56.3**	54.8	52.8	48.6	31.1
Basic earnings per share	**11.99p**	14.39p	10.84p	11.59p	15.25p
Diluted earnings per share	**11.83p**	14.30p	10.83p	11.47p	15.06p
Adjusted earnings per share	**16.08p**	14.39p	14.37p	18.98p	19.84p
Dividends in respect of years – per share	**7.42p**	6.95p	6.57p	6.20p	5.63p
– value	**30.9**	29.0	27.5	26.0	23.5
Group Balance Sheet					
Non-current assets	**662.0**	624.3	647.0	572.4	466.4
Net current assets	**131.0**	66.0	94.0	98.3	84.4
Non-current liabilities	**(224.8)**	(158.7)	(240.5)	(239.8)	(139.2)
Net assets	**568.2**	531.6	500.5	430.9	411.6
Net borrowings	**(153.0)**	(155.3)	(198.1)	(194.6)	(105.0)
Group cash flow					
Net cash from operating activities	**100.7**	110.9	100.3	99.4	88.6
Interest received	**0.4**	0.4	0.2	0.2	0.1
Proceeds from disposal of property, plant and equipment	**0.5**	1.8	0.8	0.7	0.2
Purchase of property, plant and equipment – cash	**(54.6)**	(52.3)	(50.7)	(46.4)	(29.6)
Purchase of intangible assets	**(1.7)**	(2.5)	(2.1)	(2.2)	(1.5)
Free cash flow	**45.3**	58.3	48.5	51.7	57.8
Dividends paid	**(29.6)**	(27.9)	(26.4)	(24.3)	(21.9)
Acquisitions less disposals	**–**	0.4	1.3	(103.9)	(60.1)
Loan to joint venture	**0.5**	0.3	0.5	(0.1)	(1.1)
Share issues	**–**	–	–	–	1.1
Purchase of shares held by employee benefit trust	**(7.2)**	(0.1)	(1.1)	(0.9)	(0.7)
(Decrease)/increase in loans	**(2.4)**	(37.1)	(19.5)	81.7	(18.4)
Decrease in finance leases	**(0.3)**	(0.5)	(0.8)	(0.6)	(1.4)
Increase/(decrease) in cash and cash equivalents	**6.3**	(6.6)	2.5	3.6	(44.7)

GROUP UNDERTAKINGS

Operating Companies	Business Units	Locations	Country of Incorporation	Registered Office
Senior UK Limited	Senior Aerospace Bird Bellows	Congleton	England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
	Senior Aerospace BWT	Macclesfield		
	Senior Flexonics Crumlin	Crumlin		
	Senior Aerospace Weston	Colne		
	Senior Aerospace Thermal Engineering	Royston		
Lymington Precision Engineers Co. Limited	Senior Flexonics Lymington	Lymington	England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Flexonics Brasil Ltda	Senior Flexonics São Paulo	São Paulo, Brazil	Brazil	Praça Faustino Roncoroni 01, Distrito Industrial, CEP – 18.147 -000 – Araçariguama, São Paulo, Brasil
Senior Flexonics Czech s.r.o.	Senior Flexonics Czech	Olomouc, Czech Republic	Czech Republic	Olomouc, Průmyslová 733/9, postcode 779 00, Czech Republic
Senior Aerospace Ermeto SAS	Senior Aerospace Ermeto	Blois, France	France	Z.A Euro Val de Loire, 8 rue du Clos Thomas, 41330 Fosse, France
Senior Calorstat SAS	Senior Aerospace Calorstat	Dourdan, France	France	Z.I. La Gaudree, 11 rue des Soufflets, 91410, Dourdan, France
Senior Flexonics GmbH	Senior Flexonics Kassel	Kassel, Germany	Germany	Frankfurter Strasse 199, 34121 Kassel, Germany
Senior India Private Limited	Senior Flexonics New Delhi	New Delhi, India	India	4th, Floor, Rectangle No.1, Commercial Complex D-4, Saket-New Delhi-110017, India
Senior Aerospace Bosman B.V.	Senior Aerospace Bosman	Rotterdam, Netherlands	Netherlands	Bergen 6, 2993 LR Barendrecht, Netherlands
Senior Operations (Canada) Limited	Senior Flexonics Canada	Brampton, Ontario	Canada	134 Nelson Street West, Brampton, Ontario, L6X 1C9, Canada
Senior Flexonics SA (Pty) Limited	Senior Flexonics Cape Town	Cape Town, South Africa	South Africa	11 Thor Circle, Viking Place, Thornton, Cape Town, 7460, South Africa
Senior Operations LLC	Senior Aerospace Absolute Manufacturing	Arlington, Washington	USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
	Senior Aerospace AMT	Arlington, Washington		
	Senior Aerospace Jet Products	San Diego, California		
	Senior Aerospace Ketema	El Cajon, California		
	Senior Aerospace Metal Bellows	Sharon, Massachusetts		
	Senior Aerospace Damar	Monroe, Washington		
	Senior Aerospace SSP	Burbank, California		
	Senior Aerospace Connecticut	Enfield, Connecticut		
	Senior Flexonics Bartlett	Bartlett, Illinois		
	Senior Flexonics GA	Franklin, Wisconsin		
	Senior Flexonics Pathway	New Braunfels, Texas & Maine, Delaware		
Steico Industries, Inc.	Senior Aerospace Steico Industries	Oceanside, California	USA	818 West Seventh St.,Ste. 930, Los Angeles, CA 90017

