

Senior plc
Annual Report & Accounts 2013



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CORPORATE RESPONSIBILITY

The Group has five core priorities to its corporate responsibility programme. These are the areas which management can best influence and generate value for the Group by creating business development opportunities, reducing operating costs and improving productivity.

1. **Developing People** – attracting and retaining the best employees
2. **Community Engagement** – investing in the communities where the Group operates
3. **Operating with Integrity** – always conducting Senior's business responsibly and ethically
4. **Environment** – reducing the Group's energy usage and environmental impact
5. **Health and Safety** – maintaining a safe and healthy workplace

 Within this Annual Report whenever this icon is seen, content refers to Corporate Responsibility.

OVERVIEW

FINANCIAL HIGHLIGHTS

£775.1m

Revenue⁽²⁾ +6%
(2012 – £729.8m)

13.9%

Adjusted operating margin⁽¹⁾ – unchanged
(2012 – 13.9%)

£98.1m

Adjusted profit before tax⁽¹⁾ +8%
(2012 – £91.1m)

£83.8m

Profit before tax⁽²⁾ -3%
(2012 – £86.7m)

19.00p

Adjusted earnings per share⁽¹⁾ +7%
(2012 – 17.75p)

17.22p

Basic earnings per share +1%
(2012 – 17.11p)

5.12p

Dividends per share +10%
(2012 – 4.65p)

26.7%

Return on capital employed -0.2ppts
(2012 – 26.9%)

£63.8m

Free cash flow⁽³⁾ +11%
(2012 – £57.6m)

£59.2m

Net debt⁽³⁾ £11.7m decrease
(2012 – £70.9m)

⁽¹⁾ Before loss on disposal of fixed assets of £nil (2012 – £0.1m), acquisition costs of £0.4m (2012 – £0.6m), amortisation of intangible assets arising on acquisitions of £4.2m (2012 – £4.3m), restructuring costs of £1.9m (2012 – £nil), goodwill impairment charge of £12.7m (2012 – £nil), reversal of contingent consideration payable of £3.8m (2012 – £nil), pension curtailment gain of £1.1m (2012 – £1.9m charge) and profit on disposal of discontinued operation of £nil (2012 – £2.5m).

⁽²⁾ The comparative amounts for 2012 include the results from discontinued operations (Senior Hargreaves) up to date of disposal.

⁽³⁾ See Notes 34(b) and 34(c) for derivation of free cash flow and of net debt, respectively. The Group's principal exchange rates for the US dollar and the Euro, applied in the translation of revenue, profit and cash flow items at average rates were \$1.57 (2012 – \$1.59) and €1.18 (2012 – €1.23), respectively. The US dollar and Euro rates applied to the balance sheet at 31 December 2013 were \$1.66 (2012 – \$1.63) and €1.20 (2012 – €1.23), respectively.



To find out more visit www.seniorplc.com

Cautionary Statement

The Annual Report & Accounts 2013 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.

CHAIRMAN'S STATEMENT



“
ANOTHER YEAR
OF PROGRESS.
SENIOR DELIVERED
A STRONG OPERATING
PERFORMANCE
DURING 2013.

2013 PERFORMANCE

Senior delivered another strong operating performance during 2013, with adjusted profit before tax increasing by 8% to £98.1m, largely as a result of organic revenue growth in large commercial aerospace and the inclusion of GAMFG Precision (“GA”), a precision-machining business acquired towards the end of 2012. Group cash generation also remained strong, with free cash flow of £63.8m being 11% ahead of the prior year. Accordingly, the Board is proposing a final dividend of 3.60 pence per share. This would bring total dividends, paid and proposed, for 2013 to 5.12 pence per share, an increase of 10% over 2012 and slightly ahead of the increase in adjusted earnings per share, reflecting the Group’s encouraging prospects and healthy dividend cover.

These best ever results, achieved against an often challenging economic backdrop, reflect Senior’s strong niche market positions, its focus on tough-to-make, highly engineered products and the continued emphasis on serving its customers by delivering excellent operational performance where on-time delivery, quality and value are all key measures. In this regard, one of the privileges of being the Chairman of Senior is being able to undertake visits to the individual operating companies, meeting the Group’s enthusiastic and dedicated employees and witnessing, first-hand, the ever improving standard of the factories and the embedded culture of continuous improvement across the Group.

ACQUISITIONS

As well as growing organically, Senior also seeks to increase shareholder value through the acquisition of capabilities adjacent to its existing portfolio and two UK-based businesses were acquired during 2013. Atlas Composites (“Atlas”), a developer of structural composite solutions for the Formula 1 and aerospace markets, was acquired for £2.4m in February and Thermal Engineering (“Thermal”) joined the Group at the end of November for £28.3m. Thermal specialises in manufacturing hot- and

cold-formed components, complex fabricated assemblies and thermal insulation heat shields and systems for the aerospace market. Both businesses have made encouraging starts with Senior and I would like to extend a warm welcome to their employees.

SUSTAINABILITY

Employees, customers, suppliers and investors want to work with businesses that operate safely, ethically, fairly and in a way that minimises environmental impact. Accordingly, Senior places its values and corporate responsibility programmes at the heart of how it runs its businesses and it is, therefore, pleasing to report continued success at reducing employee injury rates, water usage and carbon emissions during 2013.

CHANGES TO THE BOARD

2013 saw a number of changes to the Board. In September, Derek Harding was appointed as Group Finance Director, succeeding Simon Nicholls who had left at the end of April after five years with the Group to take up a similar position at Cobham plc. Derek, a Chartered Accountant, joined Senior from Wolseley plc, where he had worked for 11 years in a broad range of head office and operating company financial roles and he brings extensive experience and a fresh perspective to the Group.

As part of Board succession planning, two of the Group’s non-executive Directors, David Best and Ian Much, who would have served for seven and eight years respectively by the end of 2013, indicated early in the year their desire to step down from the Board around the end of 2013. In order to ensure a smooth handover, two new non-executive Directors, Celia Baxter and Giles Kerr, were recruited and joined the Board at the beginning of September. Giles, who will take over as Chair of the Audit Committee in April 2014 when David Best steps down from the Board, is currently the Director of Finance at Oxford University and was previously Group Finance Director of Amersham plc. Celia, the Director of Group

HR of Bunzl plc, became the Chair of the Remuneration Committee when Ian Much left the Group in December 2013.

Senior has made significant progress in recent years and I would like to extend the Board’s thanks to Ian, David and Simon for their strong contribution during this time.

EMPLOYEES

Senior’s strong results are a reflection of the quality of people across the Group and, on behalf of the Board, I would like to thank all the Group’s employees for their significant contribution to Senior’s success over the past year.

OUTLOOK

The Group continues to operate in its five strategic market sectors: three in Aerospace (Fluid Conveyance Systems, Gas Turbine Engines and Structures) and two in Flexionics (Land Vehicle Emission Control and Industrial Process Control), with each strategic market sector offering healthy and deliverable growth opportunities. The Group’s strategy has proven to be successful over recent years and, whilst evolving as the Group gets larger and market conditions change, it continues to provide a solid foundation for the Group’s future growth aspirations.

The year has started satisfactorily and, with the large commercial aerospace market remaining strong and some early signs of an economic recovery taking place, progress is expected to be made across the Group’s operations during 2014. However, volatile foreign exchange movements add more uncertainty to the reported Group outcome for the year. Looking further ahead, a healthy number of new aerospace programmes going into production, together with further economic recovery and expected market share gains in both the Aerospace and Flexionics Divisions, mean the outlook for Senior remains encouraging.

CHARLES BERRY

Chairman

GROUP AT A GLANCE

Senior is an international, market-leading, engineering solutions provider with 31 operations in 13 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 energy markets. The Group is split into two divisions, Aerospace and Flexonics, servicing five key sectors.



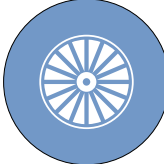











PERFORMANCE

















65% of Group revenue	+6% ⁽¹⁾ Revenue £506.6m	+5% ⁽¹⁾ Adjusted operating profit £76.5m	15.1% Adjusted operating margin	4,082 Employees worldwide
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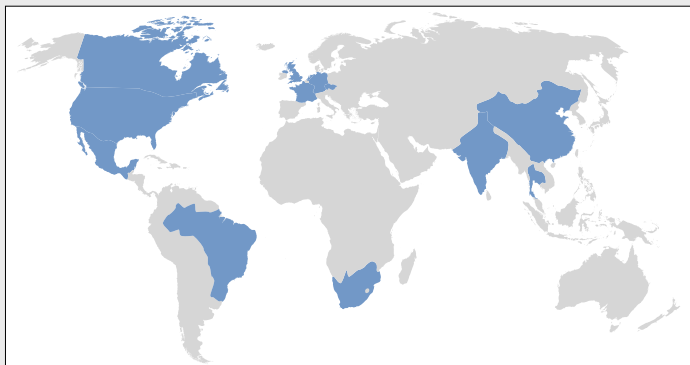
WHAT WE DO

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

 <p>STRUCTURES</p> <ul style="list-style-type: none"> Precision-machined airframe and system components and assemblies 	 <p>FLUID CONVEYANCE SYSTEMS</p> <ul style="list-style-type: none"> High-pressure and low-pressure engineered ducting systems (metal and composite) Engineered control bellows, sensors and assemblies 	 <p>GAS TURBINE ENGINES</p> <ul style="list-style-type: none"> Precision-machined and fabricated engine components (rotating and structural) Fluid systems ducting and control products
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AEROSPACE FLUID SYSTEMS	
	Bird Bellows, UK
	Bosman, Netherlands
	BWT (incl Atlas Composites), UK
	Calorstat, France
	Composites, USA
	Ermeto, France
	Metal Bellows, USA
	SSP, USA
	Thermal Engineering, UK

AEROSPACE STRUCTURES		
		Absolute Manufacturing, USA
		AMT, USA
		Capo Industries, USA
		Connecticut, USA
		Damar, USA
		Jet Products, USA
		Ketema, USA
		Mexico
		Weston, UK
		Thailand



The Group's primary performance objective is to create long-term sustainable growth in shareholder value. It aims to achieve this objective through the development of a portfolio of collaborative high value-added engineering manufacturing companies within its five market sector framework that are capable of producing sustainable real growth in operating profit and cash flow, and that consistently exceed the Group's cost of capital.

FLEXONICS

PERFORMANCE

35%
of Group revenue

+11%⁽¹⁾
Revenue £269.3m

+10%⁽¹⁾
Adjusted operating profit £40.4m

15.0%
Adjusted operating margin

2,532
Employees worldwide

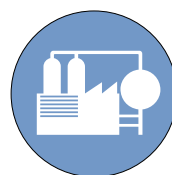
WHAT WE DO

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



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

FLEXONICS

 	Bartlett, USA
	Blois, France
	Canada
	Cape Town, South Africa
	Joint venture, China
	Crumlin, UK
 	GA, USA
 	Germany
 	New Delhi, India
	Olomouc, Czech Republic
	Pathway, USA
 	São Paulo, Brazil



 **READ THE GROUP CHIEF EXECUTIVE'S SUMMARY OF THE YEAR ON PAGE 18**



 **READ THE FINANCIAL REVIEW ON PAGE 24**

⁽¹⁾ At constant exchange rates.

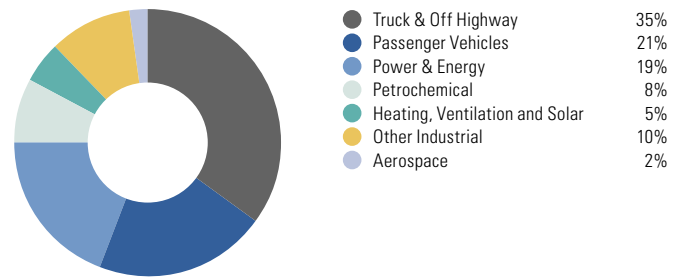
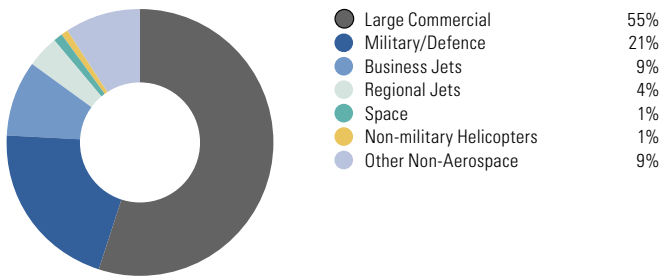
MARKET OVERVIEW

The Group services diverse markets with a wide range of products for blue-chip customers. Diversity is a key strategic advantage for Senior.

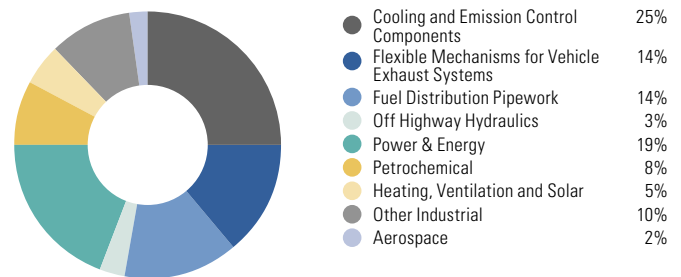
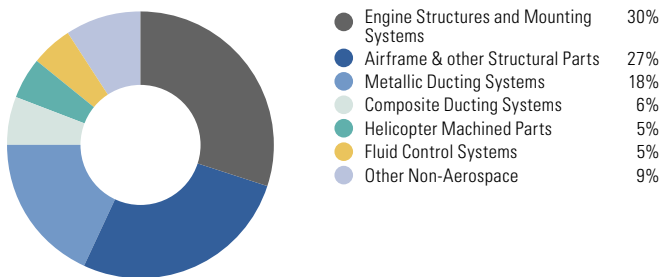
AEROSPACE 65%

FLEXONICS 35%

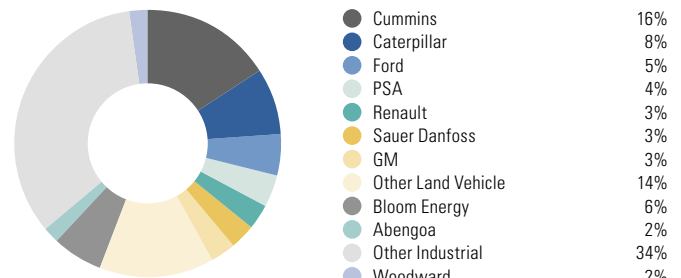
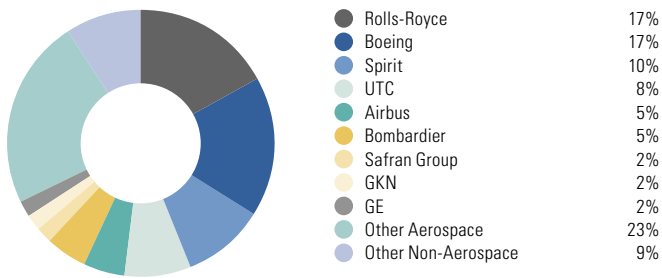
MARKETS



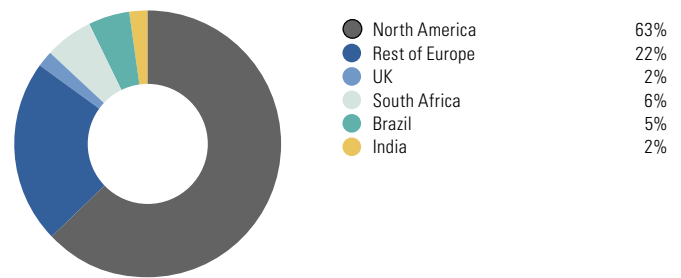
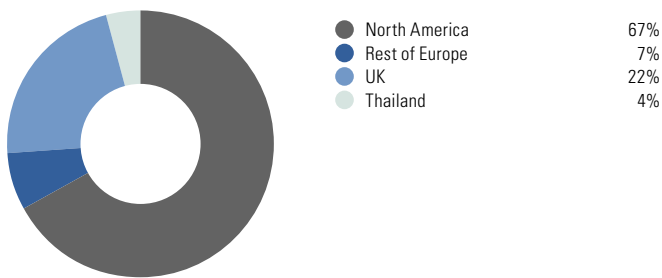
PRODUCTS



CUSTOMERS



GEOGRAPHY – SALES BY ORIGIN



KEY GROWTH DRIVERS

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

The Group has identified six key drivers that will support growth over the coming years.

GLOBAL GDP

Growth in global GDP will have a direct impact on a number of the Group's market demand drivers. The most notable of these are global passenger air kilometres flown, which will drive higher demand for new commercial aircraft. In addition, increased consumer demand will result in increased sales of trucks and passenger vehicles as well as higher energy usage. Medium-term forecast trends in these areas are positive, supporting increases in Group revenue.

MARKET SHARE GAINS

Provision of market-leading engineering solutions and high-technology components in its chosen markets are key Group objectives. The Group places significant emphasis on operational excellence, driven by Lean techniques, as an essential component of delivering performance that is consistently ahead of its peers. In combination, achievement of these objectives is a key driver of market share gains, evidenced by increasing shipset content on a number of major commercial aircraft platforms achieved in recent years that will continue to support future growth.

CONTENT ON NEW PROGRAMMES

Securing programme wins, in particular content on new aircraft or land vehicle programmes with significant growth prospects, is a key focus for Senior that drives sustainable long-term growth in revenue and profit. The Group has developed strong relationships with its key customers in order to be positioned to bid for new opportunities as they emerge.

Examples in this area include the Boeing 787, B737 MAX, the Airbus A350, A320neo and both Bombardier's and Gulfstream's next families of business jets. The new engine versions of the leading narrow-bodied aircraft, the B737 (MAX) and A320neo are due to come into service in 2015 and 2017 respectively. Senior has significantly higher content on these platforms than the current aircraft. Senior is developing new heat exchanger and other exhaust gas recycling solutions within its land vehicle businesses for the next generation of heavy-duty diesel engines, and is also pursuing potential growth opportunities for both heavy-duty diesel engine components and industrial products in a number of emerging markets.

ENVIRONMENTAL LEGISLATION

Demand for the majority of the Group's products is linked either directly or indirectly to the increasingly stringent global requirements for reduced carbon emissions. This arises either through environmental regulation, principally evident today in the form of reduction targets for emissions from industrial process plants and from land vehicles, or through the drive for cost savings via increased fuel efficiency in engines that power aircraft, trucks and passenger vehicles. These regulatory factors and cost-reduction motives are expected to increase in the coming years, which in turn should support increased demand for the Group's existing products and its product development portfolio, such as fuel cell and heat exchanger technologies.

LARGE COMMERCIAL AIRCRAFT BUILD RATES

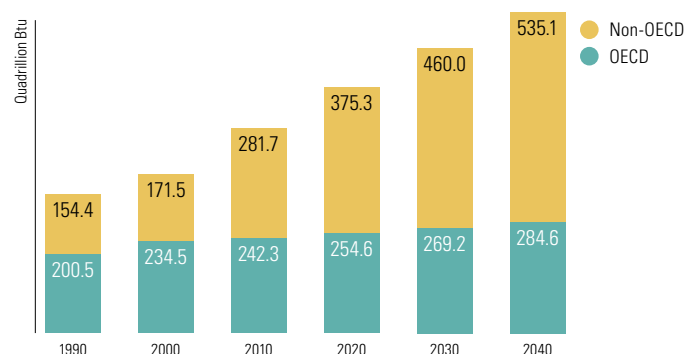
The Group has healthy shipset content on all key large commercial aircraft platforms, and the Boeing and Airbus order books have continued to grow in 2013, now standing at record levels and representing over eight years' production at current build rates. The Group's most significant existing platforms include Boeing's B737, B777, and the Airbus A320 and A330. The expected higher build rates of these aircraft will shortly be complemented by the B787, where the Group has its largest shipset content ever, the Airbus A350 and Bombardier's CSeries aircraft as production of these platforms increases in the coming years.

ACQUISITIONS

In line with its stated strategy, the Group continued to utilise available balance sheet capacity to enhance its overall portfolio via the acquisitions of Atlas Composites and Thermal Engineering in February and November 2013 respectively. These acquisitions bring new capabilities such as structural composite and manufacturing hot- and cold-formed components, complex fabricated assemblies and thermal insulation heat shields and systems. Further details are given on page 8. With net debt at low levels, and the Group expecting to be highly cash generative, acquisitions are expected to remain a key growth driver in the future.

WORLD ENERGY OUTLOOK

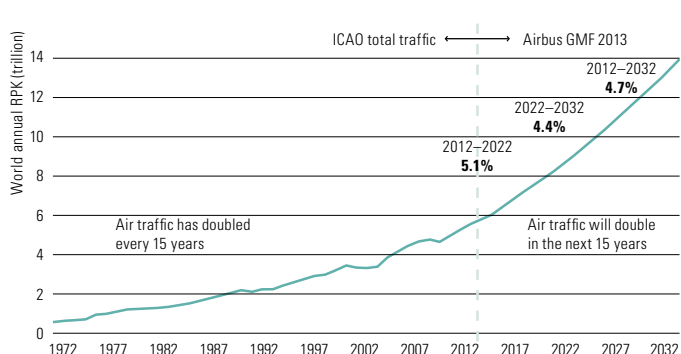
Projected increases in global energy usage will drive higher revenue for Senior through increased sales of large industrial expansion joints and other emission-related products (amounts are in quadrillion Btu).



Source: EIA

WORLD ANNUAL TRAFFIC – REVENUE PASSENGER KM

Forecast annual growth in global passenger air traffic is the key driver of demand for new commercial aircraft, and hence for many of Senior's core aerospace products.



Source: ICAO Airbus

OUR BUSINESS MODEL – HOW WE CREATE VALUE

Senior's primary strategic objective is to create long-term sustainable growth in shareholder value. This is achieved through a culture of empowerment of autonomous, but collaborative, operations working within a well-defined control framework.

The major elements of value creation for the Group can be classified into four primary drivers as follows:



Developing our portfolio of autonomous, but collaborative, business units.

The Senior portfolio provides:

- 31 operations in 13 countries covering 5 market sectors
- A culture of collaborative autonomy
- Complementary capabilities
- The opportunity to share best practices
- Leverage of customer relationships
- An integrated global footprint
- Financial strength supporting investment and innovation for customer benefit

 **CONTINUE READING ABOUT OUR PORTFOLIO ON PAGE 8**



Working with our customers to provide innovative market-leading solutions.

Effective customer alignment means:

- Putting the customer first
- Exceeding expectations
- Increasing market share
- Being on the right programmes and platforms
- Continuing to expand capabilities
- Creating sustainable long-term growth
- Optimising value for all stakeholders

 **CONTINUE READING ABOUT OUR CUSTOMER ALIGNMENT ON PAGE 9**



OPERATIONAL EXCELLENCE



Being passionate about operational excellence, driving continuous improvement.

Effective operational excellence results in:

- Quality products delivered on time
- The provision of cost-competitive solutions
- Efficient levels of working capital
- A safe working environment
- A reduction in environmental impact
- Good governance and risk management
- Satisfied customers placing more work with Senior

 **CONTINUE READING ABOUT OPERATIONAL EXCELLENCE ON PAGE 10**



PEOPLE



Recruiting and developing our people, to deliver sustainable growth.

Our people make the difference. They operate in a culture of:

- Empowerment of local management
- “Tell it as it is” philosophy
- Integrity and high ethical standards
- Maintaining a safe and healthy workplace
- Ongoing personal development throughout the business
- Investing in local communities
- Developing strong customer relationships

 **CONTINUE READING ABOUT OUR PEOPLE ON PAGE 11**

PORTFOLIO



Developing a portfolio of autonomous but collaborative business units, within a well-defined control framework, whilst promoting best practice sharing and developing complementary capabilities is the foundation of Senior's business model.

EXPANDING CAPABILITIES

The Group's strong level of free cash flow generation allows it to target a select number of complementary strategic acquisitions in growth markets to expand its capabilities, accelerate growth and enhance its asset portfolio.

PORTFOLIO ENHANCEMENT

Portfolio enhancement through focused acquisitions and disposal of non-core assets, with decisions in both cases being subject to strict financial criteria, the operations' long-term outlook and the Group's anticipated funding position.

The Group has a good track record of acquiring and successfully integrating new businesses, and also of rationalising and enhancing the overall asset portfolio through disposals, utilising a framework that has been developed as part of the strategic planning process. The key enabler of this programme is the significant balance sheet capacity that has been generated in recent years through strong free cash flow generation.

DEVELOPING AN INTEGRATED GLOBAL FOOTPRINT

Senior continues to develop an integrated global commercial and operational footprint to enable it to supply key programmes to its OEM customers cost-effectively and to meet growing domestic demand in emerging markets.

NEW FACILITIES

In 2014, the Group is investing in expanding a number of existing facilities within its portfolio. For example at SSP an additional 59,000 sq ft building is under construction to support growth, principally for the A320neo. In Thailand we are expanding capacity threefold adding processing capability at a total cost of £6m over the next three years.



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CONTRIBUTING TO COMMUNITIES

The Group's operations are encouraged to involve themselves in their local communities and to support local charities. These relationships are normally managed at a local level, where the employees typically select non-profit-making organisations and charitable interests active within their community. These are often long-standing relationships and involve employees volunteering their time, making financial donations and raising funds to help those in need of support within their local communities.

THERMAL ENGINEERING CASE STUDY

In November 2013, Senior acquired Thermal Engineering Ltd ("Thermal"). Thermal is a leading aerospace components manufacturer, supplying aero engine and airframe OEMs and their Tier 1 suppliers globally.

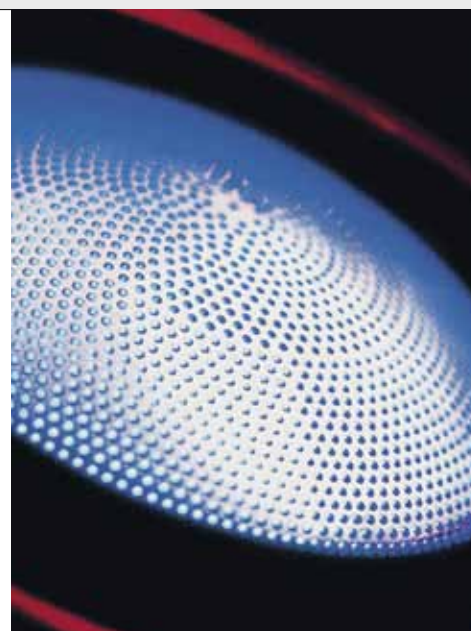
Using high-technology processes, the business specialises in:

- hot- and cold-formed components in high temperature aerospace alloys;
- complex fabricated assemblies; and
- thermal insulation heat shields and systems

Thermal has 20 years of experience of the quality standards in the aerospace industry with certification to AS9100 rev C and is accredited by NADCAP for its special processes.

ATLAS CASE STUDY

In February 2013, Senior acquired Atlas Composites ("Atlas") a small UK-based developer and manufacturer of composite structural products. Atlas brings complementary capabilities into the Group and is managed through one of the Group's existing UK operations, Senior Aerospace BWT.



CUSTOMER ALIGNMENT



Working with customers to provide market-leading solutions in the Group's chosen principal markets is the primary objective of customer alignment.

OPTIMISING VALUE AND EXCEEDING EXPECTATIONS

The Group seeks to deliver competitive products utilising its engineering expertise to optimise customer value and exceed their expectations whilst continuing to meet its performance objectives.

This is achieved through advanced process engineering and excellent operational execution, leading to market differentiation and continued growth in organic revenue, operating margins and cash flow delivery.

TARGETED INVESTMENT

Targeted investment in new product development, technologies and geographic regions, for markets having higher than average growth potential, to further enhance organic growth opportunities.

Many of the Group's products are developed to help customers to achieve their objectives for improved operating costs, particularly fuel efficiency in aircraft platforms and land vehicle engine applications, and to meet increasingly stringent global emission regulations. The Group's level of investment in these growth areas and on expanding its geographic footprint, which now includes Thailand and China, continues to increase.

“
THROUGH ALIGNING WITH OUR CUSTOMERS WE ARE ABLE TO INCREASE OUR SHIPSET VALUE ON MAJOR PLATFORMS, FOR EXAMPLE ON LARGE COMMERCIAL AIRCRAFT.



EDUCATING TOMORROW'S WORKFORCE

Education and skills, particularly Science, Technology, Engineering and Mathematics ("STEM") are key to the future success of both Senior and its customers. Several Senior businesses focus their community activities on educational outreach programmes supporting local schools, technical colleges and universities. For instance, Senior Aerospace BWT works on STEM initiatives with several local schools. Two BWT employees are National STEM Ambassadors whose work includes supporting STEM Clubs in local schools, mentoring and supporting students with Career Academies, and helping students gain invaluable work experience through paid work placements.

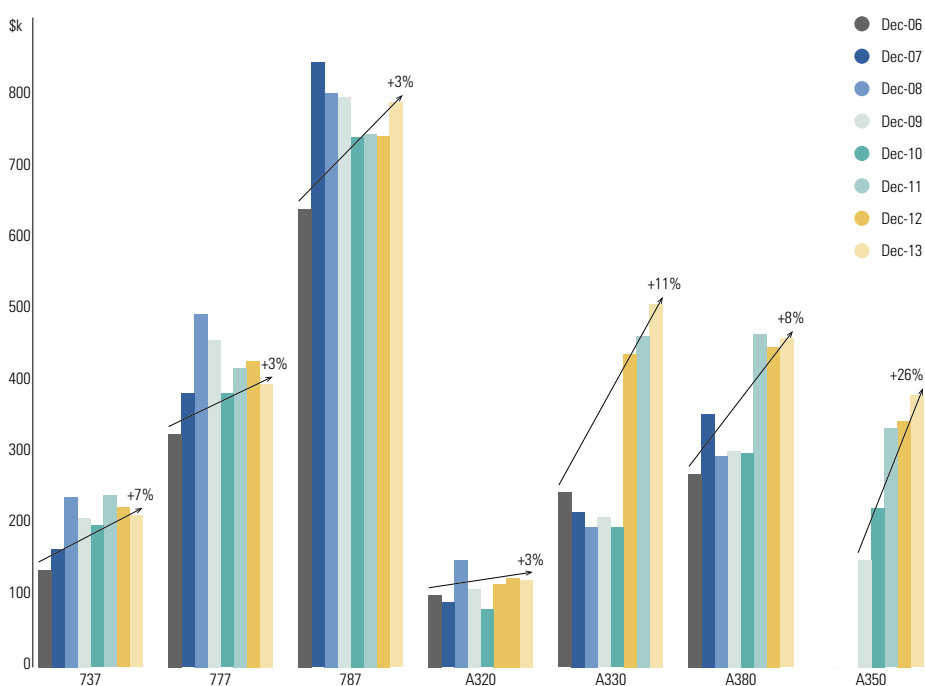
OPERATING ETHICALLY

Senior is committed to conducting its business with integrity, honesty and fairness and operating with the highest degree of ethical standards in everything it does. The cornerstone of management's commitment to ethics is the Senior Code of Business Conduct that provides a clear framework for decision-making, highlighting the values and behaviours it expects its employees to demonstrate at all times.

The Codes applies Group-wide including its agents and joint ventures and defines standards in areas such as: anti-bribery, corruption and fraud, managing conflicts of interest and engaging in fair competition.

SHIPSET VALUE⁽¹⁾ PROGRESSION – LARGE COMMERCIAL AIRCRAFT

% CAGR



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

OPERATIONAL EXCELLENCE



Senior's long-standing emphasis on operational excellence is based on the principles of Lean, striving at all times for continuous improvement and the elimination of non-value-added activities and processes.

CONTINUOUS IMPROVEMENT

The Group has achieved great progress in this area in recent years, driving value creation through the implementation of its operational excellence initiatives based around Lean principles and sustained superior performance in the eyes of its customers. This is the principal reason that, at 13.9% in 2013, the Group's adjusted operating margin is at record levels, having more than doubled since 2006.

Each operation is challenged to deliver operational improvements as part of the annual planning cycle, using Kaizen events and other Lean practices to reduce costs, improve product flow and velocity and optimise use of resources. Planned introduction of Kanban systems in Mexico will strengthen our position with a key customer there.

Engineering teams at multiple locations are identifying technical improvements in CNC machine programs and cutter technologies to speed throughput benefiting capacity load and lead times. Value stream mapping activities are frequently undertaken to reduce set-up time, manufacturing lead times and inventory levels. A good example of this is at SSP, where the team is in the process of transforming the production process to a one-piece flow from the current batch and queue process for an estimated 80% of the items produced.

GOOD GOVERNANCE

Governance procedures are designed to allow each operation to embrace and manage key operational excellence effectively, and to comply with all legal and regulatory requirements, without imposing an unnecessary administrative burden. They also aim to ensure that employees act at all times safely, with integrity and in an ethical manner.

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LOOKING AFTER THE ENVIRONMENT

Reducing the Group's environmental impact helps to reduce cost and to improve efficiencies and makes us more agile.

The Group's main impacts on the environment are: energy consumption (and associated CO₂ emissions), waste generation and recycling, and water consumption.

The Group's objective is to improve energy efficiency by 10% between 2011 and 2015 and it remains on track to fulfil this goal. All of the Group's operations develop energy conservation projects, tailored to their main energy consumption, and regularly monitor performance through energy usage. Senior's Lean programme also continues to help to reduce energy demand by improving the efficiency of how the Group manufactures and streamlines the process to eliminate waste.

WASTE

In 2013, the total amount of waste generated by the Group was 12,124 tonnes, a 3% decrease on the 2012 levels (12,476 tonnes). Over three-quarters of Senior's waste material is recycled and the Group continues to "design-out" the waste or find alternative ways to reuse the material.

SENIOR'S EGR COOLERS REDUCE NO_x EMISSIONS BY 80%

Many of the Group's products play a vital role in improving the environment, such as the Exhaust Gas Recirculation ("EGR") coolers that are designed and manufactured at Senior Flexonics Bartlett. EGR coolers are installed on diesel engines and significantly reduce pollutants by cooling and recirculating a proportion of the exhaust gas back into the engine.

This results in lower NO_x levels, a cause of air pollution and a significant contributor to global warming. With the use of natural gas set to rise, as a result of the shale gas discoveries, Senior Flexonics Bartlett is now working with customers to develop EGR coolers for natural gas engines and help ensure the "dash for gas" does not come at the expense of air pollution and increased greenhouse gas emissions.

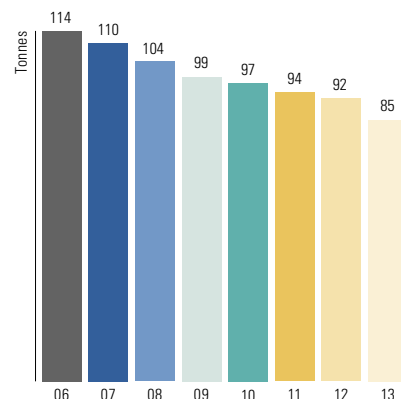
WATER

Further improvements have been made in water conservation, resulting in a 5% reduction in water consumption. When normalised to sales, the Group's water usage reduced to 0.36 megalitres per £m sales (2012 – 0.39).

ISO 14001

Across the Group, 90% of its manufacturing locations are certified to the ISO 14001 environmental management standard and the remainder, all of which are businesses acquired in the last three years, are in the process of obtaining certification.

CO₂ TO TURNOVER
(TONNES OF CO₂ EMITTED PER £M REVENUE)



PEOPLE

Developing the capabilities and competencies of Senior's employees to meet tomorrow's customer requirements is critical to the future success of the Group.



EMPOWERED LOCAL MANAGEMENT

The Group benefits from having empowered, entrepreneurial, local management. In recent years, the Group has increased its investment in management development and training significantly, seeking to enhance underlying performance and in particular strengthen business development and operational management whilst also maintaining the strength of Senior's culture.

EXPANDING CAPABILITIES

The Group's employees are one of its most valuable assets, with the financial and operational progress made during 2013, and earlier years, largely due to their hard work and dedication. In recognition, Senior has sought to improve employee development at all levels of the organisation, from increasing the frequency and range of shop-floor health and safety "tool-box talks" to expanding the Group Development Programme for its future leaders and investing in specialist strategic leadership courses for its most senior executives. Employee development, together with a renewed emphasis on the recruitment and succession planning processes, will remain an important focus for the Group in the future.

CASE STUDY – APPRENTICESHIP

Like many Senior businesses, Senior Aerospace Weston has a track record of training apprentices spanning back over 50 years. In 2013 Weston apprentice Daniel Harland received the Regional Apprentice of the Year Award. Daniel is not alone and Weston currently has 25 apprentices completing advanced apprenticeship programmes to gain recognised qualifications. Weston also sponsors and supports apprentices in completing degree courses. The programme plays a key part in the succession planning process, with the majority of Weston's engineering and manufacturing management teams being former apprentices.



DEVELOPING OUR PEOPLE

The quality of Senior's people is a core competency of the Group and how it recruits, trains and motivates its staff is pivotal. Each of Senior's businesses operates a training and development plan and the skills of employees are typically reviewed through a performance review and development process.

For the last five years, Senior has operated a Leadership Development Programme aimed at developing mid- to senior-level managers so that they acquire the broader skills essential to operate at higher management levels. The training provides an intensive learning and development forum for current high-potential senior managers.

EQUALITY AND DIVERSITY

As a global business, Senior employed some 6,655 people at the end of 2013 (6,171 – 2012) in 13 countries; its management grades alone comprise over fifteen nationalities. Diversity is therefore an integral part of how Senior operates. To achieve this, the Group promotes a policy of equal opportunity in employment and believes that employment-related decisions should always be based on relevant aptitudes, skills and abilities. The Group promotes this policy, without unlawful consideration of sex, race, nationality, age, disability, religion or any other category protected by law.

zero harm

PROTECTING OUR PEOPLE

Safety standards strengthen our business by producing higher performing teams, lowering costs and creating more resilient operations.

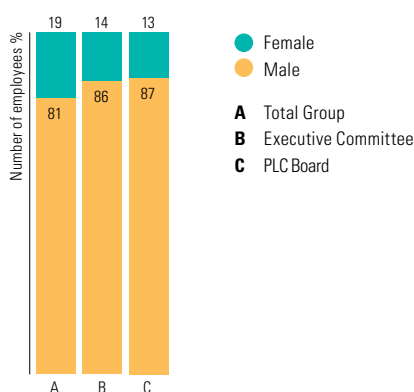
The Board's commitment to safety starts with the Group Chief Executive who chairs the HSE Committee, setting the Group's objectives for safety.

All operations are required to prepare an improvement plan for HSE to further progress their safety and environmental performance.

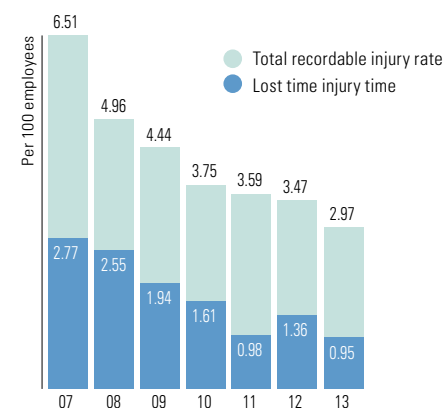
The Group's safety performance improved in 2013. The overall number of injuries declined 14% to 2.97 per 100 workers, (2012 – 3.47), primarily as a result of reduced lacerations and muscular strain injuries. Similarly, the number of lost time declined by 31% to 0.95 per 100 workers (2012 – 1.36).

The Group operates a zero-harm policy. To improve the consistency of our approach and resilience of the safety controls, in 2013 we finalised the introduction of a series of global standards for the common HSE hazards. Audits have been conducted against these standards and improvements are ongoing. These standards have complemented the process of organisational learning, including sharing the lessons of incidents and best practice and use of the Group online training forum.

DIVERSITY








INJURY RATE 2007–2013 (INJURIES PER 100 EMPLOYEES)



STRATEGIC OBJECTIVES

The application of the Group's four key elements of value creation has resulted in the development of the following strategic objectives in each of the Group's five key market sectors. The Group's progress against these objectives is also included in the table below:

STRATEGIC OBJECTIVES	PROGRESS
 STRUCTURES	
<ul style="list-style-type: none"> • Extend customer value proposition via increased collaboration • Continue to focus on operational excellence to drive customer satisfaction and increase market share • Develop capabilities and build a business of increased scale in Thailand • Expand process capabilities to enhance added value for customers • Invest in new technologies necessary for substantial growth 	<ul style="list-style-type: none"> • New programme wins with Boeing and Spirit have resulted from leveraging existing relationships within the Group • On-time delivery improvements have been achieved through continuous focus and improvement programmes • New facility being built in Thailand for expansion of Structures operation in SE Asia including a specialist treatment capability • Developing additional treatment capabilities where it makes sense, for example, currently evaluating magnesium hard coatings • New Weston UK facility is driving operational excellence using new technologies such as Viper grinding • A 3D printing working party has been established to monitor developments in this area
 FLUID CONVEYANCE SYSTEMS	
<ul style="list-style-type: none"> • Continue to develop products for new platforms • Further develop strategic customer relationships • Successful execution of new development programmes • Expand engineered product portfolio • Acquire new or adjacent technologies 	<ul style="list-style-type: none"> • Development contracts for ducting components secured for the engines that will power the A320neo and B737 MAX, due to enter service in 2015 and 2017, respectively • Additional contracts won for ECU related ducts on the new Embraer E2-Jet • Continued investment in engineering and programme management to ensure new programmes enter production profitably • Acquisitions of Atlas in February 2013 and Thermal in November 2013 bring additional capabilities to Senior • Work has commenced on expanding the facilities at SSP in order to satisfy increased customer demand
 GAS TURBINE ENGINES	
<ul style="list-style-type: none"> • Target higher value-added engineered or flight critical parts (e.g. rotating) • Develop cross-business customer relationships • Further develop low-cost country footprint • Secure additional content on engines for next generation narrow-body and wide-body commercial aircraft • Expand process capabilities via new technology investment 	<ul style="list-style-type: none"> • First rotating parts in production as part of outsourcing contract from Rolls-Royce. GE 737 MAX centre frame is in development at Ketema • Further investment in Thailand results in additional opportunities being developed with existing and new customers. The business has recently won content on Rolls-Royce's XWB and Trent 1000 engines • Engine rings and engine control bellows contracts secured in 2013
 LAND VEHICLE EMISSION CONTROL	
<ul style="list-style-type: none"> • Develop product portfolio as emission regulation thresholds increase globally • Build programmes with new truck and off-highway customers • Invest further in emerging market footprint, in growth markets • Investment in passenger car niches to support development of global platform capabilities 	<ul style="list-style-type: none"> • Development of a new design heavy-duty cooler has resulted in orders for natural gas applications as well as mid-range and smaller engine applications • China JV assisted with a win for orders of flexes which will be satisfied by our operations in Cape Town and Brazil • The production of common rails has commenced within China and is expected to increase during H2 of 2014 • New programme wins mean the Group's French land vehicle operation is expected to see improving financial performance in the future
 INDUSTRIAL PROCESS CONTROL	
<ul style="list-style-type: none"> • Expand global presence as emerging markets add local refining and processing facilities • Secure growth from tightening emission standards in developed markets • Seek proprietary adjacent products • Participate in new technology developments and applications (e.g. combined heat and power fuel cells, concentrated solar power, micro turbines) • Secure new major process projects as their capital funding becomes available 	<ul style="list-style-type: none"> • Collaboration between Group operations in USA, Canada and Brazil is resulting in improved competitiveness and broadening of product offerings • Increase in new work awarded as a result of tightening emission regulations leads to additional damper and fabric expansion joint contracts • Increased sales of fuel cell components in USA in 2013, although new lower cost Senior design is expected to be introduced in 2014 • Anticipate large expansion joint contract for US Catofin project

RISKS AND UNCERTAINTIES

INTEGRATED RISK MANAGEMENT AND GROUP RISK PHILOSOPHY

The Board is ultimately responsible for managing risk, and for the implementation of effective risk management procedures and internal control systems. Across the Group, these are designed to align with the UK Corporate Governance Code's guidance on Risk Management and Internal Control. The Audit Committee is responsible for reviewing the effectiveness of the Group's internal control systems that were in operation during the year, and the fulfilment of this responsibility is described in the Audit Committee report on pages 36 to 39.

An integrated risk management framework continues to evolve within the Group, aimed at improving the efficiency and effectiveness of the Group's risk management procedures. This initiative is sponsored by the Board, aligned with industry best practice and is designed to take account of the Group's internal culture. As a result of this initiative, examples of process areas previously identified for increased focus were strategic planning and objective setting, and the Group's approach to internal audit, business continuity, IT policies, internal controls over financial reporting and risk reporting. Good progress has been made with the implementation of these process improvements, which are becoming embedded in the Group's operations.

Senior's risk philosophy, embodied in a Risk Philosophy Statement which has been rolled out across the Group, is based around an acknowledgement that profits are in part the reward for risk taking, and therefore risk should be embraced and managed effectively within each business unit. The Group aims to take a relatively conservative approach to risk management, targeting a developmental approach that is evolutionary rather than revolutionary. Pursuit of opportunities is encouraged, within an effective risk management framework, as an essential component of a high-performance culture. It is acknowledged that strong risk management procedures are likely to enhance senior leadership decision-making capabilities, strengthen accountability and enhance stewardship of the Group's assets. In turn this can be expected to result in management teams being able to embrace increased levels of risk and pursue more opportunities, which should also allow the Group to increase its rate of performance delivery without exceeding its risk appetite.

The Group aims to embed its risk management procedures within its existing business processes and corporate governance structure, rather than impose an inefficient administrative burden on its operations. At a minimum, the Group aims to ensure that any individually significant event that:

- i) has or may result in the potential to compromise its ability to achieve its objectives; or
- ii) could lead to a material breach of policies and procedures; or
- iii) could impact the delivery of earnings materially at a local operational level

is identified, reported on and dealt with through the Group's risk management procedures.

RISK ASSESSMENT AND RISK REPORTING PROCEDURES

The Group has a well-established annual process for identifying, evaluating and managing its significant risks. This process starts in April each year with a risk review and assessment conducted at each of the Group's operations, facilitated by local senior management. A Principal Risk list is generated from each review, with individual risks assigned to the categories of Strategic, Operational, Compliance or Financial Reporting in nature. Local management is required to record details of controls that are in place to mitigate each risk, make an assessment of the residual likelihood and impact of each risk having a material impact on the operation's ability to achieve its objectives, and to record any improvement measures that are targeted to strengthen the operation's internal control environment around each risk. The results of these reviews are consolidated at divisional level with an accompanying divisional overlay, and divisional Principal Risk lists are then submitted for review and discussion by the Executive Committee.

Following review by the Executive Committee, a risk questionnaire is compiled and circulated to each Board member, who is required to make an individual assessment of the potential significance of each risk. Completed questionnaires are subsequently reviewed and discussed at the Group's June Board meeting each year, following which a Group Principal Risk list is compiled and presented for review and discussion by the Board at the July Board meeting. The final step in the process is an update of all Principal Risk lists, which is performed late in each calendar year by each operation as part of the annual budget-setting process and ultimately presented to the Board at its January meeting. In between formal updates, the Board monitors progress in the management of individual risks via regular executive and divisional reporting procedures and review and discussion of these reports at Board meetings.

PRINCIPAL GROUP RISKS

Overall, the Group's risk profile was largely unchanged in 2013 when compared to 2012. The principal potential risks and uncertainties which could have a material impact on the Group's future performance and ability to deliver on its stated strategic objectives, together with actions that are being taken to mitigate each risk, are set out on pages 14 and 15.