GROUP UNDERTAKINGS CONTINUED

Operating Companies	Business Units	Locations	Country of Incorporation	Registered Office
Senior Aerospace (Thailand) Limited	Senior Aerospace Thailand	Chonburi, Thailand	Thailand	789/115-116 Moo1, Pinthong Industrial Estate, Sainhongkor-Lamchabang Road, Tambol Nhongkham, Amphur Sriracha, Chon Buri Province 20230, Thailand
Upeca Aerotech Sdn Bhd	Senior Aerospace Upeca	Selangor, Malaysia	Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia
Upeca Flowtech Sdn Bhd	Senior Flexonics Upeca	Selangor, Malaysia	Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia
Upeca Engineering (Tianjin) Co Ltd	Senior Flexonics Upeca (China)	Tianjin, China	China	No. 12 Quanhe Road, Wu Qing Development Area, Tianjin 301700, PR China
Flexonics Limited Lymington Precision Engineering (LPE) Limited Senior Aerospace Limited Senior Americas One Limited Senior Americas Two Limited Senior Automotive Limited Atlas Composites Limited Senior Engineering Investments Limited Senior Five Limited Senior Finance Four Limited Senior Finance Six Limited Senior Finance Seven Limited Senior Flexonics Limited Senior Trustee Limited			England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK

Operating Companies	Business Units	Locations	Country of Incorporation	Registered Office
Senior France SAS			France	Zi la Gaudree, Rue des Soufflets, F-91410 Dourdan, France
Senior Investments (Deutschland) GmbH Senior Operations GmbH			Germany	Frankfurter Strasse 199, 34121 Kassel, Germany
Senior Holdings LLC			USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Senior Aerospace GmbH Senior Investments GmbH Senior IP GmbH			Switzerland	Fronwagplatz 10, CH-8200, Schaffhausen, Switzerland
Flexonics, Inc. Senior Investments LLC Senior US Holdings Inc			USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Upeca Engineering Sdn Bhd			Malaysia	8.03, 8th Floor, Plaza First Nationwide, 161, Jalan Tun H.S. Lee, 50000 Kuala Lumpur, Malaysia
Upeca Technologies Sdn Bhd			Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia
Upeca Valve Automation Sdn Bhd			Malaysia	8.03, 8th Floor, Plaza First Nationwide, 161, Jalan Tun H.S. Lee, 50000 Kuala Lumpur, Malaysia

Thermal Engineering Holding Limited and Thermal Engineering Limited were wound up on 12 February 2019; the business continues to trade as a business unit of Senior UK Limited.

Senior Aerospace and Flexonics Business Units in Mexico are operated by a third party under contract manufacturing agreements.

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China.

Senior Flexonics Blois SAS was sold on 15 February 2019.

All Group undertakings are wholly and directly owned by subsidiary undertakings of Senior plc, and in every case the principal country of operation is the country of incorporation.