RISKS AND UNCERTAINTIES CONTINUED

KEY

▲ INCREASED RISK ▼ DECREASED RISK ▶ CONSTANT RISK

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK
▲ PRICE-DOWN PRESSURES	
Customer pricing pressure is expected to increase, driven by the expectations of airlines and Governments of purchasing more competitively priced aircraft in the future. This can be expected to put pressure on the Group's future operating margins.	<ul style="list-style-type: none"> • 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 is able to pass work to some of its lower cost facilities such as Thailand and Mexico, with a view to help satisfy customer challenges.
▲ IMPORTANCE OF EMERGING MARKETS	
Customers' desire to move manufacture of components to lower cost countries could render the Group's operations uncompetitive and have an adverse impact on profitability. In addition, certain customers require global programme support as they respond to increasing domestic demand in a number of these emerging markets.	<ul style="list-style-type: none"> • The Group's strategy of developing a portfolio of high value-added engineering manufacturing companies has meant that over time it has generally evolved away from products where the direct threat of lower cost country manufacture is significant. • The Group successfully employs a strategy of retaining commercial and engineering expertise close to customers' locations, principally in North America and Europe. This enables effective support to be readily given to its customers, whilst increasing manufacturing at above-average growth rates in lower cost country locations where it makes sense to do so and with customer agreement. • The Group has an increasing presence in emerging markets via its facilities in Mexico, Thailand, Czech Republic, South Africa, Brazil, India and China. Each of these operations, individually and in combination, has a healthy number of viable opportunities for further expansion either to supply domestic markets or to support customers' increasingly global needs.
▶ ACQUISITIONS	
Failure to execute an effective acquisition programme would have a significant impact on the Group's ability to generate long-term value for shareholders.	<ul style="list-style-type: none"> • Consistently strong free cash flow generation gives the Group capacity to continue to execute a targeted acquisition programme. • The Group has a well-established acquisition framework that includes proven valuation, due diligence and integration processes. • Post-acquisition reviews are performed on all acquisitions, comprising a full retrospective review of each deal process, integration effectiveness, operational performance compared to expectation and sharing of lessons learned with the Board and across the senior management team.
▶ STRATEGY	
An appropriately formulated, communicated and effectively executed strategy is essential to avoid the risk of inappropriate allocation of resources and failure to deliver on long-term performance goals.	<ul style="list-style-type: none"> • Focus is placed on the strategic planning process, to ensure that the Group formulates the most appropriate strategy to capitalise, over time, on the significant breadth of potential growth opportunities in its chosen market sectors. • The process includes regular strategy sessions at operational, Executive Committee and Board level. • A Capital Markets day, held in October, included a presentation on certain aspects of the Group's strategy to enhance further the external communication process. This presentation is available on the Company's website.
▶ PROGRAMME PARTICIPATION	
Long-term growth in demand, including participation in future development programmes in the Group's major markets, is an essential foundation for future growth. Failure to secure profitable new programme wins could have a severe impact on Group performance.	<ul style="list-style-type: none"> • The Group has developed a portfolio of businesses that are exposed to markets which exhibit fundamental long-term growth characteristics. • Customer value is driven through constructive and co-operative relationships with key customers in each market, providing innovative customer solutions and quality products delivered on time and in line with specifications. • The Group ensures that its operations are sufficiently well capitalised to be able to bid competitively on new programme opportunities, and maintains close control over operating costs to ensure that operations remain competitive on existing programmes. • The Group utilises an internal contract approval process, comprising both financial and non-financial analyses, to ensure that bids are submitted and won at acceptable margin levels.

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK
▶ NEW AIRCRAFT PLATFORM DELAYS	
<p>Significant shipset content has been secured on a number of new aircraft platforms currently under development or in initial phases of production. These include Bombardier's CSeries regional jet, the Airbus A350, A320neo and Boeing 737 MAX. Delays in the launch or ramp up in production of these platforms could have a material adverse impact on the Group's rate of organic growth.</p>	<ul style="list-style-type: none"> • 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 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.
▶ EMPLOYEE RETENTION	
<p>An inability to attract, develop and retain high-quality individuals in key management positions could severely affect the long-term success of the Group.</p>	<ul style="list-style-type: none"> • Capable, empowered and highly engaged individuals are a key asset of the business. The strong reputation of the Group helps attract experienced senior executives from within the industry. • The Group sponsors the development and training of key managers, at all levels, through an increasingly comprehensive in-house management development programme. • Senior management turnover ratios remain low, a further indication of success in this important area.
▶ CORPORATE GOVERNANCE BREACH	
<p>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.</p>	<ul style="list-style-type: none"> • The Group has well-established governance policies and procedures in all key areas, including a Group Code of Business Conduct, a Health and Safety Charter, anti-bribery procedures and various policies and procedures over the review and reporting of risk management and internal control activities. • The Group Finance Director, the Group Company Secretary and the Head of Internal Audit collectively retain principal responsibility for maintaining and reporting on governance changes that may have an impact on the Group. • Periodic governance updates are provided to the Board and Executive Committee at appropriate intervals, and to key operational management. Recent examples of developments in this area include formulation of a Business Continuity Framework, IT Policy Guidelines, and anti-bribery training.
▼ FINANCING AND LIQUIDITY	
<p>The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due.</p>	<ul style="list-style-type: none"> • 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 and does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. • The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing 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. For further details see Note 21.
▼ GLOBAL CYCLICAL DOWNTURN	
<p>The potential adverse impact on the Group of significant demand declines in key markets arising from the consequences of either future sovereign debt issues, ongoing government austerity measures, and/or political instability in the Middle East or elsewhere remains significant.</p>	<ul style="list-style-type: none"> • The Group is well positioned in its key aerospace, industrial, and emission-related sectors of land vehicle markets, where increasingly stringent legislation should ensure that long-term demand for the Group's products remains healthy. • The Group's financing position improved again in 2013 as cash conversion remained strong with no major borrowing facilities expiring before October 2014. • Through diversity of its end-market exposures and a robust financing position, the Group remains well placed to be able to withstand potential negative consequences that may arise from a further global cyclical downturn.

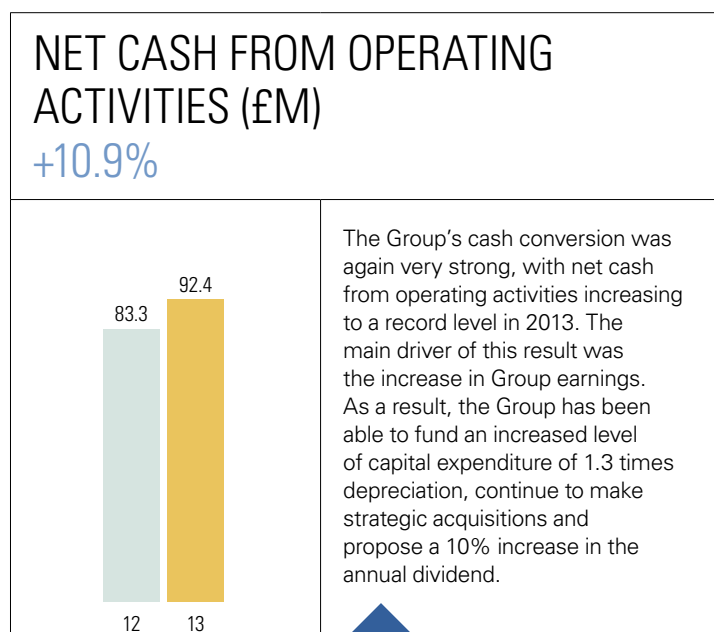
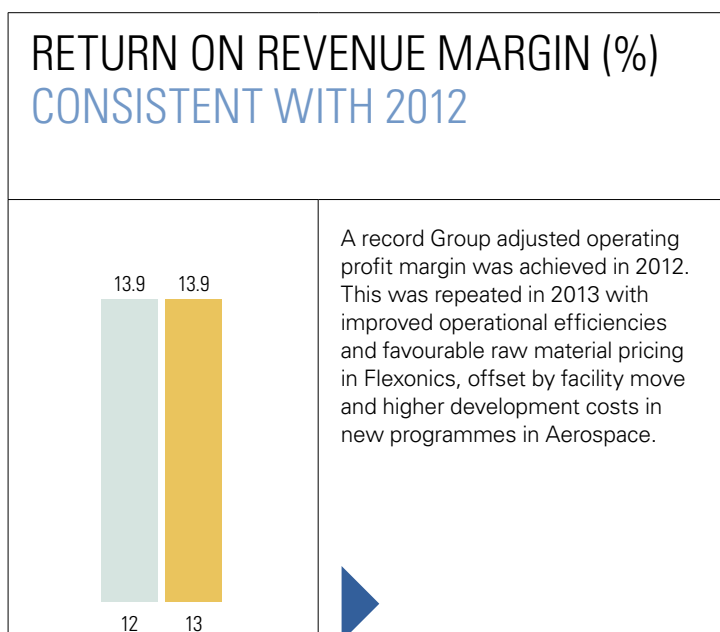
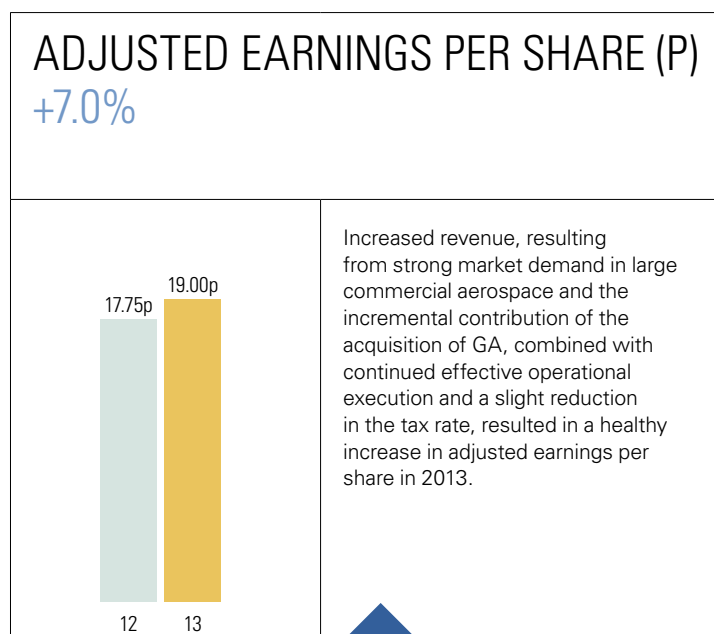
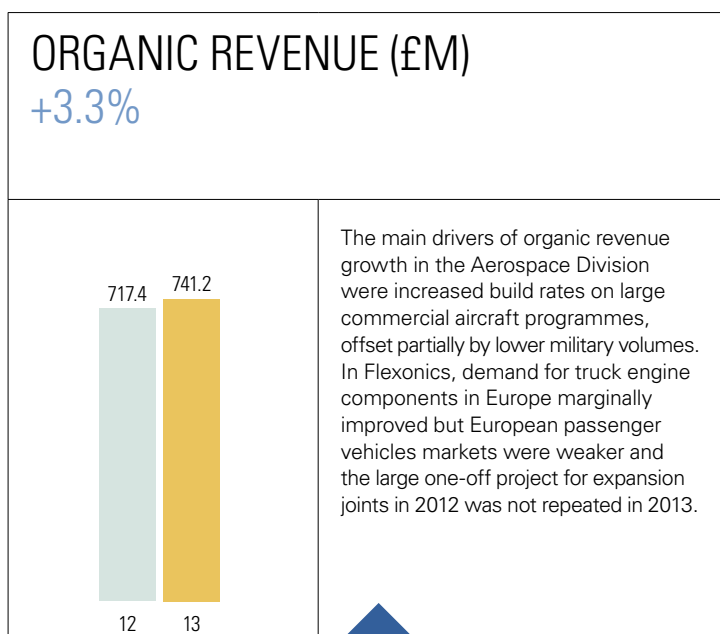
KEY PERFORMANCE INDICATORS

The Group uses 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 sales growth (at constant exchange rates) in excess of the rate of inflation;
 - to increase adjusted earnings per share on an annual basis by more than the rate of inflation;
 - to increase the Group's return on revenue margin each year;
 - 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 Group's rate of energy intensity by 10% in the five-year period to 2015; and
 - to reduce the number of recordable injuries which incur lost time by 20% in the five-year period to 2015.

Senior continued to deliver strong operating performance in 2013 and met four out of five of the Group's financial targets. During 2013 improvements were made in the Group's energy and water intensity performance and lost time injury rates were also significantly reduced. The Group remains on track to meet its 2015 safety, energy and water usage improvement goals. Further details of the Group's performance record in this regard, including its long-term performance trends, are shown on pages 10 and 11.

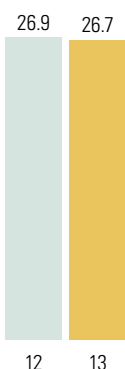
A summary of the year-on-year movements in these key performance indicators ("KPIs") and the main drivers of the changes are described below.



CR

RETURN ON CAPITAL EMPLOYED (%)

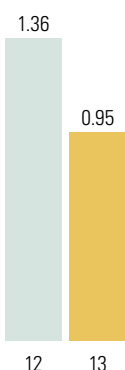
-0.2PPTS



The Group's return on capital employed reduced slightly in 2013. The impact of increased earnings was offset by increased capital expenditure and additional working capital requirements due to growth in large commercial aerospace and anticipated growth in North American trucks in Flexonics.

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

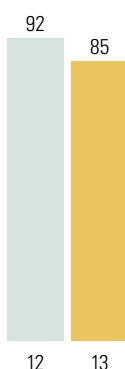
30.1% IMPROVEMENT



The number of lost time injuries reduced significantly in 2013. This represents good progress, reversing the disappointing results of 2012. The Group continues to take a proactive approach to the health and safety of all employees, and has reduced the number of lost time injury incidents by 63% since 2007.

CARBON DIOXIDE EMISSIONS (TONNES/£M REVENUE)

7.6% IMPROVEMENT



Through more efficient use of resources and improved asset utilisation, the Group continues to make good progress on its published five-year target of improving energy efficiency by 10% between 2011 and 2015. This is the eighth consecutive year that Senior has reduced its environmental impact.

ENVIRONMENT, SAFETY, ETHICS AND COMPLIANCE

OUR PERFORMANCE

Environment	2012	2013	Objectives and targets
Energy efficiency (MWh/£m turnover)	203	204	≤ 207MWh/£m turnover by 2014
Scope 1 GHG (tCO ₂ e)	10,582	9,466	Incorporated within energy efficiency target
Scope 2 GHG (tCO ₂ e)	49,707	51,151	As per Scope 1
Scope 3 GHG (tCO ₂ e)	7,214	5,631	As per Scope 1
Tonnes CO ₂ emitted per £m of revenue	92.49	85.47	
Water usage (in megalitres)	289	276	
Water usage per £m of revenue	0.39	0.36	
Waste generated (in tonnes)	12,476	12,124	
Percentage of waste recycled or recovered	78%	78%	To increase the percentage of waste recycled or recovered to 80% by 2015

Safety

Total Recordable Injury Rate measures the number of injuries per 100 employees	3.47	2.97	Reduce the 2010 Total Recordable Injury Rate by 20% by 2015 to ≤ 3.00
Lost Time Injury Rate tracks the number of injuries per 100 employees with one day or more away from work	1.36	0.95	Reduce the 2010 Lost Time Injury Rate by 20% by 2015 to ≤ 1.28

Business ethics and compliance

Revise and reissue Business Code of Conduct	Completed
Investigate 100% of all complaints received regarding whistle-blowing	Achieved

METHODOLOGY:

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 conversation factors contained within the GRI Guidelines and the Defra / DECC's 2013 Conversion Factors for Company Reporting. 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 emissions; however, Scope 3 emissions which represent less than 10% of the total, are calculated on a pro-rata basis which are believed to be an accurate representation of use.

GROUP CHIEF EXECUTIVE'S SUMMARY OF THE YEAR 2013 PERFORMANCE



MARK ROLLINS
Group Chief Executive



SIGNIFICANT PROGRESS IN DELIVERING THE GROUP'S STRATEGY IN 2013 PROVIDES ANOTHER STRONG SET OF RESULTS. THE GROUP'S REPUTATION AND THE OPPORTUNITIES IT IS DEVELOPING, MEAN FUTURE PROSPECTS REMAIN ENCOURAGING.

2013 FINANCIAL RESULTS SUMMARY

	2013	2012	Change
Revenue	£775.1m	£729.8m	+6%
Adjusted Operating Profit	£107.6m	£101.4m	+6%
Adjusted Operating Margin	13.9%	13.9%	-ppts
Adjusted Profit before Tax	£98.1m	£91.1m	+8%
Adjusted Earnings per Share	19.00p	17.75p	+7%
Total Dividend per share	5.12p	4.65p	+10%
Free Cash Flow	£63.8m	£57.6m	+11%
Net Debt	£59.2m	£70.9m	£12m decrease

2013 was another year of solid progress for Senior.

Total Group revenue increased by 6.2% to £775.1m (2012 – £729.8m). Revenue from continuing operations (excluding the sale of Senior Hargreaves in October 2012, which contributed £17.8m of revenue in 2012), increased by £63.1m (8.9%), including an incremental £33.9m from three acquisitions: Thermal acquired in November 2013 (£1.0m); Atlas acquired in February 2013 (£3.0m); and the full-year effect of the acquisition of GA in November 2012 (£29.9m).

If the effect of acquisitions and a year-on-year favourable exchange impact of £5.4m are excluded, underlying revenue from organic operations increased by 3.3% on a constant currency basis. In 2013, 66% of sales from continuing operations originated from North America, 15% from the UK, 12% from the Rest of Europe and 7% from the Rest of the World.

Adjusted operating profit increased by £6.2m (6.1%) to £107.6m (2012 – £101.4m), due to a combination of the increase in organic operations' revenue, further operational improvements and year-on-year acquisition contributions of £2.3m. Overall exchange rate movements had no impact on 2013 adjusted operating profit compared to 2012. Adjusted profit before tax increased by £7.0m (7.7%) to £98.1m (2012 – £91.1m).

Excluding acquisitions, underlying adjusted operating profit from organic continuing operations increased by 4.7% on a constant currency basis. The Group achieved an adjusted operating margin of 13.9% in 2013 (2012 – 13.9%).

Total Group reported operating profit from continuing operations was broadly similar to the prior year at £93.3m (2012 – £93.7m).

The underlying tax rate in 2013 was 19.7% (2012 – 20.4%) and adjusted earnings per share increased by 7% to 19.00 pence (2012 – 17.75 pence). Basic earnings per share rose by 1.0% to 17.22 pence (2012 – 17.11 pence).

The Group continues to be highly cash-generative and delivered free cash flow of £63.8m (2012 – £57.6m) after increased net investment in capital expenditure of £28.8m (2012 – £26.0m). As a result, the level of net debt at the end of 2013 of £59.2m was comfortably below the £70.9m at the start of the year, even after spending £30.5m on acquisitions and investing a further £0.5m in the Group's joint venture in China during 2013. This year-end net debt level leaves the Group well placed to fund future organic and acquisitive growth.

The Board is recommending a final dividend of 3.60 pence per share (2012 – 3.27 pence). If approved, this will bring the total dividends, paid and proposed, in respect of 2013 to 5.12 pence per share, an increase of 10% over 2012, slightly ahead of the increase in adjusted earnings per share.

DELIVERY OF GROUP STRATEGY

Significant progress was made in delivering the strategy during 2013 with: the Group's portfolio enhanced through two acquisitions; a healthy level of business being won on new programmes and market share gains being secured on existing platforms; the Group's culture of operational excellence providing high levels of customer satisfaction and safer, more efficient factories; and the Group's employees

working enthusiastically and innovatively to deliver a strong performance in 2013 and to enhance the growth prospects for the Group.

The acquisitions of Atlas and Thermal in 2013 have added the complementary capabilities of structural composites and hot-forming and aerospace insulation to the Group. When combined with the global reach, customer relationships and financial strength of the existing Senior operations, these additional capabilities are expected to provide healthy long-term growth opportunities for the Aerospace Division. Indeed, Atlas is already working together with Senior Aerospace BWT to provide cabin air-supply ducting systems for the future Bombardier CSeries, Mitsubishi Regional Jet and Embraer E2-Jet aircraft.

Operating in successful end markets and being aligned with the right customers is an important determinate to Senior's future growth prospects. The Group's most important market is large commercial aircraft, now representing 36% of Group sales, where Boeing and Airbus collectively delivered 1,274 aircraft in 2013, 7% more than the prior year, and booked 2,858 net orders. Their combined order book of 10,639 aircraft represents a very healthy eight years' production at current build rates, meaning good growth can be expected in the future. The Group's customers increasingly operate on a global basis and it is important that Senior is able to support them across the world. Accordingly, during 2013 further investment was made in the Group's Chinese Joint Venture, with heavy-duty engine common-rail production commencing at the year end, and a new factory set up in Mexico to serve the North American land-vehicle market for flexible exhaust connectors. In Aerospace, having world-class production capabilities in Asia will be very important in the future as the region represents the fastest growing air-passenger market in the world. In its Thailand facility, Senior has a good foundation to build upon to meet this customer demand,

with 2014 planned to see the construction of significant additional capacity, including the installation of a specialist treatments facility, at a total cost of some £6m over the next three years.

In industries where customers have choices with whom they do business, Senior's on-time delivery and quality record and its cost competitiveness are key to the Group gaining market share and winning work on new programmes. Accordingly, great focus is placed at each operation on using "Lean" principles, such as Kaizen events, to deliver operational improvements to reduce costs, improve product flow, optimise use of resources and improve safety. Investment in modern equipment and fit-for-purpose facilities, such as the new factory built for the structures business at Senior Aerospace Weston in 2013, are also ongoing requirements in an environment where technology and customer expectations are always advancing. Senior's financial strength allows the Group to remain at the forefront in this regard with increases in the shipset value on the B787 and A350 during 2013, and the fact that the Group now has 30% more content on the B737 MAX and 56% more on the A320neo than the current B737 and A320 aircraft respectively, providing tangible evidence of Senior's success in delivering its strategy.

Recruiting and developing good leaders is arguably the most critical aspect to the Group's future success. Senior's culture is one of empowered entrepreneurial leadership operating within a fixed control framework where communication of good and bad news is encouraged, and equally accepted, and success is recognised and fairly rewarded. Over the past five years, the Group Development Programme, which is personally important to me, has been successfully expanded and increasingly focused on leadership development. During 2014, the Programme is to be further enhanced with the introduction of a senior executive programme for potential future leaders and "Driving Innovation" workshops for all of the Group's operating company CEOs, both in conjunction with Ashridge Business School.

Whilst the historic performance of Senior over recent years, and the strong platform the Group has built for the future, clearly demonstrates healthy progress in implementing the Group's strategy, the Board is cognisant of the need for strategy to evolve as markets and technologies change and the Group gets larger and more complex. As a consequence, the Board and Executive team increased their focus on strategy during 2013 and can be expected to do so throughout 2014.

CORPORATE RESPONSIBILITY

Corporate responsibility is a key part of how we do business at Senior and I am pleased to report excellent progress on a number of fronts this year.

We have enhanced our training and development programme and improved collaboration and sharing of good practices across the Divisions. During the year, we also improved the communication of our anti-bribery and corruption measures and strengthened compliance through our internal audit processes. The Group has further reduced its carbon emissions and our core environmental metrics also demonstrated healthy improvement, as we invest to reduce energy and water consumption. Sustainability drives demand for many of our services and operating in an ethical and responsible manner is integral to our customer relationships. Improvements have also been made to our health and safety programme through the roll-out of technical standards for the core health and safety risks. These have helped to identify potential hazards and contributed towards improving our two key safety metrics, see table on page 17.

OUTLOOK

The year has started satisfactorily and, with the large commercial aerospace market remaining strong and some early signs of an economic recovery taking place, progress is expected to be made across the Group's operations during 2014. The second half of the year is expected to benefit in particular from civil aircraft build rates continuing their upward trend, the A350 aircraft being delivered to customers and an anticipated large expansion joint contract commencing delivery. However, whilst solid progress is expected to be made locally in 2014, volatile foreign exchange movements add more uncertainty as to the reported Group outcome for the year.

Looking further ahead, the entry into service of the A350 in late 2014, and its subsequent production ramp-up, together with Boeing's and Airbus' plans to increase the build rates of their B787, B737 and A320 aircraft, mean the outlook for the large commercial aerospace sector is both strong and visible. This is Senior's most important market, representing 36% of Group revenue in 2013. However, price pressure remains ongoing across the commercial aerospace industry and is being managed in line with expectations. As well as increases in build-rates, Senior expects to benefit from the greater content it has on the new-engine versions of the high volume narrow-bodied aircraft, the A320neo and B737 MAX, which are scheduled to enter service in 2015 and 2017, respectively. Having a world-

class aerospace facility in Asia is also expected to lead to increases in market share as the recent contract awards to the Group's Thailand operation, from Rolls-Royce for the A350 XWB engine and from Spirit AeroSystems on the B787, clearly demonstrate. This facility is now being significantly expanded.

Whilst a much smaller part of the Group, prospects also remain encouraging in the regional and business jet sector, with Bombardier's C Series aircraft, on which the Group has healthy content, commencing its test programme during 2013 and Senior winning the low-pressure ducting package for the Embraer E2-Jet. Less encouraging, is the outlook for military and defence, representing 14% of Group sales in 2013, with increases in the build rates of new programmes, such as the A400M military transporter and the P-8 naval reconnaissance aircraft, not expected to entirely offset the impact of reduced defence spending by the USA and European Governments.

In Flexonics, the longer-term outlook for Senior's land vehicle operations is showing some early signs of improvement, with volumes of passenger vehicles in Europe anticipated to gradually improve from the six-year low seen in 2013, production of heavy-duty engine common-rails now commencing in China, and the Group's global footprint leading to more customer enquiries for flexible exhaust connectors. Progress also continues to be made in winning additional heavy-duty exhaust gas recycling cooler programmes, although this has been slower than hoped for and the much improved life of the current product is resulting in lower revenue from spare-parts. Whilst the future level of the Group's industrial activity is less visible, given its often one-off project nature, the Group's industrial end-markets such as power generation, oil and gas, chemical processing, medical and semi-conductor are likely to grow broadly in line with global economic activity. In addition, environmental legislation continues to tighten across the globe which can be expected to provide greater demand for the Group's products.

As well as the organic growth opportunities mentioned above, Senior's cash-generative nature, strengthening market and financial position provide a solid platform from which the Group can continue to pursue acquisitive growth opportunities on a targeted basis.

Consequently, whilst Senior will undoubtedly face a number of challenges as it pursues its growth agenda, the Group's reputation and opportunities it is developing, mean the prospects for the future remain encouraging.

MARK ROLLINS

Group Chief Executive

AEROSPACE DIVISION

MARKET OVERVIEW

Senior continues to enjoy strong demand from the large commercial aircraft sector, where order books are at record levels. The regional and business jet markets are satisfactory but, as anticipated, the military and defence sector remains challenging.

CAPABILITIES

- Design and manufacture of systems for delivery of air, hydraulic fluids and fuel to critical airborne system functions in composite and metallic materials.
- Design and manufacture of maintenance-free solutions for harsh operating environments.
- Precision-machined complex products and assemblies for airframe structures and systems.
- Provision of engine core, ancillary systems and related structural products to major gas turbine engine manufacturers.
- Manufacturing hot- and cold-formed components, complex fabricated assemblies and thermal insulation heat shields and systems.



BUSINESS REVIEW

The Aerospace Division represents 65% (2012 – 66%) of Group revenue and consists of 19 operations. These are located in North America (11), the United Kingdom (4), continental Europe (3) and Thailand.

On 8 February 2013, the Group acquired Atlas Composites Limited (“Atlas”), a small UK-based developer and manufacturer of composite structural products, for £2.4m. Atlas brings complementary capabilities into the Group and is managed through one of the Group’s existing UK operations, Senior Aerospace BWT.

On 28 November 2013, the Group acquired Thermal Engineering Holding Limited (“Thermal”), an aerospace components manufacturer, for consideration of £28.3m (including the repayment of £6.5m of debt). Thermal specialises in manufacturing hot- and cold-formed components, complex fabricated assemblies and thermal insulation heat shields and systems.

In November 2013, the decision was taken to merge Capo Industries into our Ketema operation. This decision has resulted in one-off costs of £1.9m charged in 2013; savings of over £1.2m p.a. are anticipated from 2015. In Thailand, the Group is expanding capacity

threefold and adding processing capability at a total cost of £6m over the next three years.

The Aerospace Division’s main products are engine structures and mounting systems (30% of 2013 divisional sales), airframe and other structural parts (27%), metallic ducting systems (18%), composite ducting systems (6%), fluid control systems (5%) and helicopter machined parts (5%). The remaining 9% of divisional sales were to non-aerospace, but related technology markets, including the energy, semi-conductor and medical markets.

The Division’s largest customers include Rolls-Royce representing 17% of 2013 divisional sales, Boeing (17%), Spirit AeroSystems (10%), United Technologies (8%), Airbus (5%), Bombardier (5%), Safran (2%), GKN (2%) and GE (2%).

The Aerospace Division’s operating results on a constant currency basis are summarised below:

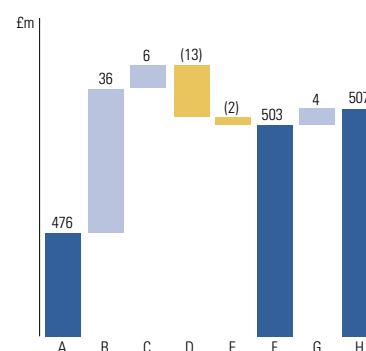
	2013 £m	2012 ⁽¹⁾ £m	Change
Revenue	506.6	476.2	+6.4%
Adjusted operating profit	76.5	72.8	+5.1%
Operating margin	15.1%	15.3%	-0.2ppts

⁽¹⁾ 2012 results translated using 2013 average exchange rates.

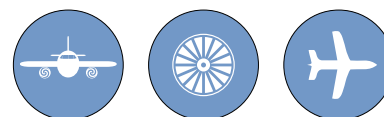
Divisional revenue increased by £30.4m (6.4%) to £506.6m (2012 – £476.2m)⁽¹⁾ and adjusted operating profit increased by £3.7m to £76.5m (2012 – £72.8m)⁽¹⁾. Excluding the impact of acquisitions, organic revenue for the Division increased by £26.4m (5.5%) and the increase in adjusted operating profit was the same at £3.7m.

The operating margin declined slightly to 15.1% (2012 – 15.3%). This was mainly attributable to:

AEROSPACE REVENUE



- A** 2012
- B** Large Commercial
- C** Regional & Business Jets
- D** Military
- E** Other
- F** 2013 Organic
- G** Acquisitions
- H** 2013 Total



LARGE COMMERCIAL AIRCRAFT

- Revenue growth of 15% underpinned by increasing build rates of Airbus and Boeing large commercial aircraft platforms.
- Build rates on many platforms will increase in 2014 and beyond.
- Boeing delivered 65 B787s in 2013 with production now at 10 per month.
- Strong order intake for Boeing and Airbus again in 2013, not only for re-engined narrow body A320neo and B737 MAX platforms, but also the A350 and B787.
- Airbus A350 testing is going to plan with first delivery into service expected before the end of 2014.
- At current build rates it will take over eight years to fulfil existing OEM order books.



REGIONAL AND BUSINESS JETS

- Business jet revenue growth of 8%, ahead of the market, due to increased demand from large cabin platforms (e.g. Bombardier Global 5000/6000 and Gulfstream G650).
- Revenue from regional jet sector increased by 13% with improvements coming from the Bombardier CRJ series.
- Continued modest recovery in business jet sector is forecast for 2014, with regional jet demand remaining stable.
- Senior's regional jet market revenue is likely to increase in the medium-term as new platforms come to market, such as the Bombardier CSeries, Mitsubishi MRJ and Embraer E2-Jet.



MILITARY AEROSPACE

- Revenue decreased by 11%, reflecting the anticipated reduction in demand for the Black Hawk helicopter and the C-130J transport aircraft.
- Build rates in 2014 will be broadly in line with the 2013 exit rate following downward pressure on US and European defence expenditure.
- Further declines in build rates of certain programmes such as the Black Hawk and the V22 Osprey helicopter are expected after 2014.
- Healthy shipset content on the A400M transport aircraft and build rate increases for this and the P-8 naval reconnaissance aircraft should partially mitigate the otherwise lower demand.

the notable effect of the reduction in military and non-aerospace revenue on two of the Group's operations; costs associated with the Weston factory relocation; and increased investment in engineering necessary to deliver a higher than usual level of new aircraft programmes at the Group's operation in Los Angeles.

55% (2012 – 51%) of the Aerospace Division's revenues are derived from the large commercial aerospace market, comprising the aircraft manufactured by Airbus and Boeing and the engines that go on those aircraft. This market remained very strong during 2013, with Boeing and Airbus collectively delivering 1,274 aircraft, a 7% increase over the prior year (2012 – 1,189 deliveries). Boeing and Airbus also recorded strong aircraft orders during 2013 which, at a combined net order intake of 2,858 aircraft (2012 – 2,036 aircraft), was well ahead of aircraft deliveries for the fourth year in succession. As a consequence, their combined order book grew by 1,584 aircraft during 2013 to 10,639 aircraft at the end of the year, representing over eight years of deliveries at current production rates. Senior grew its sales to the large commercial aircraft market by 15% during 2013.

Senior won additional content in the period on the A350 and B787, two significant future

programmes for the Group. The Airbus A350, which flew for the first time in June, is expected to commence customer deliveries late in 2014 and Boeing's B787 production rate is now at 10 per month.

Equally encouraging was the progress Senior made in increasing its content on the A320neo and B737 MAX, the re-engined, more fuel-efficient versions of the two highest volume commercial aircraft platforms. These aircraft are scheduled to come into service in 2015 and 2017, respectively. The Group already has 56% more content on the A320neo than the A320 and 30% more content on the B737 MAX than on the current B737.

Overall, the production of regional and business jet aircraft remained weak, but broadly stable. Against this backdrop, Senior's revenue derived from the business jet sector (9% of divisional revenue) increased by 8% in the period, due to increased activity on newer and larger business jet programmes. In the regional jet sector (4% of divisional revenue), Group revenue was 13% higher as a result of a strong second half, particularly with increases in Bombardier's CRJ series and increased invoicing for engineering costs and development parts. Bombardier's largest ever passenger aircraft, the CSeries, flew for the first time in 2013, although testing

challenges have resulted in some delays. The Group has significant content on this aircraft (\$501k per aircraft) and its future commercial success would be advantageous for the Group.

Revenue from the military and defence sector fell by 11% in 2013, reducing its contribution to divisional revenue from 25% to 21%. This was due to the anticipated reduction in production volumes for the C-130J military transport aircraft and the Black Hawk helicopter, as well as lower spares demand for the latter. These declines were partially offset by growing volumes on newer platforms, such as the A400M transporter, P-8 reconnaissance aircraft and Joint Strike Fighter.

Around 11% of the Aerospace Division's revenue was derived from other markets such as space, non-military helicopters, power and energy, medical and semi-conductor, where the Group manufactures products using very similar technology to that used for certain aerospace products. Overall, revenues in these markets were £0.7m higher than 2012, with £2.3m of acquisition contribution offsetting £1.6m of organic decline from weaker semi-conductor and power and energy markets.

FLEXONICS DIVISION

MARKET OVERVIEW

Senior's principal end-market exposures in the Flexonics Division are medium- and heavy-duty diesel engine markets in North America, passenger cars in Europe and global industrial process control markets including petrochemical, HVAC and power and energy markets.

CAPABILITIES

- Development and production of emission control and fuel distribution products for the truck and off-road transport sector and for select passenger car applications.
- Design and manufacture of engineered expansion joints and dampers for industrial process control applications, to meet an increasingly stringent regulatory environment.



BUSINESS REVIEW

The Flexonics Division represents 35% (2012 – 34%) of Group revenue and consists of 12 operations which are located in North America (four), continental Europe (three), the United Kingdom, South Africa, India, Brazil and a joint venture in China.

56% of the Flexonics Division's revenues in 2013 were derived from demand for land vehicle components, 42% from industrial markets and 2% from aerospace markets.

The land vehicle sales comprise cooling and emission control components (25% of 2013 divisional sales), flexible mechanisms for vehicle exhaust systems (14%), diesel fuel distribution pipework (14%) and off-highway hydraulics (3%). The industrial product revenue is derived from the power and energy markets (19%), oil and gas and chemical processing industries (8%), HVAC and solar markets (5%) and a range of other markets (10%).

The Division's largest individual end users are land vehicle customers, including Cummins (representing 16% of 2013 divisional sales), Caterpillar (8%), Ford (5%), PSA (4%), and Renault (3%). Individual industrial customers rarely account for more than 1 or 2% of divisional sales and, given the generally bespoke and project nature of the Group's

industrial products, the customers vary significantly each year. Bloom Energy (6%) and Abengoa (2%) were the largest industrial customers in the period. Woodward (2%) accounted for the majority of aerospace revenue within the Flexonics Division in 2013.

The Flexonics Division's operating results on a constant currency basis are summarised below:

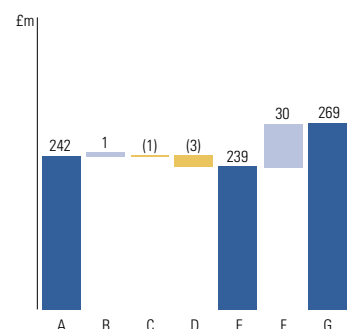
Continuing operations	2013 £m	2012 ⁽¹⁾ £m	Change
Revenue	269.3	241.7	+11.4%
Adjusted operating profit	40.4	36.6	+10.4%
Operating margin	15.0%	15.1%	-0.1ppts

⁽¹⁾ 2012 results translated using 2013 average exchange rates.

Divisional revenue increased by £27.6m (11.4%) to £269.3m (2012 – £241.7m)⁽¹⁾ and adjusted operating profit increased by £3.8m to £40.4m (2012 – £36.6m)⁽¹⁾. Excluding the incremental contribution from the GA acquisition (completed in November 2012), organic revenue declined by £2.3m (1.0%) while adjusted operating profit increased by £1.5m (4.1%).

The operating margin declined slightly to 15.0% (2012 – 15.1%), primarily due to the inclusion of the lower-margin GA business. Underlying margins in organic operations improved by 0.8 percentage points to 15.9% (2012 – 15.1%) as a result of improved operational efficiencies and favourable raw material pricing.

FLEXONICS REVENUE



- A** 2012
- B** Truck & Off-Highway
- C** Passenger Vehicles
- D** Industrial
- E** 2013 Organic
- F** Acquisitions
- G** 2013 Total



INDUSTRIAL PROCESS CONTROL

- Organic Industrial revenues were down 3% year on year, as a result of weaker performance in the petrochemical sector, offset partially by strong sales in the power and energy market.
- In 2012, the Group's petrochemical business enjoyed the benefits of a very large expansion joint project in Tianjin, China, which was not repeated in 2013.
- The Group expects to benefit in H2 2014 from an anticipated large expansion joint project for a US Catofin plant.
- Additional contracts were won in 2012 for concentrated solar power plants in the USA and Europe for the benefit of 2013, although as Governmental subsidies continue to decline this activity is due to reduce in 2014.

LAND VEHICLE EMISSION CONTROL

- Full year contribution of GA, acquired in November 2012, bringing precision-machining capabilities and potential customer synergies.
- Organic truck and off-highway sales increased by 2%, with growth in the European markets offset by weakness in North America and India.
- Good progress and further investment in our joint venture in China. Production of heavy-duty diesel engine common rails started at the end of 2013 and exhaust flex production is expected to commence in 2014.
- Further investment in Mexico to supply flexible exhaust connectors and engine bellows to a key customer's local production plant and its US facilities.
- Sales in the passenger car sector declined by 1%, due to reduced demand in many European markets as well as in Brazil and India. North America and China saw healthy growth.
- The Group's operations in the Czech Republic and South Africa benefited from new programme wins from existing and new customers.

Sales to the truck and off-highway market increased by 37%, primarily due to the full year contribution of GA, acquired in November 2012. GA has a particular focus on machined components for fuel systems, pumps and hydraulic systems for off-road medium- and heavy-duty diesel applications. Organic sales to this market increased by 2%, with strong sales to the European truck market up £4.0m (35%) as new programmes ramped up. This was partially offset by weakness in North America and India, where organic sales decreased by £2.1m (4%) and £0.4m (43%), respectively.

During 2013, the Group continued to work towards winning a second major customer, in addition to Cummins, for the Group's EGR cooler product. Whilst the anticipated opportunity recently failed to materialise, the Group remains confident that new customers and applications can be developed, as illustrated by the recent award of a cooler for natural gas engines on commercial vehicles.

Sales to the passenger vehicle market declined by 1% in 2013, primarily as a result of continued weakness in the European passenger car

market (where new car registrations reduced by 1.7%). The Group was also impacted by the decline in the Indian and Brazilian domestic passenger vehicle markets but saw revenue increase to North America and China.

Despite generally weak land vehicle markets, tightening emission legislation, combined with the Group's operational excellence and product development skills, mean market share opportunities regularly arise. The Group's operations in the Czech Republic and South Africa benefited from new programme wins from existing and new customers, resulting in increased volumes in turbo oil drain products and exhaust products, creating positive momentum that has helped offset some of the weakness observed elsewhere in the marketplace.

Further investment of £0.5m was made in the Group's joint venture in China, where manufacture of heavy-duty diesel common rails started at the end of 2013 and the production of exhaust flexes is scheduled to commence during 2014. Progress of this operation continues to be pleasing.

The Division's Industrial activities were down 3% year on year on an organic basis as a result of a weaker performance from the petrochemical sector, partially offset by strong sales to the power and energy market.

Power and energy growth was driven by increases in demand for products for concentrated solar power plants and fuel cell bellows, although this business is anticipated to decline in 2014 as Governmental subsidies decline and a lower cost fuel cell bellow is introduced. In addition, during 2012, the Group's petrochemical business enjoyed the benefits of a large expansion joint project in Tianjin, China, which was not repeated in 2013. The Group expects to benefit in H2 2014 from an anticipated large expansion joint project for a US Catofin plant.



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A STRONG BALANCE SHEET AND CONTINUED
CASH GENERATION PROVIDES A SOLID
PLATFORM FOR THE GROUP'S FUTURE
GROWTH ASPIRATIONS.

FINANCIAL REVIEW

FINANCIAL SUMMARY

A summary of the Group's operating results is set out in the table below. Further detail on the performance of the Group and of each Division is set out on pages 18 to 23.

	Revenue		Adjusted Operating Profit ⁽¹⁾		Margin	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 %	2012 %
Aerospace	506.6	470.5	76.5	72.1	15.1	15.3
Flexonics	269.3	242.0	40.4	37.3	15.0	15.4
Share of results of joint venture	–	–	(0.3)	(0.1)	–	–
Inter-segment sales	(0.8)	(0.5)	–	–	–	–
Central costs	–	–	(9.0)	(8.7)	–	–
Continuing operations	775.1	712.0	107.6	100.6	13.9	14.1
Discontinued	–	17.8	–	0.8	–	4.5
Group total	775.1	729.8	107.6	101.4	13.9	13.9

⁽¹⁾ See table below.

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

	2013 £m	2012 £m
Adjusted operating profit	107.6	101.4
Profit for the period from discontinued operations	–	(3.3)
Loss on sale of fixed assets	–	(0.1)
Exceptional pension credit/(charge)	1.1	(1.9)
Reversal of contingent consideration payable	3.8	–
Impairment of goodwill	(12.7)	–
Restructuring costs	(1.9)	–
Amortisation of intangible assets from acquisitions	(4.2)	(4.3)
Acquisition costs	(0.4)	(0.6)
Profit on disposal of business	–	2.5
Operating profit per Financial Statements	93.3	93.7

FINANCIAL DETAIL

REVENUE

Group revenue increased by £45.3m (6.2%) to £775.1m (2012 – £729.8m).

Total Group revenue from continuing operations (excluding the sale of Senior Hargreaves in October 2012, which contributed £17.8m of revenue) increased by £63.1m (8.9%) including an incremental £33.9m from three acquisitions: Thermal acquired in November 2013 (£1.0m); Atlas acquired in February 2013 (£3.0m); and the full year effect of the acquisition of GA made in November 2012 (£29.9m).

If the effect of acquisitions and a year-on-year favourable exchange impact of £5.4m are excluded, underlying revenue from organic

operations increased by 3.3% on a constant currency basis. In 2013, 66% of sales from continuing operations originated from North America, 15% from the UK, 12% from the Rest of Europe and 7% from the Rest of the World.

OPERATING PROFIT

Adjusted operating profit increased by £6.2m (6.1%) to £107.6m (2012 – £101.4m), due to a combination of the increase in organic operations' revenue, further operational improvements and year-on-year acquisition contributions of £2.3m. There was no year-on-year foreign exchange impact.

If the incremental profit contribution of £2.3m from acquisitions is excluded, underlying adjusted operating profit from organic

continuing operations increased by 4.7% on a constant currency basis. The Group achieved an operating margin of 13.9% in 2013 (2012 – 13.9%).

Total Group reported operating profit from continuing operations was broadly similar to the prior year at £93.3m (2012 – £93.7m).

FINANCE COSTS

Total finance costs, net of investment income of £0.2m (2012 – £0.3m), decreased by 7.8% to £9.5m (2012 – £10.3m). Net interest costs on borrowings increased to £8.1m (2012 – £7.7m) mainly due to the foreign exchange impact on Group borrowing facilities. The Group has fixed rate, fully-drawn, US private placement facilities of \$185m (£111.4m) which attract a fixed interest payment each year. The Group's total net debt was below this level for the whole of 2013 and 2012. Therefore, fluctuations in the Group's net interest costs only arise due to changes in cash amounts on deposit, deposit interest rates and variations in the rate of foreign exchange translation, principally between the Pound Sterling and the US dollar.

Pension-related finance charges decreased to £1.4m in 2013 (2012 – £2.6m), principally due to a mandated change in accounting policy whereby the interest cost and expected return on plan assets has been replaced with a net interest charge on the net defined benefit liability, as detailed in Note 2. Essentially, the expected rate of return on assets has been replaced by the discount rate and scheme running costs (£0.8m in 2013 and 2012) are now recognised within operating profit. Given that an increasing proportion of the Group's pension assets are invested in fixed income securities as part of the continuing implementation of liability-driven investment strategies in the Group's defined benefit pension plans, this new accounting requirement led to a net reduction in finance costs relating to retirement benefits. A reduction in the discount rate at the start of the year also led to a reduction in the pension-related finance charges.

PROFIT BEFORE TAX

Adjusted profit before tax increased by 7.7% to £98.1m (2012 – £91.1m). Reported profit before tax from continuing operations increased by 0.5% to £83.8m (2012 – £83.4m). The reconciling items between these two measures are shown in Note 9.

TAX CHARGE

The total tax charge decreased to £12.4m (2012 – £16.8m), despite the increase in the Group's taxable profits. Net tax benefits of £6.9m (2012 – £1.8m) arose from the amortisation of intangible assets from acquisitions, impairment of goodwill, exceptional pension credit and restructuring costs. If these are added back, the resultant tax charge of £19.3m (2012 – £18.6m) represented an underlying rate of 19.7% (2012 – 20.4%) on the adjusted profit before tax of £98.1m (2012 – £91.1m).

EARNINGS PER SHARE

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 414.7 million (2012 – 408.5 million). Adjusted earnings per share increased by 7.0% to 19.00 pence (2012 – 17.75 pence). Basic earnings per share increased by 0.6% to 17.22 pence (2012 – 17.11 pence). See Note 12 for details of these calculations.

DIVIDENDS

A final dividend of 3.60 pence per share is proposed for 2013 (2012 – 3.27 pence), payment of which, if approved, would total £15.0m (2012 final dividend – £13.6m) and would be paid on 30 May 2014 to shareholders on the register at close of business on 2 May 2014. This would bring the total dividends paid and proposed in respect of 2013 to 5.12 pence per share, an increase of 10% over 2012 and slightly ahead of the increase in adjusted earnings per share. At the level recommended, the full-year dividend would be covered 3.7 times (2012 – 3.8 times) by adjusted earnings per share. The cash outflow incurred during 2013 in respect of the final dividend for 2012 and the interim dividend for 2013 was £19.9m (2012 – £16.4m).

RESEARCH AND DEVELOPMENT

The Group's expenditure on research and development increased slightly to £12.9m during 2013 (2012 – £12.8m). Expenditure was incurred mainly on designing and engineering products in accordance with individual customer specifications and developing specific manufacturing processes for their production.

CAPITAL EXPENDITURE

Gross capital expenditure increased by 14% in 2013 to £29.7m (2012 – £26.1m), principally representing investment in future growth programmes and necessary replacement and compliance expenditure. The Group's

operations remain well capitalised. The disposal of assets no longer required raised £0.9m (2012 – £0.1m). A higher level of capital expenditure is anticipated for 2014, although the extent will be dependent primarily on the timing of build rate increases in the large commercial aircraft segment and the Group securing the expected new programme wins in both Divisions.

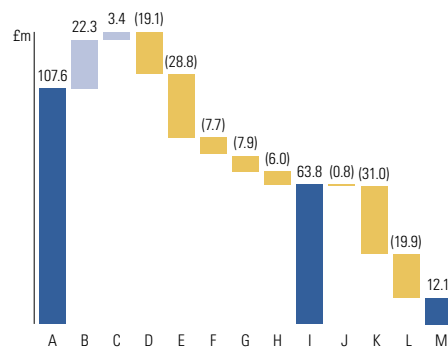
CAPITAL STRUCTURE

The Group's Consolidated Balance Sheet at 31 December 2013 may be summarised as follows:

	Assets £m	Liabilities £m	Net assets £m
Property, plant and equipment	142.6	–	142.6
Goodwill and intangible assets	242.5	–	242.5
Investment in joint venture	1.0	–	1.0
Current assets and liabilities	213.7	(144.1)	69.6
Other non-current assets and liabilities	7.5	(16.9)	(9.4)
Retirement benefit obligations	–	(25.6)	(25.6)
Total before net debt	607.3	(186.6)	420.7
Net debt	53.1	(112.3)	(59.2)
Total at 31 December 2013	660.4	(298.9)	361.5
Total at 31 December 2012	624.3	(311.4)	312.9

FREE CASH FLOW BRIDGE (£M)

The Group continues to generate significant free cash flow by focusing on continuous improvements in all areas of the business and by maintaining tight controls over discretionary expenditure.