ADDITIONAL SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2018

	Shareholders Number	Shareholders %	Issued shares Millions	Issued shares %
By category				
Corporate bodies	739	28.94	410.39	97.85
Other shareholders	1,815	71.06	9.03	2.15
	2,554	**100.00**	**419.42**	**100.00**
By range of holdings				
1 – 24,999	2,161	84.61	7.72	1.84
25,000 – 49,999	85	3.33	3.01	0.72
50,000 – 249,999	129	5.05	15.25	3.64
250,000 – 499,999	58	2.27	20.12	4.80
500,000 – 999,999	37	1.45	26.50	6.32
1,000,000 – and over	84	3.29	346.82	82.69
	2,554	**100.00**	**419.42**	**100.00**

The number of shares in issue at 31 December 2018 was 419,418,082.

Share Registrars

All shareholder records are maintained by Equiniti and all correspondence should be addressed to the Registrar, Senior plc at the Equiniti address shown on the inside back cover, quoting the reference number starting with 0228 detailed on your dividend vouchers. The registrar should be notified regarding changes to name or address, loss of share certificate, or request for, or change to, a dividend mandate.

Equiniti provides a range of shareholder information on-line. Shareholders can check their holdings, update details and obtain practical help on transferring shares at: www.shareview.co.uk.

Instead of payment by post to your registered address, dividends can be paid through the BACS system direct into a UK bank or building society account, with the dividend voucher still sent to your registered address. If you wish to use this facility and have not previously applied, then please apply direct to Equiniti and request a dividend mandate form. Shareholders who are currently receiving duplicate sets of Company mailings, as a result of any inconsistency in name or address details, should write direct to Equiniti so holdings can be combined, if appropriate.

CREST Proxy Voting

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 26 April 2019 and any adjournment(s) thereof by using the procedures described in the CREST manual. Further details relating to voting via CREST may be found on the 2019 AGM Notice of Meeting and Form of Proxy.

2019 FINANCIAL CALENDAR

THE KEY EVENTS FOR SENIOR ARE SET OUT BELOW

Some of the dates are indicative only and may be subject to change.

Monday 4 March
Announcement of the 2018 Final Results.

Publication of the Annual Report & Accounts 2018 at www.seniorplc.com

Friday 15 March
Publication of the Annual Report 2018.

Friday 26 April
Annual General Meeting.

Thursday 2 May
Shares ex-dividend for the 2018 final dividend.

Friday 3 May
Record Date for shareholders on register to receive 2018 final dividend.

Friday 31 May
Payment of the 2018 final dividend.

Monday 5 August
Announcement of the 2019 Interim Results.

Thursday 31 October
Shares ex-dividend for the 2019 interim dividend.

Friday 1 November
Record Date for shareholders on register to receive 2019 interim dividend.

Friday 29 November
Payment of the 2019 interim dividend.

OFFICERS AND ADVISERS

SECRETARY AND REGISTERED OFFICE

Andrew Bodenham
Senior plc
59/61 High Street, Rickmansworth, Hertfordshire WD3 1RH

Registered in England and Wales No. 00282772

REGISTRARS

Equiniti
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

AUDITOR

KPMG LLP
15 Canada Square, London E14 5GL

SHAREGIFT

If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations. The ShareGift Transfer Form may be obtained from Equiniti, the Company's Registrars, at www.shareview.co.uk. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information about ShareGift may be obtained on 020 7930 3737 or from www.ShareGift.org.

SOLICITORS

Slaughter and May
One Bunhill Row, London EC1Y 8YY

PRINCIPAL UK CLEARING BANKERS

Lloyds Bank plc
25 Gresham Street, London EC2V 7HN

FINANCIAL ADVISERS

Lazards & Co., Limited
50 Stratton Street, London W1J 8LL

STOCKBROKERS

Jefferies International Limited
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Designed by **CONRAN DESIGN GROUP**
Printed by Park Communications

SENIOR PLC
59/61 High Street
Rickmansworth
Hertfordshire WD3 1RH
United Kingdom
www.seniorplc.com
T +44 (0) 1923 775547
F +44 (0) 1923 775583