A Adjusted operating profit	H Tax paid
B Depreciation and amortisation	I Free cash flow
C Other non-cash items	J Share purchase net of issue proceeds
D Working capital	K Acquisitions and JV investment
E Net capital expenditure	L Dividends paid
F Pensions in excess of service cost	M Net cash flow
G Net interest paid	

Net assets increased by 15.5% in the year to £361.5m (2012 – £312.9m), in the main as a result of an increase in working capital of £19.1m, in property, plant and equipment of £7.8m and goodwill of £5.8m and by a reduction in the retirement benefit obligation of £11.5m and in net debt of £11.7m. These positive movements were partially offset by an increase in the net deferred tax liability of £4.4m and an increase in current tax liability of £2.8m. Net assets per share increased by 14.9% to 86.9 pence (2012 – 75.6 pence). There were 415.9 million ordinary shares in issue at the end of 2013 (2012 – 413.9 million).

PENSIONS

Retirement benefit obligations, as calculated in accordance with IAS 19, decreased by £11.5m to £25.6m (2012 – £37.1m) principally due to the positive impact of an increase in the value of assets, with asset returns in excess of expectations, £7.7m cash contributions in excess of service costs and a £1.1m curtailment credit in respect of the closure of one of the US pension schemes, partially offset by an increase in inflation assumptions.

Following consultation with the members of the Senior plc Pension Plan, the Group has decided to close the Plan to future accrual from April 2014.

CASH FLOW

The Group generated significant free cash flow (whose derivation is set out in the table overleaf) of £63.8m in 2013, £6.2m above the £57.6m achieved in 2012. The main driver of the year's performance was cash generated from operations of £106.5m, which is stated after taking into account additional pension contributions in excess of service costs of £7.7m (2012 – £13.7m), and a working capital outflow of £19.1m (2012 – £10.2m outflow).

The positive cash flow from operations was offset by net capital expenditure of £28.8m (2012 – £26.0m) and tax and interest payments totalling £13.9m (2012 – £16.2m).

The strong cash flow enabled the Group to fund the acquisitions of Atlas and Thermal from existing cash and debt facilities, for total consideration (net of cash acquired) of £2.4m and £28.1m, respectively, and still resulted in a satisfactory decline in net debt of £11.7m during the year. Net debt at the year-end was £59.2m (2012 – £70.9m).

2013 PERFORMANCE CONTINUED

	2013 £m	2012 £m
Operating profit from continuing operations	93.3	93.7
Discontinued operations profit before tax	–	0.8
Depreciation and amortisation	26.5	25.1
Share of loss in joint venture	0.3	0.1
Working capital movement	(19.1)	(10.2)
Pension payments above service cost	(7.7)	(7.7)
Additional discretionary pension payments	–	(6.0)
Impairment of goodwill	12.7	–
Reversal of contingent consideration payable	(3.8)	–
Other items	4.3	4.0
Cash generated from operations	106.5	99.8
Interest paid (net)	(7.9)	(7.6)
Tax paid	(6.0)	(8.6)
Capital expenditure	(29.7)	(26.1)
Sale of fixed assets	0.9	0.1
Free cash flow	63.8	57.6
Dividends	(19.9)	(16.4)
Acquisitions	(30.5)	(28.1)
Investment in joint venture	(0.5)	(0.9)
Proceeds on disposal of subsidiary	–	4.5
Share issues	0.1	2.3
Purchase of shares held by employee benefit trust	(0.9)	(1.0)
Foreign exchange variations	(0.4)	4.1
Opening net debt	(70.9)	(93.0)
Closing net debt	(59.2)	(70.9)

NET DEBT

Net debt decreased by £11.7m in the year to £59.2m (2012 – £70.9m). The main reason for this reduction was cash generated from operations of £106.5m (2012 – £99.8m), partially offset by expenditure on acquisitions of £30.5m and investing a further £0.5m in the Group's joint venture in China totalling £31.0m (2012 – £29.0m), and gross capital expenditure of £29.7m (2012 – £26.1m). At the year-end, net debt comprised gross borrowings (including finance leases of £0.7m) of £112.3m (31 December 2012 – £115.4m), with 99% of the Group's gross borrowings in US dollars (31 December 2012 – 99%), and cash and cash equivalents of £53.1m (31 December 2012 – £44.5m).

The Group's committed borrowing facilities contain a requirement that the ratio of EBITDA (adjusted profit before interest, tax, depreciation and amortisation) to net interest costs must exceed 3.5x, and that the ratio of net debt to EBITDA must not exceed 3.0x. At 31 December 2013, the Group was operating well within these covenants as the ratio of EBITDA to net interest costs was 15.4x (31 December 2012 – 15.7x) and the ratio of net debt to EBITDA was 0.5x (31 December 2012 – 0.6x).

LIQUIDITY

As at 31 December 2013, the Group's gross borrowings excluding finance leases were £111.6m (2012 – £114.4m). 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	21.2	21.0
In the second year	15.1	27.3
In years three to five	63.3	123.3
After five years	12.0	12.0
	111.6	183.6

⁽¹⁾ Gross borrowings include the use of bank overdrafts, other loans and committed facilities, but exclude finance leases of £0.7m.

At the year-end, the Group had committed facilities of £183.6m with a weighted average maturity of 3.1 years. The Group is in a strong funding position, with headroom of £124.4m under these facilities and no borrowings due for repayment until a private placement loan of £21.0m matures in October 2014.

GOODWILL

A goodwill impairment charge of £12.7m was taken in the first half of 2013 in respect of the January 2008 acquisition of Capo Industries, as the anticipated recovery in its key business and regional jet engine markets has not yet materialised and expectations for future operating margins are consequently lower. In November 2013, the decision was taken to merge Capo Industries into our Ketema operation. This decision has resulted in one-off costs of £1.9m being taken in 2013; savings of £1.2m p.a. are anticipated from 2015. In addition, the contingent consideration of £3.8m is no longer payable to the sellers of GA and was consequently released to profit in the period. Both the goodwill impairment charge and contingent consideration amounts are excluded from adjusted profit before tax.

GOING CONCERN BASIS

The Group's business activities, performance and position are set out above in the Financial Review and the Divisional Business Reviews. These include a description of the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, a review of the principal risks and uncertainties that are likely to affect the Group's future development is set out on pages 14 and 15. A summary of the Group's policies and processes in respect of capital and financial risk management, including foreign exchange and liquidity risks, is included in Note 21.

The Group meets its day-to-day working capital and other funding requirements through a combination of long-term funding, in the form of revolving credit and private placement facilities, and short-term overdraft borrowing. At 31 December 2013, 99% of the Group's gross debt was financed via revolving credit and private placement facilities, with an average maturity of 3.1 years. The Group is profitable, cash generative and well funded with net debt of £59.2m compared to £183.6m of committed borrowing facilities, and has no major borrowing facility renewal before October 2014.

However, economic conditions inevitably vary and so potentially create uncertainty, particularly over the level of demand for the Group's products and the exchange rate between the Pound Sterling and the US dollar. This exchange rate is important to the Group's financial performance given that around 66% of the Group's profits in 2013 were earned in the USA and 99% of its gross borrowings at 31 December 2013 were denominated in US dollars. For these reasons, a sensitivity analysis has been performed on the Group's forecasts and projections, to take account of reasonably possible changes in trading performance together with foreign exchange fluctuations under the hedging policies that are in place. This analysis shows that the Group will be able to operate well within the level of its current committed borrowing facilities and banking covenants under all reasonably foreseeable scenarios. As a consequence, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and the Board has continued to adopt the going concern basis in preparing the Group's Annual Report & Accounts 2013.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the Financial Statements are consistent with those followed in the preparation of the Group's Annual Report & Accounts 2012, except for the adoption of Standards and Interpretations that are effective for the current financial year. These are highlighted in Note 2 of the Financial Statements, and do not have a material impact on the presentation of the Group's results.

RELATED PARTY TRANSACTIONS

The Group's related party transactions are between the Company and its subsidiaries, and have been eliminated on consolidation.

DEREK HARDING

Group Finance Director

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, Mark Rollins and Derek Harding, together with Launie Fleming (Chief Executive of Aerospace Fluid Systems), Jerry Goodwin (Chief Executive of Aerospace Structures), Mike Sheppard (Chief Executive of Flexonics), Peter Woolfrey (Group Head of Business Development) and Bindi Foyle (Group Financial Controller). Simon Nicholls, the former Group Finance Director, sat on the Executive Committee until he resigned from the Board in April 2014 to take up a new role. Biographies of the Committee members are set out opposite. Bindi Foyle also acts as Secretary to this Committee.

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.

Throughout 2013, the members of this committee were: Mark Rollins (Chairman), Mike Sheppard (Chief Executive of Flexonics), Jerry Goodwin (Chief Executive of Aerospace Structures), Launie Fleming (Chief Executive of Aerospace Fluid Systems) and James Pomeroy (Group HSE Manager). The Committee met four times during the year.



1 MARK ROLLINS

See biography on page 29

2 DEREK HARDING

See biography on page 28

3 LAUNIE FLEMING

A US citizen, he has worked for the Group for around 15 years. He 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.

4 JERRY GOODWIN

A US citizen, he joined the Group in June 2007 as the Chief Executive of Senior Aerospace AMT. He was appointed Chief Executive of Aerospace Structures in December 2010. Prior to joining Senior, Jerry served as Vice President and General Manager at C & D Zodiac, a composites aerospace manufacturing company.

5 MIKE SHEPPARD

A US citizen, he has worked for the Group for 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.

6 BINDI FOYLE

A Chartered Accountant, she joined the Group in 2006 as the Group Financial Controller. She is a member of the Executive Committee and acts as its Secretary; she also sits on the Group's Treasury Committee. Prior to joining Senior, she held a number of finance positions at Amersham plc and GE Healthcare.

7 PETER WOOLFREY

The Group Head of Business Development, he joined the Group in 2009. He has an engineering background with extensive international experience in the aerospace industry, having worked for Smiths Aerospace and GE Aviation in a number of business development roles.

In early 2014, Peter Woolfrey is to take up a newly created divisional role in Business Development, which will be on a part-time transitional basis leading up to his retirement.

David Beavan will become the Group Head of Business Development. David 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 1st tier supplier industries.

APPROVAL

The Strategic Report from pages 1 to 27 was approved by the Board of Directors on 28 February 2014 and signed on its behalf by

MARK ROLLINS

Group Chief Executive

BOARD OF DIRECTORS



CHARLES BERRY

Chairman

Appointment to the Board Charles Berry was appointed to the Board in March 2012 and became non-executive Chairman and Chairman of the Nominations Committee on 27 April 2012.

External Appointments Chairman of Drax Group plc and of The Weir Group PLC.

Previous Experience He was an Executive Director of Scottish Power plc from 1999 to 2005 and Chief Executive of their UK Operations between 2000 and 2005.

Prior to joining Scottish Power, he was Group Development Director of Norwest Holst, a subsidiary of Compagnie General des Eaux, and held management positions within subsidiaries of Pilkington plc. He is a former non-executive director and Chairman of Eaga plc and Thus Group plc, and a former non-executive director of Impax Environmental Markets PLC and Securities Trust of Scotland plc.

Qualifications BSc (Hons) in Electrical Engineering and MSc in Management.



CELIA BAXTER

Independent Non-executive Director

Appointment to the Board Celia Baxter joined the Board on 2 September 2013. She became Chair of the Remuneration Committee in December 2013 when Ian Much retired from the Board.

External Appointments She is the Director of Group HR of Bunzl plc.

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.

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



DAVID BEST*

Independent Non-executive Director

Appointment to the Board David Best joined the Board in May 2007. David is the Chairman of the Audit Committee.

Previous Experience

He was formerly Group Finance Director of Xansa plc and worked in the United States for a number of years, most recently with Lockheed Martin.

Qualifications Chartered Accountant and Certified Public Accountant (USA).

* David Best is to retire from the Board in April 2014.



DEREK HARDING

Group Finance Director

Appointment to the Board Derek Harding joined the Board on 2 September 2013.

Previous Experience He joined Senior from Wolseley plc, where he had worked for 11 years, most recently as Finance Director of Wolseley UK. Prior to this, he undertook a number of group roles including Director of Group Strategy & Investor Relations and Head of Mergers & Acquisitions. He qualified as a Chartered Accountant with PricewaterhouseCoopers in 1998 following which he fulfilled audit and transaction services roles in the UK and USA before joining Wolseley in 2002.

Qualifications BSc (Hons) in Banking & Finance and a Chartered Accountant.



GILES KERR

Independent Non-executive Director

Appointment to the Board Giles Kerr joined the Board on 2 September 2013. Giles will become Chairman of the Audit Committee, when David Best retires in April 2014.

External Appointments He is Director of Finance of Oxford University and is a non-executive director of BTG Plc and Victrex plc.

Previous Experience 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.

Simon Nicholls joined the Board in 2008, when he was appointed Group Finance Director. He left Senior at the end of April 2013 to become Chief Financial Officer of Cobham plc.

Ian Much joined the Board in 2005 and retired from it on 5 December 2013; he was an independent non-executive Director of the Company during that period.



ANDY HAMMENT

Senior Independent Non-executive Director

Appointment to the Board Andy Hamment joined the Board in April 2011. In December 2013 he became the Senior Independent Director, when Ian Much retired from the Board.

External Appointments He is a non-executive director of Chemring Group plc.

Previous Experience He was formerly Group Marketing Director of Ultra Electronics plc. He has worked in the aerospace and defence industry for most of his career, mainly in business development and management roles. He joined Dowty in 1988 as Managing Director of the Controls business and participated in the management buyout that created Ultra Electronics.

Qualifications BA (Hons) in Economics.

BOARD AND COMMITTEE MEMBERSHIP

Membership and the attendance record of the main Board and its Committees is shown in the table below.

	Main Board	Audit Committee	Nominations Committee	Remuneration Committee
Chair	Charles Berry	David Best	Charles Berry	Ian Much/ Celia Baxter
Total number of meetings	9	3	3	6
Charles Berry	9/9	–	3/3	6/6
Celia Baxter ⁽¹⁾	3/3	1/1	1/1	1/1
David Best	9/9	3/3	3/3	6/6
Andy Hamment	9/9	3/3	3/3	6/6
Derek Harding ⁽²⁾	3/3	–	–	–
Giles Kerr ⁽³⁾	3/3	1/1	1/1	1/1
Ian Much ⁽⁴⁾	8/9	3/3	3/3	6/6
Simon Nicholls ⁽⁵⁾	3/3	–	–	–
Mark Rollins	9/9	–	–	–
Mark E. Vernon	8/9	–	2/3	5/6

⁽¹⁾ Celia Baxter – appointed a non-executive Director on 2 September 2013 and became chair of the Remuneration Committee on 5 December 2013 following the retirement of Ian Much.

⁽²⁾ Derek Harding – appointed as Group Finance Director on 2 September 2013 to replace Simon Nicholls.

⁽³⁾ Giles Kerr – appointed a non-executive Director on 2 September 2013. Will become Chairman of the Audit Committee upon David Best's retirement from the Group in April 2014.

⁽⁴⁾ Ian Much – Senior Independent non-executive Director until he retired from the Board on 5 December 2013.

⁽⁵⁾ Simon Nicholls – Group Finance Director until he left the Board on 30 April 2013.



MARK ROLLINS

Group Chief Executive

Appointment to the Board Mark Rollins became Group Finance Director in 2000, when he joined the Board. He became Group Chief Executive in March 2008.

External Appointments Non-executive director of The Vitec Group PLC.

Previous Experience He joined the Group in 1998 from Morgan Crucible plc. He was formerly a non-executive director of WSP Group plc.

Qualifications BEng (Hons) in Civil & Structural Engineering and a Chartered Accountant.



MARK E. VERNON

Independent Non-executive Director

Appointment to the Board Mark E. Vernon joined the Board in April 2011.

External Appointments He is a director of LiqTech International, Inc.

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, Group Vice-president of Durco International and President of Valtek International, a global controls business.

Qualifications BSc in Chemistry.



ANDREW BODENHAM

Group Company Secretary

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.

Qualifications LLB (Hons) and a Chartered Secretary.

REPORT OF THE DIRECTORS

The Directors present their Report and supplementary reports, together with the audited Financial Statements for the year ended 31 December 2013.

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 1 to 27. Its Principal Group undertakings are shown on page 105. The Strategic Report includes details of the market overview; key growth drivers; our business model; strategic objectives; risk and uncertainties; key performance indicators and a summary of 2013 performance.

ACQUISITIONS AND DISPOSALS

On 8 February 2013 Senior acquired 100% of the issued share capital of Atlas Composites Limited, together with its holding company. On 29 November 2013 Senior acquired 100% of the issued share capital of Thermal Engineering Limited, together with its holding company, for a total consideration of £28.3m less cash acquired of £0.2m. Further details of these businesses are given on pages 8 and 95.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Income Statement on page 60.

An interim dividend of 1.52 pence per share (2012 – 1.38 pence) has already been paid and the Directors recommend a final dividend of 3.60 pence per share (2012 – 3.27 pence). The final dividend, if approved, will be payable on 30 May 2014 to shareholders on the register at the close of business on 2 May 2014. This would bring the total dividend for the year to 5.12 pence per share (2012 – 4.65 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. Changes in the Company's issued share capital during 2013 were:

Shares in issue at 1 January 2013	413,851,869
Senior plc Long-term Incentive Plan	2,039,740
Senior plc Savings-Related Share Option Plan	42,422
Shares in issue at 31 December 2013	415,934,031

Further share capital details are given in Note 26.

Details of employee share plans are set out on pages 98 to 100.

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, 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 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 employees' 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 21 contains disclosures on Financial Instruments.

DIRECTORS

Details of the Directors who served throughout the year can be found on pages 28 and 29.

The Directors' interests in the shares of the Company are included in the Directors' Remuneration Report on page 53. None of the Directors has any interest in contracts with the Company or its subsidiary undertakings.

The provisions of the UK Corporate Governance Code require that all Directors of FTSE 350 companies should be subject to annual election by shareholders. Charles Berry, Andy Hamment, Mark Rollins and Mark E. Vernon will all stand for re-election at the Annual General Meeting (the "AGM") in April 2014. Celia Baxter, Derek Harding and Giles Kerr were all appointed to the Board in September 2013 and offer themselves for election at the AGM.

BOARD DIVERSITY

The Board remains committed to diversity, previously having an aspirational goal of 15% female Board representation by the end of 2013. The appointment of Celia Baxter to the Board means this goal was broadly met. The engineering sector suffers from a shortage of female personnel and as a result it can be hard to find appropriate candidates. It should be noted that Senior takes into account all aspects of a potential candidate, not just diversity.

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 2013, the Group incurred £12.9m (2012 – £12.8m) on research and development, before recoveries from customers of £3.1m (2012 – £1.3m). Product development and improving manufacturing techniques represent the primary focus of the Group's research and development activities.

POLITICAL DONATIONS

No political donations were made during the year.

EMPLOYEES

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

POLICY ON PAYMENT OF CREDITORS

The Group's policy is to set the terms of payment with its suppliers when agreeing the terms of each transaction, and to seek to adhere to those terms. In 2013 the Company signed up to the UK Prompt Payment Code, which promotes the fair treatment of suppliers. Based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by suppliers, the number of days outstanding at the year-end was 18 days (2012 – 12 days). Payment terms adhered to by the Company are typically in the range of 30 to 45 days.

GREENHOUSE GAS EMISSIONS

The Group has followed 2013 UK Government reporting guidance on greenhouse gas emissions; details of the Group's emissions can be found on page 17.

MAJOR SHAREHOLDINGS

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

	12.02.14 %	31.12.13 %
BlackRock Investment Management	14.05	14.52
Henderson Global Investors	7.44	7.44
Legal & General Investment Management	4.98	5.09
Scottish Widows Investment Partnership	4.32	4.32
Schroder Investment Management	3.79	3.84
Kames Capital	3.52	3.52
Old Mutual Asset Managed	3.32	3.35

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 statements of compliance with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council are set out on page 32.

DIRECTORS' REMUNERATION REPORT AND POLICY

The Company's policy on executive Directors' remuneration is set out in the Directors' Remuneration Report on pages 40 to 55. The Annual Report on Remuneration is to be put to shareholder vote at the forthcoming AGM.

The Directors' Remuneration Policy is also to be put to shareholder vote at the forthcoming AGM; the Remuneration Policy is set out on pages 41 to 46.

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 25 April 2014 at Watersmeet, High Street, Rickmansworth WD3 1EH.

ACQUISITION OF THE COMPANY'S OWN SHARES

The Company purchased no ordinary shares of 10p each in the capital of the Company during the year. At the end of the year, the Directors had authority, under the shareholders' resolutions dated 26 April 2013, to make market purchases of the Company's shares up to an aggregate nominal amount of £41m, 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.

Resolutions to re-appoint Deloitte LLP as the Company's Auditor and to authorise the Directors to set the Auditor's remuneration will be proposed at the forthcoming AGM.

By Order of the Board

ANDREW BODENHAM

Group Company Secretary
28 February 2014

CORPORATE GOVERNANCE REPORT



CHAIRMAN'S LETTER

I am pleased to present the Group's Corporate Governance Report for 2013 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 taken seriously across the Group; the Board sets the tone and takes the lead on all governance matters.

I am pleased to confirm that the Board reviewed the requirements of the UK Corporate Governance Code in 2013 and I confirm that the Company complies, and will continue to comply with it. A more detailed report is set out on pages 32 to 34.

CHARLES BERRY
Chairman

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report describes the manner in which the Company has applied the Main Principles of the UK Corporate Governance Code ("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 throughout the year.

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 wide industrial and commercial experience. One independent non-executive Director is to retire from the Board at the close of the 2014 AGM as previously announced, following a handover period; the details are given on page 28.

In addition, there is 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 27 to 29.

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

The Board is responsible for strategic decisions affecting 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 certain of its responsibilities to the Audit, Remuneration, Nominations, and Health, Safety & Environment ("HSE") 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 meets formally on a regular basis (nine times in 2013); in addition there were three meetings of the Audit Committee in 2013, together with six meetings of the Remuneration Committee and three meetings of the Nominations Committee. There was full attendance at every Board meeting and Committee of the Board during the year with the exceptions noted on page 29. Other committees are appointed by the Board to deal with treasury 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 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 face. At every Board meeting there are reviews of operational, financial and administrative matters. Health, safety and environmental performance is reviewed by the Board on a regular basis; 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.

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 35. The Committee, which consists entirely of non-executive Directors, is chaired by Charles Berry, and its composition is shown on page 28 its Terms of Reference may be found on the Company's website. 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.

When appointing new Directors, the Nominations Committee is fully cognisant of the benefits of diversity; the Board's policy on diversity is described on page 30.

Simon Nicholls left the Group at the end of April 2013 and Derek Harding succeeded him as Group Finance Director in September 2013. Also in September 2013, Celia Baxter and Giles Kerr were appointed non-executive Directors replacing Ian Much, who retired from the Board in December 2013, and David Best who will step down from the Board at the conclusion of the AGM in April 2014. All three Directors' appointments were made in accordance with the Company's formal and rigorous Board appointment procedures described above. Zygos Partnership was the consultancy firm appointed to manage the recruitment process for the Group Finance Director and Korn Ferry Whitehead Mann managed the recruitment of the two new non-executive Directors; neither recruitment consultancy firm has any connection with the Company. A summary of the Directors' biographies appears on pages 28 and 29. All Directors receive induction upon joining the Board and are encouraged to update their knowledge and skills on a regular basis.

To enable the members of the Board and its Committees to discharge their duties effectively, the Group Company Secretary seeks to ensure that all relevant information is provided to the Directors in a timely manner, in advance of meetings.

Following a formal review of the Board and its Committees by Independent Audit Limited in 2012, the Board undertook a self-assessment exercise in 2013, guided by Independent Audit Limited. The review's findings showed that the Board operated effectively throughout the period and made some suggestions for its future development. 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.

In addition, the Chairman undertook a review of the performance of individual Directors; this process involved one-on-one appraisal interviews. The results of the evaluation process are used to improve Board performance and to determine the training needs of the Directors. Ian Much, in consultation with the Directors, undertook an evaluation of the Chairman's performance, and concluded that Charles Berry 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.

In compliance with the Corporate Governance Code, all Directors offered themselves for re-election at the Company's AGM 2013. At the forthcoming AGM, all Directors will again offer themselves for election or re-election, with the exception of David Best, who is to retire from the Board at the conclusion of the Meeting.

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 36 to 39 describes the role and activities of the Audit Committee, together with the significant issues that it considered in relation to the 2013 Financial Statements and its relationship with the internal and external auditor.

An explanation of how the Board assessed the effectiveness of the external audit process, the approach taken to reappoint the external Auditor and the Company's policy on the tendering of the external audit are to be found on pages 38 and 39.

Communicating the Code

Senior trains its employees on the requirements of its Code of Business Conduct upon induction, educating them what they can and cannot do, and how to address any ethical dilemmas they may face. The Code is re-issued periodically to remind employees of the required level of conduct. The Group's ethical procedures and Code of Business Conduct (the "Code") were reviewed in the light of the UK Bribery Act 2010 and anti-bribery training was rolled out across the Group in 2012; this training is now routinely operated on an ongoing basis to new employees and as a refresher course to existing employees, as and when appropriate.

The Board verifies compliance with the Code through its internal audit programme, ensuring that employees have received the mandatory training and its businesses operate with integrity at all times and in compliance with the Code.

Operating with integrity

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 ("UDHR") 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. We monitor the age of our workforce across the world to ensure compliance and identify any potential succession issues.

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 Group employees to discuss any ethical concerns that they may have with local management. In addition, employees are able to report any illegal and unethical concerns confidentially and anonymously within the Group.

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 unethical or illegal corporate conduct. Andy Hamment is the Company's Senior Independent Director, succeeding Ian Much, who retired from the Board in December 2013. His position provides employees 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, or where such contact is not appropriate.

All reports 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 in so far as is possible, to the complainant.

Managing external sales agents

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 working on behalf of Senior across the globe are being required to operate in compliance with the Supplier Code of Business Conduct. Local management conducts a due diligence and risk assessment process prior to engaging or re-appointing any sales agent and issues them with the Code, ensuring that they understand, acknowledge and accept its requirements. In 2013, the Board updated the Supplier Code of Business Conduct and improved the guidance it provided to the Group's operations, giving detailed information on how they should conduct due diligence and risk assess sales agents.

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. The Head of Internal Audit assesses compliance with the Group's gifts and hospitality policy during audit visits.

CORPORATE GOVERNANCE REPORT CONTINUED

Improvements for 2014

In 2014, the Board will continue with the measures already established, ensuring that all employees and sales agents understand the Code of Business Conduct and Supplier Code of Business Conduct, as appropriate, and comply with it, and ensuring that all ethical concerns raised are thoroughly investigated. The Board will also give increased focus to this area, by strengthening internal audits on compliance with these Codes, ensuring that the training and awareness of employees is fully effective and that the Code has been issued and acknowledged by all sales agents.

SECTION D: REMUNERATION

The Directors' Remuneration Report on pages 40 to 55 describes the Board's approach to remuneration matters.

SECTION E: RELATIONS WITH SHAREHOLDERS

The Company maintains regular contact with its institutional shareholders and consulted with its major shareholders during 2013 when formulating its Remuneration Policy. Twice a year, the Group Chief Executive and Group

Finance Director undertake a series of meetings with the Company's major shareholders, following the announcement of the preliminary full-year and interim results, to discuss both the Board's strategic objectives and the detailed performance of the business. During 2013, the Company's non-executive Chairman also attended the preliminary full-year and interim results announcements made to analysts, in March and August respectively. No major shareholder requested a meeting with any of the non-executive Directors during the year. 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 is given following completion of the formal business at each 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 2013 (the date of the Notice of Meeting for the 2013 AGM), was 415.9 million ordinary shares of 10p each. The total number of proxy votes received for the AGM 2013 represented approximately 73.73% (2012 – 75.47%) of the issued share capital of the Company.

All resolutions put to shareholders at the AGM 2013 were passed on a poll. Details of the proxy voting received by the Company for the AGM 2013 resolutions are set out in the table below.

Details of the proxy voting received by the Company for the AGM 2014 resolutions will be made available on the Company's website following the close of the meeting.

CHARLES BERRY

Chairman
28 February 2014

PROXY VOTING FOR THE AGM 2013 RESOLUTIONS

Resolution Number	Resolution	Number of Votes For	Number of Votes Against	Number of Votes Discretionary	Abstentions	Total Votes Cast (Including Withheld)
1	To receive Annual Report & Financial Statements 2012	301,926,756	6,000	230,813	4,172,793	306,336,362
2	To approve Directors' remuneration report 2012	299,801,288	1,208,046	239,034	5,087,994	306,336,362
3	To declare final 2012 dividend	306,092,957	1,500	239,105	2,800	306,336,362
4	To re-elect Charles Berry	305,459,854	627,995	237,613	10,900	306,336,362
5	To re-elect Andy Hammett	305,320,464	773,285	232,213	10,400	306,336,362
6	To re-elect Mark Vernon	305,894,581	200,064	231,317	10,400	306,336,362
7	To re-elect David Best	305,294,964	773,285	232,213	35,900	306,336,362
8	To re-elect Ian Much	300,920,871	975,085	232,213	4,208,193	306,336,362
9	To re-elect Mark Rollins	306,037,590	22,400	240,972	35,400	306,336,362
10	To re-appoint Deloitte LLP as Auditor	299,357,861	2,057,525	264,739	4,656,237	306,336,362
11	To determine the Auditor's remuneration	303,791,226	1,640,843	253,477	650,816	306,336,362
12	General power to allot shares	303,601,235	2,278,181	233,215	223,731	306,336,362
13	General power to disapply pre-emption rights	305,210,452	834,619	235,205	56,086	306,336,362
14	To renew the share buy-back authority	305,741,209	150,225	237,650	207,278	306,336,362
15	To retain 14 day notice period	296,822,390	9,202,868	237,624	73,480	306,336,362

NOMINATIONS COMMITTEE REPORT



The Nominations Committee is chaired by myself, and comprised of all the non-executive Directors. The Committee attendance record is shown on page 29.

The Committee is tasked with administering the process for appointments, debating succession planning, regularly reviewing such processes and overseeing the composition of the Board. The Nominations Committee's full 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 consultancy firm with a role description, the required skills and personal attributes to be considered. The consultancy firm then filters a list of candidates down to a number of those that it feels meet the skills and attributes required. The consultancy firm then conducts preliminary interviews with the selected candidates, then referring them to Senior for interview together with a written analysis on each candidate. Candidates are interviewed by a number of members of the Board, with the final recruitment decision being taken by the Board as a whole.

Following the appointment of a Director, a full induction programme is provided by the Company. Within the induction process, areas such as financial forecasts, Group strategy and philosophy are explained, together with other relevant topics. Visits to the Group's operations are also undertaken; this involves the new

Director meeting local management teams and learning about the key issues faced by each operation.

The Nominations Committee and the Board has regard to Lord Davies' review into Women on Boards (February 2011) and this has been reflected in the appointment of Celia Baxter to the Board. The Board is dedicated to promoting diversity and equality throughout the Group, regardless of geography or position.

The Nominations Committee met three times in 2013 and a particular focus of its efforts was the appointment of a new Group Finance Director and the recruitment of two new non-executive Directors:

APPOINTMENT OF GROUP FINANCE DIRECTOR

Simon Nicholls, Senior's former Group Finance Director, tendered his resignation in November 2012, having been invited to take up a similar role at Cobham plc. It was agreed that he would leave Senior after the conclusion of the Company's AGM held on 26 April 2013. A comprehensive recruitment process was undertaken with the support of The Zygos Partnership, based on a detailed candidate and person specification.

The Committee, after taking into account all relevant factors concerning the candidates presented, recommended to the Board that Derek Harding be appointed as Group Finance Director. Derek is a Chartered Accountant, having qualified with PricewaterhouseCoopers in 1998, and had most recently worked as Finance Director of Wolseley UK, a £1.7bn revenue business. Prior to this, he had undertaken a number of roles within Wolseley, including Director of Group Strategy & Investor Relations and Head of Mergers & Acquisitions.

The Board agreed the Committee's recommendation and Derek Harding accepted the offer of employment in March 2013, to commence on 2 September 2013, when he was appointed to the Board.

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Having served as a non-executive Director since December 2005, Ian Much retired from the Board in December 2013. David Best also

notified the Company of his intention to retire from the Board at the conclusion of the 2014 AGM, having served as a non-executive Director since May 2007.

As their replacements, the Company announced on 29 July 2013 the appointments of Celia Baxter and Giles Kerr as non-executive Directors with effect from 2 September 2013. Celia Baxter is the Director of Group HR of Bunzl plc. 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. Giles Kerr is Director of Finance of Oxford University. He is a non-executive director of BTG Plc and 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. Senior was supported in the recruitment process for Celia Baxter and Giles Kerr by Korn Ferry Whitehead Mann.

I am very pleased to welcome Derek Harding, Celia Baxter and Giles Kerr to Senior. Derek's time at Wolseley plc makes him an invaluable asset to the Group and his range of experience will be utilised here at Senior. Celia brings experience and competencies from her executive career in HR which will be of great value to Senior; Celia replaced Ian Much as Chair of the Remuneration Committee upon his retirement from the Board in December 2013. Giles' industry and financial experience make him an ideal addition to the Board and a suitably skilled Chair of the Audit Committee to replace David Best, when he retires from the Board at the conclusion of the 2014 AGM.

I would like to take this opportunity to thank Simon, Ian and David for their guidance and strong contributions to the Group's success during their time as Directors of Senior.

CHARLES BERRY

Chairman of the Nominations Committee
28 February 2014



DEREK HARDING



CELIA BAXTER



GILES KERR

AUDIT COMMITTEE REPORT



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:

- considering 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 any questions relating to the resignation or dismissal of the external auditor;
- assessing annually the independence and objectivity of the external auditor, its compliance with regulatory requirements and authorising the provision, if any, of non-audit services;
- monitoring the integrity of the half-year and annual Accounts and related formal Company announcements, and reviewing significant financial reporting judgements contained within them, before their submission to the Board;
- discussing with the external auditor issues and reservations, if any, arising from the interim review and final 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 effectiveness of the internal audit function; considering the major findings of internal audit activities and management's response; ensuring co-ordination between the Head of Internal Audit and the external auditor and ensuring that the internal audit function 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;
- 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 which 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
David Best (Committee Chairman)	1 May 2007
Celia Baxter	2 September 2013
Andy Hammett	8 April 2011
Giles Kerr	2 September 2013
Ian Much	21 December 2005 Retired from the Audit Committee on 5 December 2013

There was full attendance at each of the three meetings of the Audit Committee held in 2013, subject to the appointment dates shown above. Two members constitute a quorum for the Audit Committee. The Group Company Secretary acts as Secretary to the Audit Committee.

David Best is to retire from the Board at the conclusion of the AGM 2014, at which point Giles Kerr will be appointed Chairman of the Audit Committee. Succession planning for this transfer commenced in early 2013, culminating in the appointment of Giles Kerr in September 2013 as a non-executive Director.

Collectively the members of the Audit Committee have significant commercial and financial experience at a senior management level. Both David Best and Giles Kerr have 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 Directors' biographies shown on pages 28 and 29.

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 or may be obtained from the Group Company Secretary.

The Audit Committee normally invites the non-executive Chairman, Group Chief Executive, Group Finance Director, Group Financial Controller, Head of Internal Audit, and senior representatives of 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 Head of Internal Audit and 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 to discuss both routine and business relevant matters.

During 2013, the Audit Committee's Terms of Reference were updated as required by the UK Corporate Governance Code to enable the Audit Committee to advise the Board on whether it believes that taken as a whole the Annual Report & Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model and strategy.

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met on 14 February 2013 to consider the 2012 year-end report and during the subsequent 12 months conducted the following business on the meeting dates indicated below:

Meeting Date	18 July 2013	24 October 2013	21 February 2014
Standing Items	<ul style="list-style-type: none"> • Considered the external auditor's Interim Review for the half-year ended 30 June 2013; • Reviewed and approved the terms of the management representation letter addressed to the external auditor; • Reviewed key accounting judgements; • Discussed the Group's Preliminary Announcement and the Interim Report 2013, together with the slides for the analysts' presentation on the Group's interim results; • Reviewed and agreed the going concern basis to be adopted for the 2013 Interim Report and Accounts; and • Received and considered an internal audit activity report, which provided an update on ongoing matters under review by the Head of Internal Audit and the Audit Committee. 	<ul style="list-style-type: none"> • Discussed and approved the external auditor's audit planning report, including the scope of work, audit approach and fees for the 2013 audit; • Considered potential areas requiring key accounting judgments; • Considered the appropriate level of materiality and noted the implication of applying different levels of materiality; the Audit Committee agreed to maintain the level at 7.5% of adjusted profit before tax; • Received an update from the external auditor on accounting, reporting and governance developments; • Received and considered a further update from the Head of Internal Audit, noting the progress made during the year, and agreed the operations' activities that would be the key focus for review in the coming months; • Undertook a performance evaluation of the Audit Committee; • Carried out an appraisal exercise on the effectiveness of the external audit process; • Reviewed and updated the Audit Committee Terms of Reference; and • Approved an updated Group Whistle-blowing Procedure. 	<ul style="list-style-type: none"> • Reviewed and accepted the Report to the Audit Committee on the 2013 audit made by the external auditor; • Reviewed and approved the terms of the management representation letter addressed to the external auditor; • Reviewed key accounting judgements, including consideration of those significant issues outlined on page 38; • Considered the materiality of any unadjusted audit findings; • Reviewed and discussed the Group's Preliminary Announcement and the Annual Report and Accounts 2013 and the slides for the analysts' presentation on the Group's 2013 results; • Reviewed and agreed the going concern basis to be adopted for the 2013 Accounts; • Approved the Audit Committee Report for 2013; • Reviewed the effectiveness of the Group's risk management and internal control systems and disclosures made in the Annual Report 2013; • Reviewed the Notice of Meeting for the 2014 Annual General Meeting and the 2014 Annual General Meeting Proxy Form; • Received and considered a report presented by the Head of Internal Audit, which included the proposed 2014 internal audit plan, and approved the Group Internal Audit Charter; • Reviewed the status of the Business Continuity Plans and IT Risk Assessments against Group policy; • Received an update on the progress of the Group's anti-bribery training programme; • Approved the scope of the external auditor's 2014 interim review; • Considered the re-tendering of external audit services, which is discussed in detail on page 39; and • Held separate private meetings with the external auditor and the Head of Internal Audit, without executive management being present.
Special Items	<ul style="list-style-type: none"> • Discussed the financial performance of Capo Industries in order to assess executive management's proposal for an impairment of goodwill. This is detailed further on page 38 overleaf; • Received an update on the audit partner rotation process; and • Received and considered a report on the impact of revisions to the UK Corporate Governance Code. 		<ul style="list-style-type: none"> • Discussed the financial performance of Capo Industries and its ongoing consolidation with another of the Group's operations to consider executive management's assertion that a further impairment of goodwill was not required at the point of consolidation. This is detailed further on page 38 overleaf.

AUDIT COMMITTEE REPORT CONTINUED

SIGNIFICANT RISKS CONSIDERED BY THE AUDIT COMMITTEE

Significant risks considered by the Committee

How the risk was addressed by the Committee

Goodwill impairment

The carrying value of goodwill relies on assumptions and judgements made by executive management.

Executive management had posted a £12.7m impairment charge against Capo Industries goodwill in the first half of the year.

Management performed an annual impairment assessment for all operating businesses at 31 December 2013.

The Audit Committee recognises the carrying value of goodwill as a key area of judgement and as such closely reviews executive management's assumptions at both year-end and the half-year.

During the first half of 2013 a number of key contracts were not awarded to Capo Industries, such that at the half year management concluded that the position had changed sufficiently to warrant an impairment of the Capo Industries goodwill in the amount of £12.7m.

The Audit Committee discussed the updated assumptions with management and Deloitte and concluded that the impairment was reasonable and justified.

In November 2013, the decision was taken to merge Capo Industries with Ketema in order to enhance the operational management of Capo Industries. The Committee agrees with management and the external auditor's view that no further impairment was triggered at this time.

Following the annual impairment assessment of all the other operating businesses, the Audit Committee was satisfied that no additional charge for impairment was required.

Acquisition accounting

The Group acquired 100% of the issued share capital of Thermal Engineering Holding Limited ("Thermal") on 29 November 2013 for a cash consideration of £28.3m, less cash acquired of £0.2m and including the repayment of £6.5m of debt in the business at acquisition.

There is judgement in determining the valuation of the intangible assets and associated goodwill with the acquisition.

The Group recognised goodwill of £19.0m and intangible assets of £1.8m on the acquisition of Thermal. The Audit Committee held discussions with executive management regarding the procedures performed to fair value the assets and liabilities acquired.

The external auditor provided the Audit Committee with details of the audit work performed to assess that the assets and liabilities acquired are held at fair value. The Audit Committee was satisfied that the assumptions used were appropriate and that the assets and liabilities are valued at fair value.

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 inventory;
- Central UK & US tax provisions;
- Centrally held, primarily warranty-related; and
- Workers' Compensation.

The Audit Committee considered the basis upon which management had made its accounting judgements to determine the level of provisions.

These were further discussed with the external auditor.

The Audit Committee believes there are no reportable issues arising from these significant areas of judgement.

EXTERNAL AUDIT

INDEPENDENCE OF THE EXTERNAL AUDITOR AND POLICY ON NON-AUDIT SERVICES

To fulfill 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;
- the overall extent of non-audit services provided by the external auditor; and
- the FRC's Audit Inspection Unit public report on Deloitte.

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, but otherwise 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.

In 2012 the Group had seen an increase in the level of non-audit work undertaken by Deloitte as a result of due diligence work on an aborted acquisition. In 2013 the level of non-audit fees returned to normal, historical, rates. Fees for each category of non-audit work undertaken in the year are shown in the table below:

	Fees £000
Tax compliance services	
Other tax advisory services	0.1
Total non-audit fees	0.1
Non-audit fees as a % of total audit fees	19%

The Audit Committee considers that it was beneficial for the Company to retain Deloitte for this non-audit work 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, in order to balance objectivity and value for money.

POLICY ON TENDERING

The Committee notes that current FRC transitional guidance and Competition Commission rules which will come into force from 1 October 2014 indicate that the Company should tender the audit, at the latest, at the time of the next audit partner rotation currently scheduled for 2019. The Committee also notes the latest EU proposals under which it is likely that audit firms in the UK will need to rotate every twenty years with a tender after ten years. The Company may put the audit out to tender at any time, however, for the reasons noted below it will not be tendered in 2014 and the matter will be reviewed on an annual basis.

Deloitte was appointed the Company's auditor in August 2000. Its performance is reviewed annually by the Audit Committee. In deciding not to put in place a tender process in 2013 and 2014, the Committee considered:

- the Deloitte audit partner, Gregory Culshaw, will be rotated off the audit on 25 April 2014 and the new audit partner's five-year term will end in 2019, in accordance with the FRC's Ethics Standard 3 (Revised);
- the change of the Group Finance Director during the year;
- the upcoming change in the Chair of the Audit Committee; and
- the Audit Committee's assessment of the external auditor's effectiveness and independence.

ASSESSMENT OF EXTERNAL AUDIT EFFECTIVENESS

As in prior years, the Audit Committee reviewed the effectiveness of the external auditor, by assessing a range of key areas. In 2013, the Secretary presented the Audit Committee with a framework of questions to facilitate a debate and to assist the Audit Committee in assessing the level of auditor effectiveness. 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.

The Audit Committee discussed: the audit partner and the team as a whole; the audit planning approach and its execution; the role of executive management in the audit process; communications by the auditor to the Audit Committee and how it supported the work of the Audit Committee. The Audit Committee also discussed what insights the auditor had provided and where it had added value to the overall audit process. 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.

Feedback about the effectiveness of the audit process from the local management teams was also considered by the Audit Committee.

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 Deloitte LLP be re-appointed as auditor in 2014.

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.

The Group's risk management and internal control procedures are reviewed by the Group's Head of Internal Audit, who has direct access to the Chairman of the Board and the Audit Committee respectively. The Group's internal audit function is a key element of the Group's risk management system and it operates independently of the external auditor to enhance the audit services utilised by the Company.

In 2013, the Audit Committee discussed the resourcing of the internal audit function and the Head of Internal Audit highlighted the context and background to the audit work undertaken. During the year, the Head of Internal Audit received additional resource from the Group's central Finance function, from internal secondees and from an independent audit firm.

The Head of Internal Audit provided, to the Audit Committee, reports on the progress made on delivering the 2013 internal audit plan, the status of internal audit recommendations and a small number of additional risk and internal audit activities that had also been

scheduled. Upon completion of the 2013 internal audit plan, 19 internal audit projects/reviews had been undertaken to support the business in improving the management of risk and internal control; the audits were mostly focused on the Group's operations within the Aerospace and Flexonics Divisions, but also included corporate functions, including treasury.

The 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 2013, a total of 37 site visits were undertaken by the Chairman and non-executive Directors. These visits by the non-executive Directors are viewed by the Audit Committee as making a positive contribution to the internal control framework.

In 2013, the Audit Committee also approved minor amendments to the Group Internal Audit Charter.

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 the meeting on 21 February 2014, the Audit Committee considered each section of and the Annual Report and Accounts as a whole, as proposed by the Company; it reached a conclusion and advised the Board that it considered the Annual Report and Accounts 2013 to be fair, balanced and understandable and that it provided the information necessary for shareholders to assess the Company's business model and strategy. The Chairman of the Audit Committee will be available at the 2014 AGM to answer any questions about the work of the Committee.

APPROVAL

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

DAVID BEST

Chairman of the Audit Committee
28 February 2014

REMUNERATION REPORT: ANNUAL STATEMENT



Dear Shareholder

From 6 December 2013, I took over the responsibility of chairing the Senior plc Remuneration Committee (the "Committee") from Ian Much who retired in December having contributed greatly to the Committee over the last six years. I am very grateful for the work that Ian led during 2013 relating in particular to: reviewing the executive remuneration policies and practices; developing the remuneration policy for executive Directors that will be operated from 2014 to 2017; formulating the proposals for a replacement Long-term Incentive Plan ('the 2014 Plan'); and overseeing the composition of the remuneration package for the recruitment of Derek Harding, Group Finance Director.

In accordance with the 2013 Regulations, resolutions inviting shareholders to approve the remuneration policy and this Remuneration Report will be put to the Annual General Meeting on 25 April 2014.

The past few years have seen Senior deliver robust performance against a background of mixed markets. While the civil aerospace industry continues to grow strongly, the markets for land vehicles have been more challenging, particularly for passenger vehicles in Western Europe. Adjusted EPS has increased by nearly 80% over the most recent five financial years and Senior's share price has grown by over 680% from the end of 2008 to the end of 2013. We believe that Senior's remuneration package for the executive Directors has been supportive of this growth as it has incentivised management to deliver sustained earnings growth and strong cash flow performance.

As preparation for the publication of the first Remuneration Report under the new BIS regulations, the Committee conducted a detailed review of its remuneration policy

for executive Directors. The conclusion of the review was that Senior's current remuneration policies have served the business well and only a small number of changes are being proposed to the existing remuneration practices.

We decided, for administrative ease, to bring forward proposals to replace the 2005 Long-term Incentive Plan ("2005 Plan") which expires in April 2015. We, therefore, seek approval for a replacement long-term incentive plan at the same time as the Company's first binding vote on Senior's Directors' Remuneration Policy at the 2014 AGM. The 2014 Plan will be substantially the same as the 2005 Plan, except for the following changes:

- An amount equivalent to the dividends that would have accrued on vested shares during the vesting period will be paid to executives upon the vesting of the award. In line with current investor thinking, no dividend equivalent will be paid in respect of the period between vesting and exercise where awards are delivered as nil cost options.
- Consistent with current best practice, the Remuneration Committee will have the power to claw back all or part of the awards/payments for three years following vesting in the event of material misstatement, error or inaccurate or misleading information or gross misconduct.

It remains the Committee's policy to provide executive and senior management remuneration packages which reward performance and are competitive, but not market leading. Taking into consideration both the performance of Senior and current levels of remuneration for Senior's executive Directors, the Committee wishes to have the flexibility to increase, as it feels appropriate, the normal award limit under the LTIP from 100% to 150% of salary. The exceptional limit will remain at 200% of salary. The quantum of awards and shareholding guidelines will remain unchanged in 2014.

Assuming that our proposals for the 2014 Plan are approved, we would intend to grant performance shares using the new plan from 2015.

It is proposed that in the future the maximum pension allowance offered in lieu of joining a retirement plan will be 20%. However, there are no plans to amend the overall quantum of pension contribution/pension allowances currently in place.

In line with the new disclosure regulations, in 2013 we formalised our recruitment and termination policies. Derek Harding was appointed as Group Finance Director from 2 September 2013. The recruitment policy was used as the basis for determining the remuneration package to facilitate his recruitment as detailed on page 52. By joining Senior, Derek forfeited entitlements from his previous employer, which had no performance conditions attaching and were close to vesting or maturity. In structuring his recruitment package, the Committee sought to partly compensate him with awards that vest over longer time periods, some of which are subject to performance conditions based on the longer-term performance of Senior, and take into account the expected value of the awards foregone.

Finally, in 2012 we made various changes to the Remuneration Report in preparation for the introduction of the new reporting regulations and following the finalisation of these regulations we have once again amended our reporting to meet these requirements. We have endeavoured to ensure that our remuneration arrangements are described in a succinct and transparent manner.

This year's Remuneration Report consists of three sections:

1. this Annual Statement;
2. a Policy Report, which describes the Company's policy for the remuneration of executive and non-executive Directors for the coming year and which is not subject to audit; and
3. the Annual Report on Remuneration on pages 47 to 55, produced in accordance with the Large and Medium Sized Companies and Groups (Accounts and Reports) Amendment 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, which provides details of the Directors' emoluments, shareholdings, long-term incentive awards and pensions for the year ended 31 December 2013 and intentions for 2014.

CELIA BAXTER

Chair of the Remuneration Committee

REMUNERATION REPORT: POLICY REPORT

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, if approved by shareholders at the 2014 AGM, will become binding from that date.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary	<ul style="list-style-type: none"> Reflects the performance of the individual, their 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Individual performance in the role and Group performance are among the factors taken into consideration when awarding increases
Bonus	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Up to 70% of salary paid in cash with up to a further 35% 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 Committee may review the performance conditions from time to time 	<ul style="list-style-type: none"> Overall maximum of 105% of salary 	<ul style="list-style-type: none"> The Committee determines performance conditions and weightings at the start of each year For 2014, the financial metrics include free cash flow (first half and full-year performance against budget) and adjusted earnings per share (year-on-year growth and performance compared to budget) measures 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 REPORT CONTINUED

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Long-term Incentive Plan ("LTIP")	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 Committee may review the performance conditions from time to time 	<ul style="list-style-type: none"> 100% of salary for LTIPs to be awarded in 2014 150% of salary thereafter 200% of salary in exceptional circumstances, such as upon recruitment 	<ul style="list-style-type: none"> The Committee determines performance conditions and weightings at the start of each year providing that the targets are not materially less challenging For 2014, the awards will be based on a mix of: <ul style="list-style-type: none"> Relative Total Shareholder Return (50% of the award); and Group 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 claw back at the Committee's discretion during the period of three years following the date of vesting
All-Employee Share Schemes	<ul style="list-style-type: none"> All employees including executive Directors are encouraged to become shareholders through the operation of the Sharesave Plan, the HMRC-approved all-employee share plans 	<ul style="list-style-type: none"> 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 approved by shareholders at the 2006 AGM 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> N/A
Pension	<ul style="list-style-type: none"> Provides competitive retirement benefits for the Group's employees 	<ul style="list-style-type: none"> The Group's UK final salary pension plan will close to future accrual from 6 April 2014. Thereafter, 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 	<ul style="list-style-type: none"> 20% of basic salary either as Company contribution to GFRP or as salary in lieu of pension 	<ul style="list-style-type: none"> N/A
Other Benefits	<ul style="list-style-type: none"> Provides a competitive package of benefits that assists with recruitment and retention 	<ul style="list-style-type: none"> Benefits include provision of a fully expensed car or car allowance, private medical insurance, life insurance and income protection, tax equalisation and relocation benefits 	<ul style="list-style-type: none"> The value of benefits is based on the cost to the Company and is not pre determined There is no monetary cap on Other Benefits 	<ul style="list-style-type: none"> N/A
Shareholder Guidelines	<ul style="list-style-type: none"> Aligns executive Directors' interests with that of other shareholders in the Company 	<ul style="list-style-type: none"> 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 100% of base salary is built up 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> 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 41 and 42. 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. Any increases in incentive quantum offered above this limit would be contingent on the Company receiving shareholder approval for an amendment to its approved policy at its next General Meeting.

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 of 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). Derek Harding joined the Company as Group Finance Director during the year and his recruitment package is set out on page 52.

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 of 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: cash flow which is a key measure of the business's ability to fund future acquisitions; and EPS which will reflect the Group's ability to expand into new regions and product markets and increase the profitability of the existing operations. 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 EPS and relative TSR. 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 EPS targets are reviewed prior to each grant by the taking account of internal and external expectations of future 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 targets linked to challenging targets tied to the performance of their employing entity and Division.

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. Lower aggregate incentive quantum operates at below executive level with levels driven by the impact of the role and market comparatives.

In order to encourage wider employee share ownership, the Company operates a Sharesave Plan in which UK and US employees, including executive Directors, have participated. During 2013, the Sharesave Plan was offered to employees in other territories so that a greater proportion of the Group's employees may participate.

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

The Committee also reviews the salaries of more than 200 senior managers and therefore is fully cognisant of pay levels in the Group when determining the pay of the executive Directors.

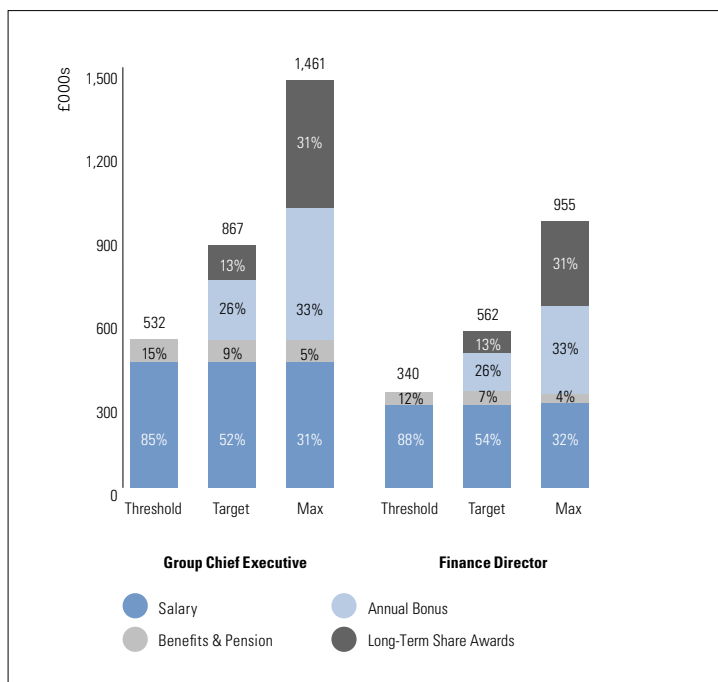
In addition, the Committee's policy is that salary increases for the executive Directors and senior executives should not normally be greater than the general level of increases awarded to other senior managers in Europe and North America, other than when an executive changes role or when it is necessary in order to ensure levels of remuneration remain market competitive. Increases for the general workforce in Europe and North America for 2014 were approximately 2.5%.

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

REMUNERATION REPORT: POLICY REPORT CONTINUED

OVERALL BALANCE OF MEASURES FOR VARIABLE PAY REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

The chart below shows how the composition of each of the executive Directors' remuneration packages varies at different levels of performance under the Remuneration Policy set out previously.



The chart above is based on the following assumptions

	Threshold	Target	Maximum
Fixed pay	Salary is the basic salary as at 1 January 2014 The value of Benefits and Pension is taken from the single total figure of remuneration for 2013		
Annual bonus	Nil	Approximately 50% of the maximum payout	100% of the maximum payout
Long-term share awards	Nil	25% vesting under the LTIP (i.e. 25% of 2014 basic salary) and set out at face value, with no share price growth or dividend assumptions	100% vesting under the LTIP (i.e. 100% of 2014 basic salary) and set out at face value, with no share price growth or dividend assumptions

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
Contract dates	Mark Rollins – 9 November 2007 Derek Harding – 2 September 2013
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 In addition, Mark Rollins' contract provides for the payment of a performance-related bonus calculated pro rata to the termination date 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 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 page 45.

POLICY ON PAYMENT FOR DEPARTURE FROM OFFICE

On termination of an executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate his 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 & benefits	Paid for the proportion of the notice period worked and any untaken holidays prorated to the leaving date	Paid up to the date of death or leaving, including any untaken holidays pro rated 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 pro rated 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, 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, 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.

POLICY FOR NON-EXECUTIVE DIRECTORS

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Non-executive Directors and Chairman fees	<ul style="list-style-type: none"> Takes account of recognised practice and set at a level that is sufficient to attract and retain high-calibre non-executive Directors 	<ul style="list-style-type: none"> 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 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> N/A

REMUNERATION REPORT: POLICY REPORT CONTINUED

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 which are available to view upon request. 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 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 of Original Term Commenced	Date Current Term Commenced	Expected Expiry Date of Current Term
Charles Berry (Chairman)	Joined the Board in March 2012 and became Chairman in April 2012	–	–
Celia Baxter	2 September 2013	–	September 2016
David Best	May 2007	December 2012 ⁽¹⁾	April 2014
Andy Hamment	April 2011	New term to commence April 2014 ⁽²⁾	April 2017
Giles Kerr	2 September 2013	–	September 2016
Mark E. Vernon	April 2011	New term to commence April 2014 ⁽²⁾	April 2017

⁽¹⁾ In December 2012, David Best's term of appointment was extended to April 2014 to provide continuity and support for Derek Harding who joined the Company as Group Finance Director on 2 September 2013.

⁽²⁾ The initial 3-year terms of appointment of Andy Hamment and Mark E. Vernon had been due to expire in April 2014. In February 2014, the Nominations Committee agreed to extend their appointments, in accordance with their original letters of appointment, for a further 3-year term expiring in April 2017.

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 when formulating the Remuneration Policy. Consultation with shareholders was constructive and did not result in any significant changes being made to the proposed Remuneration Policy or to the 2014 Plan rules.

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, in approving this Policy Report, authority is given to the Company 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 and the recruitment arrangements entered into with Derek Harding. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

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 above);
- adjusting the constituents of the TSR comparator group;
- determining the extent of vesting based on the assessment of performance;
- determining "good leaver" status and 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.

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 ⁽¹⁾ – Chair	1	1
David Best	6	6
Charles Berry	6	6
Andy Hammett	6	6
Giles Kerr ⁽²⁾	1	1
Ian Much ⁽³⁾	6	6
Mark Vernon	6	5

⁽¹⁾ Appointed to the Board on 2 September 2013 and became Chair of the Remuneration Committee on 5 December 2013.

⁽²⁾ Appointed to the Board on 2 September 2013.

⁽³⁾ Ian Much was Chair of the Remuneration Committee until his retirement from the Board on 5 December 2013.

OTHER ATTENDEES AT REMUNERATION COMMITTEE MEETINGS

The Group Chief Executive attends 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 their 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 (an Aon Hewitt company, part of Aon plc) in relation to the new 2014 Plan and the drafting of the rules, on the updating of the Remuneration Policy and on the new Annual Report disclosure requirements, and Lane Clark & Peacock ("LCP") in relation to the review of the remuneration packages of the executive Directors and senior managers, and the executive Directors' pension arrangements. New Bridge Street has no other connection with the Company; LCP is appointed by the Trustee of the Senior plc Pension Plan to act as the Plan's Actuary and Investment Adviser. During 2013, the Company incurred fees of £31,484 from New Bridge Street and £19,015 from LCP in relation to advice on executive remuneration and these costs were based on hourly rates.

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 2013 has been objective and independent.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

PRINCIPAL ACTIVITIES AND MATTERS ADDRESSED DURING 2013

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 four times each year, or more as required. It met six times in 2013. 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
January	Performance update on outstanding incentive awards	
February	Review of performance and outcomes under the Annual Bonus and Deferred Bonus Award. Review of performance and vesting under long-term incentives. Determining incentive structure for the next financial year including finalisation of targets. Remuneration report.	Formulation and negotiation of remuneration package for new Group Finance Director
March	Confirmation of LTIP and Deferred Bonus Awards.	
December	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. Review of Long-term Incentive Plan structure and participants for the next financial year. Review of the Chairman's fee.	Review and approve Directors' Remuneration Policy

STATEMENT OF VOTING AT GENERAL MEETING

At last year's AGM, held on 26 April 2013, votes on the Directors' Remuneration Report were cast as follows:

Remuneration Report	Voting	For	Against	Withheld ⁽¹⁾	Total	Reason for vote against, if known	Action taken by Committee
2012	Votes	300,040,322	1,208,046	5,087,994	306,336,362	N/A	N/A
	%	99.6%	0.4%	N/A	100.0%		

⁽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.

The disclosure in the 2014 Remuneration Report will include details of the binding shareholder vote on the Directors' Remuneration Policy and the adoption of the new LTIP rules.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2013

The differences between the remuneration policy for 2013 and the policy on which shareholders will vote at the 2014 AGM are set out below.

Component	Operation of the component	Maximum potential value	Performance metrics used, weighting and time period applicable
Base salary	No difference	No difference	No difference
Pension	During the year, Mark Rollins was a member of the Senior plc Pension Plan, Senior's UK defined benefit pension scheme. To the extent that his annual pension accrual in the final salary pension scheme was above the Government-imposed Annual Allowance, he received a salary supplement equal to the pension benefit accrual foregone. For executive Directors who are not members of the defined benefit retirement plan, there is a choice of joining the defined contribution Group Flexible Retirement Plan with a choice of contribution rates namely, 3% employee, 15% employer; or 5% employee, 20% employer; or a pension allowance of 15% of salary.	Subject to final consultation, from April 2014, the Senior plc Pension Plan will be closed to future accrual for all active members. All executive Directors will be able to participate in the Group Flexible Retirement Plan. It is proposed that in the future, the maximum pension allowance offered in lieu of joining a retirement plan will be 20% to executive Directors. The overall quantum of pension contribution/pension allowances currently in place remain unchanged.	N/A
Benefits	No difference	No difference	N/A
Annual bonus	No difference	No difference	No difference
LTIP	100% of salary for awards awarded in 2013. An amount equivalent to the dividends that would have accrued on vested shares during the vesting period will not be paid to Executives upon the vesting of the award.	100% of salary for awards to be awarded in 2014, but maximum level of grants thereafter will be increased from 100% up to 150% of salary.	No difference

Details of performance targets are provided on pages 50 to 52.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

The following table shows a single total figure of remuneration in respect of qualifying services for the 2013 financial year for each executive Director, together with comparative figures for 2012. Aggregate directors' emoluments are shown at the end of the Single Total Figure of Remuneration section.

	Salaries and fees £000s		Taxable benefits and allowances ⁽⁷⁾ £000s		Bonus ⁽⁸⁾ £000s		Recruitment award £000s		Long-term Incentives ⁽⁹⁾ £000s		Pension benefits including cash in lieu of pension £000s		Total £000s	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		
Executives														
Mark Rollins ⁽¹⁾	400	390	19	18	310	424	–	–	896	662	61	34	1,686	1,528
Simon Nicholls ⁽²⁾	87	270	4	13	–	174	–	–	–	435	17	61	108	953
Derek Harding ⁽³⁾	100	–	5	–	68	–	325	–	–	–	18	–	516	–
Non-executives														
Charles Berry ⁽⁴⁾ (Chairman)	144	117	3	2	–	–	–	–	–	–	–	–	147	119
Celia Baxter ⁽⁵⁾	13	–	–	–	–	–	–	–	–	–	–	–	13	–
David Best	53	52	–	–	–	–	–	–	–	–	–	–	53	52
Andy Hamment	40	39	–	–	–	–	–	–	–	–	–	–	40	39
Giles Kerr ⁽⁵⁾	13	–	–	–	–	–	–	–	–	–	–	–	13	–
Ian Much ⁽⁶⁾	45	47	–	–	–	–	–	–	–	–	–	–	45	47
Mark E. Vernon	40	39	1	1	–	–	–	–	–	–	–	–	41	40
Total remuneration														

⁽¹⁾ Mark Rollins' 2013 base salary was £453,000 (2012 – £440,000) although he elected to waive £53,000 (2012 – £50,000) of his salary and therefore received a salary of £400,000 (2012 – £390,000), representing an increase of 2.9%. His bonus for both years was based on salary before waiver. Mark Rollins originally waived part of his salary increase in 2011 so that his percentage increase was broadly in line with the average percentage increase awarded to Group employees.

⁽²⁾ Simon Nicholls' 2013 total reflects him leaving part way through the year, on 30 April 2013. No compensatory payment was made. Simon Nicholls' 2013 salary increased by 2.9% to £278,000.

⁽³⁾ Derek Harding's 2013 total reflects him joining part way through the year, on 2 September 2013. His single figure remuneration total includes his Sign-on Awards consisting of a £100,000 cash award and a deferred share award with a face value of £225,000. Further information on his Sign-on Award can be found in Sign-on Awards on page 52.

⁽⁴⁾ The 2012 comparator reflects Charles Berry joining part way through the year, on 1 March 2012.

⁽⁵⁾ Celia Baxter and Giles Kerr's 2013 totals reflect their joining part way through the year, on 2 September 2013.

⁽⁶⁾ Ian Much's 2013 total reflects him leaving part way through the year, on 5 December 2013.

⁽⁷⁾ Taxable benefits include the provision of a fully expensed company car or car allowance and private medical insurance.

⁽⁸⁾ Awards under the deferred bonus award, the Enhanced SMIS, in respect of 2013 performance will be granted in March 2014. The deferred bonus element that is to be granted in the form of shares to Mark Rollins and Derek Harding in March 2014 is included in the cash bonus figure and will be equivalent in value to 22.8% of 2013 base salary, namely £103,284 and £22,800 respectively.

⁽⁹⁾ 100% of the 2011 LTIP Award is due to vest in March 2014. As the award had not vested at the date this report was signed, the average market value of the shares over the last three months of 2013 of 284.7p has been used to determine the value for the purposes of the single total figure. The 2012 comparator figure was calculated using the share price on the date of vesting of the 2010 LTIP Award of 240.4p. Further details on the performance conditions can be found on page 51.

FEES RECEIVED FOR OUTSIDE APPOINTMENTS

Mark Rollins was appointed a non-executive director of The Vitec Group plc on 2 October 2013 and received total fees of £9,855 during the year.

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. Annual fees for the non-executive Directors were increased on 1 January 2013 and are shown below:

Fees	2013 £	2012 £	Percentage change
Chairman	144,000	140,000	2.9%
Non-executive Director ⁽¹⁾	40,400	39,250	2.9%
Chair of Audit Committee	5,500	5,250	4.8%
Chair of Remuneration Committee ⁽²⁾	5,500	5,250	4.8%
Chair of Trustee Board of the Senior plc Pension Plan	7,500	7,250	3.4%
Senior Independent Director ⁽³⁾	2,750	2,500	10.0%

⁽¹⁾ Celia Baxter and Giles Kerr were appointed to the Board on 2 September 2013.

⁽²⁾ Celia Baxter was appointed Chair of the Remuneration Committee upon the retirement from the Board of Ian Much in December 2013.

⁽³⁾ Andy Hamment was appointed the Senior Independent Director upon the retirement from the Board of Ian Much in December 2013.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

SENIOR MANAGERS' EMOLUMENTS

In addition to setting the remuneration of the executive Directors, the Remuneration Committee oversees the remuneration of more than 200 other senior managers. The table below shows the cumulative benefits of the six Divisional Directors and the four most senior corporate managers.

	2013 Total £000s	2012 Total £000s
Short-term employee benefits	2,391	2,581
Post-employment benefits	196	182
Share-based payments	1,018	826
Total	3,605	3,589

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 2013 have been determined by adjusted EPS and cash flow performance as set out in the table below. Maximum payouts under each measure require at least 15% outperformance of the target or prior year benchmark.

The 2013 scheme provided a maximum bonus potential of 105% of salary (2012 – 105%), of which 70% would be payable in cash and 35% would be payable in deferred shares. The 2013 bonus award for the executive Directors delivered a bonus of 68.4% of salary (2012 – 96.45%), of which 45.6% of salary was payable in cash (2012 – 64.3% of salary) and 22.8% of salary was paid in deferred shares (2012 – 32.15%).

A summary of the measures, weightings and performance achieved in 2012 and 2013 is provided in the table below.

KPI	2013				2012			
	Maximum bonus achievable	Percentage of maximum achieved	Cash bonus payable (% of 2013 salary)	Bonus payable in deferred shares (% of 2013 salary)	Maximum bonus achievable	Percentage of max achieved	Cash bonus payable (% of 2012 salary)	Bonus payable in deferred shares (% of 2012 salary)
Cash flow targets								
Interim	15.0%	100%	10.0%	5.0%	15.0%	100%	10.0%	5.0%
Full year	22.5%	100%	15.0%	7.5%	22.5%	100%	15.0%	7.5%
EPS targets								
Internal target	30.0%	59.0%	11.8%	5.9%	30.0%	71.5%	14.3%	7.2%
Year-on-year growth	37.5%	35.2%	8.8%	4.4%	37.5%	100%	25.0%	12.5%
Totals	105.0%	65.1%	45.6%	22.8%	105.0%	91.9%	64.3%	32.2%

No 2013 bonus was payable to Simon Nicholls as he resigned from the Board on 30 April 2013 to take up a similar role with Cobham PLC.

Derek Harding joined the Board on 2 September 2013 and received a prorated 2013 bonus to reflect the time served during the year.

Mark Rollins' bonus for both years was based on salary before waiver.

TOTAL PENSION ENTITLEMENTS (AUDITED INFORMATION)

Following consultation with the members of the Senior plc Pension Plan ("the Plan") the Group has decided to close the Plan to future accrual for all active members on 6 April 2014. Executive Directors who are not members of the Plan 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 15% of unrestricted salary.

Mark Rollins' pension arrangements are provided by the Plan and are based upon his restricted pensionable salary for the 2013/14 Plan year of £131,165 (2012/13 – £128,000) with him contributing 9% of his restricted pensionable salary. The normal retirement date of the Plan for Directors is 60 years. His single figure remuneration for pension benefits was £60,885 (2012 – £34,451) which consisted of pension accrued (net of his contribution to the Plan) of £53,613 (2012 – £34,043) and a cash allowance of £7,272 (2012 – £408). No additional benefit will become receivable by him in the event that he retires early. Mark Rollins is a member of the Plan but only to the extent that his annual pension accrual is at or below the Government-imposed Annual Allowance (£50,000 for tax years 2012/13 and 2013/14). In lieu of accrual above this Annual Allowance, he has, since 6 April 2011, been eligible to receive a salary supplement equal to the pension benefit accrual foregone. Included within his single figure remuneration for pension benefits of £60,885, Mark Rollins received a supplement in 2013 of £7,272 (2012 – £408).

Simon Nicholls left service on 30 April 2013 and his pension accrued over the year was based on his deferred Plan benefits at that date. His single figure remuneration for pension benefits in 2013 was £17,470 (2012 – £61,219) which included a supplement of £4,227 (2012 – £11,616).

Derek Harding joined the Senior GFRP on 2 September 2013. His single figure remuneration for pension benefits in 2013 of £17,500 (2012 – £nil) consisted of: a contribution of £10,000 made to the Senior GFRP on his behalf, being 20% on half his salary received; and of a cash allowance of £7,500, being 15% over the other half of his salary received.

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
BY REFERENCE TO PERFORMANCE IN THE FINANCIAL YEAR (AUDITED INFORMATION)**

2011 Award, vesting March 2014

Performance measure	Target (25% vesting)	Maximum (100% vesting)	Actual	Percentage of total award achieved
Total shareholder return ranking	16.5	6.9	4	50%
Annual average growth above RPI in earnings per share	3%	8%	15.75%	50%

The award held by Mark Rollins was as follows:

2011 Conditional share award ⁽¹⁾	Number of shares awarded	Percentage vesting	Number of shares vesting	Value of shares vesting ⁽²⁾ £000s
Mark Rollins	314,814	100%	314,814	896

⁽¹⁾ Simon Nicholls' 2011 award lapsed upon his resignation from the Board on 30 April 2013.

⁽²⁾ As Mark Rollins' award had not vested at the date this report was signed, the average market value of the shares over the last three months of 2013 of 284.7p has been used to determine the value for the purposes of the single total figure.

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
Mark Rollins	LTIP	Annual award	453	25%	188,044	31 December 2015
Derek Harding	LTIP	Annual award	300	25%	107,875	31 December 2015

The face value of Mark Rollins' award was calculated using the closing share price on 22 March 2013, being the trading day immediately prior to the date of the award, which was 240.9p per share. The face value of Derek Harding's award was calculated using the closing share price on 3 September 2013, being the trading day immediately prior to the date of the award, which was 278.1p per share. In addition to the above, Derek Harding received awards to the value of 100% of salary upon his recruitment as set out under Sign-on Awards on page 52.

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

The following tables show the current position against performance targets for LTIP awards outstanding from 2012 and 2013.

Performance measure	Conditional share awards in 2013			Conditional share awards in 2012		
	Target (25% vesting)	Maximum (100% vesting)	Actual to date	Target (25% vesting)	Maximum (100% vesting)	Actual to date
Total shareholder return ranking	16.5	6.9	8	16.5	6.9	9
Annual average growth above RPI in earnings per share	4%	10%	4.37%	3%	8%	12.37%

The TSR comparator group applicable to the 2013 LTIP award consists of manufacturing companies within the following FTSE All Share sectors: Aerospace & Defence; Automobiles & Parts; Electronic & Electrical Equipment; and Industrial Engineering. The constituent comparator companies for the 2013 award, broadly similar to those used for each year of award from 2009 onwards, are listed below:

Avon Rubber	Fenner	Oxford Instruments	Spirax-Sarco
BAE Systems	GKN	Qinetiq Group	TT Electronics
Bodycote	Halma	Renishaw	Ultra Electronics
Chemring Group	Hill & Smith	Rolls-Royce Group	Vitec Group
Cobham	IMI	Rotork	Volex
Dialight	Meggitt	Senior	Weir Group
Domino Printing Sciences	Melrose	Severfield-Rowen	Xaar
e2v technologies	Morgan Advanced Materials	Spectris	XP Power

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

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

SIGN-ON AWARDS

Derek Harding was appointed as Group Finance Director from 2 September 2013. By joining Senior, Derek forfeited entitlements from his previous employer which had no performance conditions and were close to vesting on maturity. In structuring his recruitment package, the Committee sought as much as possible to partly compensate him with awards that vest over longer time periods which are subject to performance conditions based on the longer-term performance of Senior and take into account the expected value of the awards. The estimated value of the benefits foregone by Derek Harding at his previous employer was £775,000 based on the share price of his former employer on the date he joined Senior. In recognition of the fact that Derek Harding was relinquishing awards from his previous employment which were close to vesting or maturity, a cash payment of £100,000 was paid to Derek Harding in December 2013 and the Committee granted him the following awards:

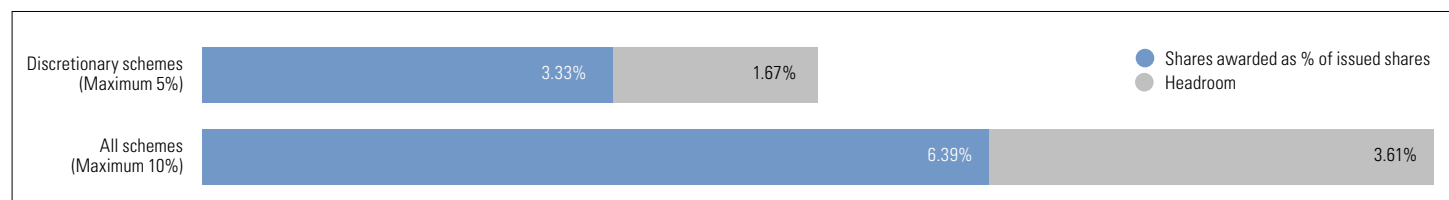
Form of award	Face value of award	Number of Shares	Vesting conditions
Deferred Share Award under Listing Rule 9.4.2R	£225,000	82,720	No performance conditions 4/9ths vest on 2 September 2014 3/9ths vest on 2 September 2015 2/9ths vest on 2 September 2016
Performance shares under the 2005 LTIP	£300,000	107,874	Subject to the same performance conditions as awards granted to other senior executives in 2013. Award is due to vest in September 2016. 25% vesting at threshold performance

The face value of the deferred share award was calculated using the average closing share price on the three trading days immediately prior to Derek Harding's appointment on 2 September 2013, which was 272.0p per share. The face value of the LTIP award was calculated using the closing share price on 3 September 2013, being the trading day immediately prior to the date of the award, which was 278.1p per share.

The deferred share award will ordinarily lapse on cessation of employment as to unvested parts except in certain "good leaver" circumstances. In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) the award will vest early at such time to such extent as considered appropriate by the Remuneration Committee. No amendments to the advantage of Derek Harding will be made to the material terms of the award without shareholder approval other than any minor alteration to: (i) benefit the administration of the award; (ii) take account of a change in legislation; or (iii) obtain or maintain favourable tax, exchange or regulatory treatment for him or the Company. The award is not pensionable or transferable (except on death). The award may only be satisfied with market purchased shares. No newly issued or treasury shares will be used in connection with the award.

SHAREHOLDER DILUTION

Percentage of issued shares



The Company complies with the dilution guidelines contained within "Executive Remuneration – ABI Guidelines on Policies and Practices". At 31 December 2013, awards outstanding and shares issued in the previous 10 years under all share plans (the Senior plc 2005 Long-term Incentive Plan ("the LTIP"), Derek Harding's Share Award and the 2006 Savings-Related Share Option Plan (the "Sharesave Plan")) amounted to 6.39% of the issued ordinary share capital of the Company. At 31 December 2013, awards outstanding and shares issued in the previous 10 years under executive (discretionary) plans (the LTIP and Derek Harding's Share Award) amounted to 3.33% of the issued ordinary share capital of the Company.

Typically, share awards are satisfied by the issue of new shares, except for the Enhanced SMIS deferred bonus share award where market purchased shares are used. 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 ABI 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 100% of base salary is built up. Based on the executive Directors' 2013 base salaries, Mark Rollins had a holding of 509% of base salary and Derek Harding had a holding of 20% 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 2013 of 307.2p.

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

Directors	Share ownership requirements (% of 2013 base salary)	Number of shares required to be held	Number of shares owned outright (including connected persons)	Share ownership requirements met	Deferred share awards not subject to performance conditions	Weighted average period to vest of deferred share awards
Derek Harding	100%	97,657	20,000	No – 20%	82,720	1.45 years
Mark Rollins	100%	147,461	750,000	Yes – 509%	134,785	1.69 years

	Legally owned (no. of shares)	
	31 December 2013	31 December 2012
Executive Directors		
Mark Rollins	750,000	700,000
Derek Harding ⁽¹⁾	20,000	N/A
Non-executives Directors		
Charles Berry	10,000	–
Celia Baxter ⁽¹⁾	10,000	N/A
David Best	40,195	40,195
Andy Hamment	19,877	19,877
Giles Kerr ⁽¹⁾	–	N/A
Mark E. Vernon	18,063	18,063

⁽¹⁾ Derek Harding, Celia Baxter and Giles Kerr were appointed to the Board on 2 September 2013.

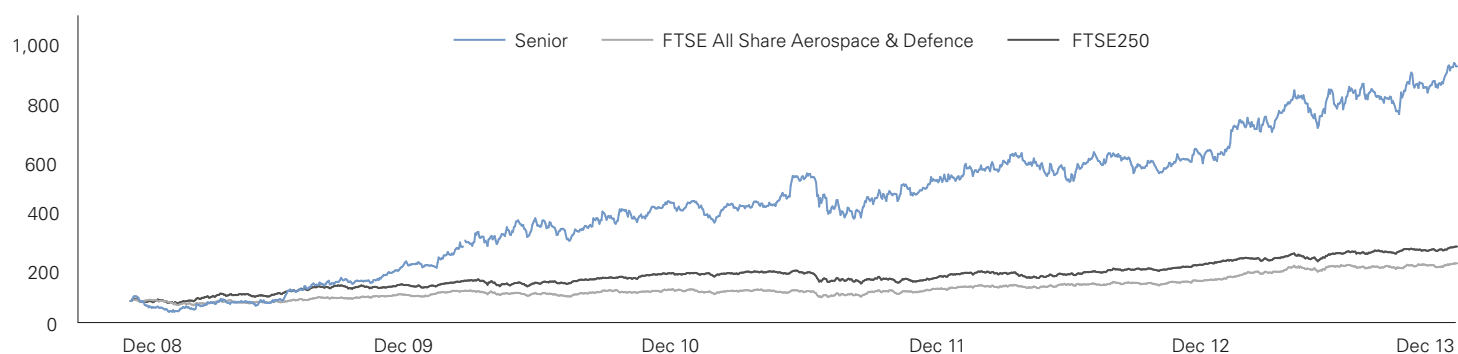
PERFORMANCE GRAPH

SHARE PRICE PERFORMANCE

The closing middle market price of the shares at 31 December 2013 was 307.2p (2012 – 199.6p). During 2013, the shares traded in the range of 197.7p to 311.2p.

SENIOR PLC TOTAL SHAREHOLDER RETURN

The following graph compares the Total Shareholder Return of the Company's shares against the "FTSE All-Share, Aerospace & Defence index", and the FTSE250 index over a five-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
CEO single figure of total remuneration (£000s)	578	899	1,805	1,529	1,686
Annual variable element award rates against maximum opportunity (%)	38 ⁽¹⁾	100	100	92	65
Long-term incentive vesting rates against maximum opportunity (%)	100	82	100	100	100

⁽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.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

PERCENTAGE CHANGE IN REMUNERATION OF THE GROUP CHIEF EXECUTIVE

The table below shows how the percentage change in Mark Rollins' salary, benefits and bonus between 2012 and 2013 compares with the percentage change in the average of each of those components of pay for a group of employees. The Committee has selected approximately 200 of the Group's senior managers in Europe and North America, as the operations in these territories deliver approximately 92% of the Group's revenue and operating profit before tax, and these senior managers have broadly similarly structured remuneration packages. Businesses acquired by Senior during the year, leavers and joiners in either year have been excluded to prevent distortion.

	Salary	Taxable Benefit	Bonus
	Percentage change	Percentage change	Percentage change
Mark Rollins ⁽¹⁾	3.0%	5%	-27%
Pay of senior managers in Europe and the USA	3.2%	8% ⁽²⁾	-16%

⁽¹⁾ Salary increase based on change in full basic salary from £440,000 in 2012 to £453,000 in 2013. In 2012, Mark Rollins waived £50,000 of his salary and received £390,000; he waived £53,000 of his salary in 2013 and received £400,000.

⁽²⁾ For the purposes of making a more valid comparison, the comparator group for the Taxable Benefit figure consisted of nine UK-based senior managers that had a broadly similar benefits structure as Mark Rollins that included the use of a company car and receipt of private healthcare.

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 2013 compared to the financial year ended 31 December 2012.

	2013 £m	2012 £m	Percentage change
Employee remuneration costs (excluding social security)	189.5	177.7	6.6%
Adjusted profit before tax	98.1	91.1	7.7%
Dividends paid	19.9	16.4	21.3%

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

If approved, the Remuneration Policy will be implemented with effect from the AGM in 2014.

SALARIES AND FEES FOR 2014

Increases in the salaries and fees for the Directors in 2014 were broadly in line with the annual rate of inflation as measured by the Consumer Price Index at the time they were approved in early December 2013. No additional fees were payable for Committee membership.

	2014 £	2013 £	Percentage change
Executives			
Mark Rollins ⁽¹⁾	410,000	400,000	2.2%
Derek Harding ⁽²⁾	307,500	300,000	2.5%
Non-executives			
Chairman	147,600	144,000	2.5%
Non-executive Director	41,400	40,400	2.5%
Chair of Audit Committee ⁽³⁾	6,500	5,500	18.2%
Chair of Remuneration Committee ⁽³⁾	6,500	5,500	18.2%
Chair of Pension Trustee Board	7,700	7,500	2.7%
Senior Independent Director ⁽³⁾	3,250	2,750	18.2%

⁽¹⁾ Mark Rollins' 2013 base salary was £453,000 although he elected to waive £53,000 of his salary and therefore received a salary of £400,000. In 2014, he was awarded a salary of £463,000, representing a 2.2% increase on his 2013 salary of £453,000. He has decided to also waive £53,000 of his 2014 salary, so taking a salary of £410,000.

⁽²⁾ Derek Harding's 2013 annual salary of £300,000 was used for the purposes of calculating the percentage change in his salary, although he joined the Company on 2 September 2013.

⁽³⁾ A benchmarking exercise found the fees paid for the Chairs of Audit and Remuneration and for the role of the Senior Independent Director were well below the rates paid for such roles in similar organisations and consequently increases in excess of inflation were considered appropriate. After these increases, the fees remain below median.

WEIGHTING OF ANNUAL BONUS KPIS FOR 2014

The individual weightings of the KPIs for the executive Directors for the Annual bonus are as set out in the following table.

	2014		2013	
	Maximum possible cash award	Enhanced SMIS – maximum share award	Maximum possible cash award	Enhanced SMIS – maximum share award
Cash flow targets:				
Interim	10.0%	5.0%	10.0%	5.0%
Full year	15.0%	7.5%	15.0%	7.5%
EPS targets:				
Internal target	15.0%	7.5%	20.0%	10.0%
Year-on-year growth	30.0%	15.0%	25.0%	12.5%
Totals	70.0%	35.0%	70.0%	35.0%

The weightings of the performance conditions have been amended, year-on-year operating profit performance has been increased to 30% (previously 25%) whilst the weighting for performance against budgeted operating profit has reduced to 15% (previously 20%). Although there is no overall change in the combined total, there is a greater emphasis on delivering year-on-year performance improvement.

The actual targets are currently considered commercially sensitive because of the information that this provides to the Company's competitors.

PERFORMANCE CONDITIONS FOR 2014 AWARDS

Conditional share awards to be granted in 2014

The performance conditions for awards which will be made in 2014 will again be based on growth in EPS (50% weighting) and relative TSR measured against a peer group (50% weighting) and will have the same performance scale as for 2013, as set out below:

Performance measure	Weighting	Target (25% vesting)	Maximum (100% vesting)
Total shareholder return ranking	50%	Median or higher	Upper quintile or higher
Average annual growth in earnings per share	50%	4% over RPI	10% over RPI

The TSR group applicable to the 2014 LTIP awards will broadly reflect the list of the 2013 LTIP award constituent comparator companies shown on page 51.

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report was approved by the Board on 28 February 2014.

Signed on behalf of the Board

CELIA BAXTER

Chair of the Remuneration Committee
28 February 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare 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 also chosen to prepare the Parent Company Financial Statements under IFRS as adopted by the EU. 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By order of the Board

MARK ROLLINS

Group Chief Executive
28 February 2014

DEREK HARDING

Group Finance Director
28 February 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENIOR PLC

OPINION ON FINANCIAL STATEMENTS OF SENIOR PLC

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 2013 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 ("IFRS") as adopted by the European Union;
- the parent Company Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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.

The Financial Statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements, and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

GOING CONCERN

As required by the Listing Rules we have reviewed the Directors' statement on page 26 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

RISK

GOODWILL IMPAIRMENT

As outlined in the Audit Committee Report on page 38, management recorded a £12.7m impairment charge against Capo Industries goodwill following under plan performance.

The carrying value of goodwill, a material balance for the Group, relies on assumptions and judgements made by management which requires estimates concerning the estimated future cash flows, associated discount rates, and growth rates based on management's view of future business prospects.

WARRANTY AND EMPLOYEE-RELATED PROVISIONS

The Group holds provisions in respect of warranty claims and workers' compensation claims.

These require significant management judgements around failure rates and estimated cost of repairs for warranty claims; the workers' compensation provision also uses actuarial development factors to determine the quantum of claims which are likely to arise in respect of past services but are not yet known to the Company.

TAX PROVISIONS AND DEFERRED TAX RECOGNITION

As the Group operates in a number of different tax jurisdictions, judgement is required over the levels of tax provisions held at year-end principally in the US and UK which are the Group's most significant trading countries.

In addition to this, deferred tax asset recognition depends on the future profitability of the Company and therefore requires judgement over the level of the asset that can be recognised.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK

We challenged management's assumptions used in the impairment model for goodwill, described in note 13 to the Financial Statements, including, but not limited to:

- the cash flow projections, by considering the consistency of the forecasts with industry trends, historical budgeting accuracy and comparing the estimated margins to other operating companies of a similar nature;
- discount rates, by engaging our internal valuation specialists to review assumptions made against external market data;
- perpetuity rates, by benchmarking against industry and GDP growth rates;
- sensitivities adopted; and
- the impact of restructuring the Capo Industries business.

We evaluated and tested the key judgements made by management, including reviewing underlying data behind failure rates, average cost of repairs and comparing to the assumptions used to calculate the Group's estimate.

In addition, we used our internal actuarial experts to assess the assumptions used in calculating the development factors for the workers' compensation provision. This involved creating an independent estimate of the provision and evaluating the valuation methodology applied.

We assessed the tax position in conjunction with our internal tax experts in the local jurisdictions who have knowledge of local tax laws. This included a review of prior year open computations, assumptions made and related correspondence with the tax authorities.

We evaluated management's judgements in respect of deferred tax assets by considering future forecasts of profitability, past results, length of forecast period and risk factors applied and used these to assess the probability that sufficient future taxable profits will arise.

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

RISK

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK

INVENTORY LEVELS AND PROVISIONS

Inventory, a material balance for the Group, requires a significant level of management judgement in determining an appropriate costing basis and assessing if this is lower than the net realisable value of the inventory on hand at year end.

There are also judgements required in determining inventory provisions as these are based on forecast inventory usage and assessing if the provision level is adequate to cover any obsolescence.

We attended inventory counts at all significant locations, and performed detailed substantive testing on a sample of items to assess the cost basis and realisable value of inventory.

We compared the inventory provision to the Group's policy (see Note 2), and challenged management's judgement of the adequacy of this policy by performing a review of the level of provisions on an aggregate and by unit basis as well as understanding the levels of demand for significant items. We investigated manual adjustment made to the mechanical application of the inventory provisioning policy, and assessed whether they were valid and the appropriateness of the final provision.

ACQUISITION ACCOUNTING

As outlined in the Audit Committee Report on page 38, Group management exercised judgement in determining their provisional valuation of the intangible assets and goodwill associated with the Thermal Engineering Holding Limited acquisition. These judgements could have a material impact on the financial statements and as such, this is a key audit risk.

We evaluated and tested the acquisition accounting, including using internal valuation experts in the consideration of the recognition and valuation of intangible assets and goodwill. Our audit procedures included, but were not limited to: agreeing the cash flow projections to supporting audit evidence on a sample basis; assessing the appropriateness of the valuation methodology and discount rate applied; and performing substantive testing on a sample of the underlying assets and liabilities of the business.

The Audit Committee's consideration of certain of these risks is set out on page 38.

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £140,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

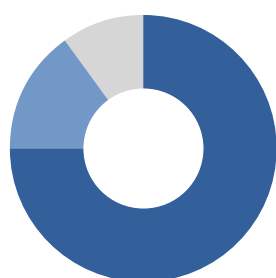
We determined materiality for the Group to be £7.0m, which is approximately 7.5% of pre-tax profit, adjusted to exclude the impact of the impairment charge for Capo Industries and the release of the GAMFG Precision LLC deferred consideration. These items have been excluded in our determination of materiality as they are exceptional and non-recurring.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 25 key operating locations. 18 of these were subject to full scope audit procedures, of which seven were performed through a combination of work completed by the local component auditors and work completed by the Group team. The other seven key operating locations were subject to specified audit procedures on certain balances.

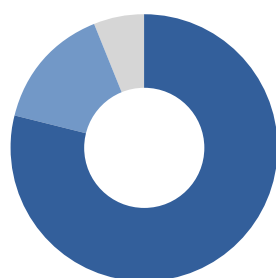
Together with the Group Functions, which were also subject to full scope audit procedures, the 25 locations represent the principal business units within the Group's two reportable segments and account for 94% of the Group's net assets, 90% of the Group's revenue and

AUDIT COVERAGE BY SITE AS A PROPORTION OF 2013 REVENUE



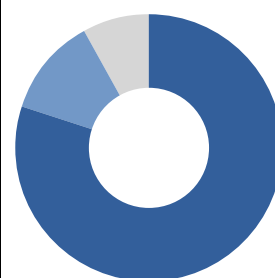
● Full scope audit procedures 75%
● Specified audit procedures 15%
● Reviewed at Group level 10%

AUDIT COVERAGE BY SITE AS A PROPORTION OF 2013 NET ASSETS



● Full scope audit procedures 79%
● Specified audit procedures 15%
● Reviewed at Group level 6%

AUDIT COVERAGE BY SITE AS A PROPORTION OF 2013 PROFIT BEFORE TAX



● Full scope audit procedures 80%
● Specified audit procedures 12%
● Reviewed at Group level 8%

92% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 25 locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full scope audit procedures or specified audit procedures.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every three years. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

OUR DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or

- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

GREGORY CULSHAW ACA (SENIOR STATUTORY AUDITOR) FOR AND ON BEHALF OF DELOITTE LLP

Chartered Accountants and Statutory Auditor
Southampton, United Kingdom
28 February 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 2013 £m	Year ended 2012 £m
Continuing operations			
Revenue	3	775.1	712.0
Trading profit before one-off items		104.4	93.9
Goodwill impairment	13	(12.7)	–
Reversal of contingent consideration payable		3.8	–
Restructuring costs		(1.9)	–
Trading profit	5	93.6	93.9
Loss on sale of fixed assets		–	(0.1)
Share of joint venture loss		(0.3)	(0.1)
Operating profit ⁽¹⁾		93.3	93.7
Investment income	7	0.2	0.3
Finance costs	8	(9.7)	(10.6)
Profit before tax ⁽²⁾		83.8	83.4
Tax	10	(12.4)	(16.8)
Profit for the period from continuing operations		71.4	66.6
Discontinued operations			
Operating profit	33	–	0.8
Profit on disposal	33	–	2.5
Profit for the period from discontinued operations	33	–	3.3
Profit for the period	5	71.4	69.9
Attributable to:			
Equity holders of the parent		71.4	69.9
Earnings per share			
From continuing and discontinued operations			
Basic ⁽³⁾	12	17.22p	17.11p
Diluted ⁽⁴⁾	12	17.00p	16.69p
From continuing operations			
Basic	12	17.22p	16.30p
Diluted	12	17.00p	15.90p
⁽¹⁾ Adjusted operating profit	9	107.6	101.4
⁽²⁾ Adjusted profit before tax	9	98.1	91.1
⁽³⁾ Adjusted earnings per share	12	19.00p	17.75p
⁽⁴⁾ Adjusted and diluted earnings per share	12	18.76p	17.31p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Year ended 2013 £m	Year ended 2012 £m
Profit for the period	71.4	69.9
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss:		
(Losses)/gains on cash flow hedges during the period	(2.4)	1.2
Reclassification adjustments for losses included in profit and loss	1.5	0.8
(Losses)/gains on cash flow hedges	(0.9)	2.0
Exchange differences on translation of foreign operations	(7.8)	(11.1)
Tax relating to items that may be reclassified	(0.3)	(0.5)
	(9.0)	(9.6)
Items that will not be reclassified subsequently to profit and loss:		
Actuarial gains/(losses) on defined benefit pension schemes	4.3	(12.3)
Tax relating to items that will not be reclassified	(2.1)	3.1
	2.2	(9.2)
Other comprehensive expense for the period, net of tax	(6.8)	(18.8)
Total comprehensive income for the period	64.6	51.1
Attributable to:		
Equity holders of the parent	64.6	51.1

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Notes	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Non-current assets					
Goodwill	13	225.9	220.1	–	–
Other intangible assets	14	16.6	18.7	0.2	0.2
Investments in subsidiaries	15	–	–	259.9	251.8
Investment in joint venture	16	1.0	0.8	–	–
Property, plant and equipment	17	142.6	134.8	0.2	0.2
Deferred tax assets	22	7.0	12.5	–	–
Trade and other receivables	19	0.5	0.5	5.1	4.7
Total non-current assets		393.6	387.4	265.4	256.9
Current assets					
Inventories	18	99.4	91.2	–	–
Trade and other receivables	19	114.3	101.2	134.0	139.0
Cash and cash equivalents	34c	53.1	44.5	0.1	2.3
Total current assets		266.8	236.9	134.1	141.3
Total assets		660.4	624.3	399.5	398.2
Current liabilities					
Trade and other payables	24	127.4	122.4	111.4	120.0
Current tax liabilities		15.1	12.3	0.2	0.2
Obligations under finance leases	23	0.4	0.5	–	–
Bank overdrafts and loans	20	21.2	0.8	23.8	2.5
Provisions	25	1.6	6.1	–	–
Total current liabilities		165.7	142.1	135.4	122.7
Non-current liabilities					
Bank and other loans	20	90.4	113.6	90.4	113.5
Retirement benefit obligations	37	25.6	37.1	15.6	23.3
Deferred tax liabilities	22	16.5	17.6	–	–
Obligations under finance leases	23	0.3	0.5	–	–
Others		0.4	0.5	–	–
Total non-current liabilities		133.2	169.3	106.0	136.8
Total liabilities		298.9	311.4	241.4	259.5
Net assets		361.5	312.9	158.1	138.7
Equity					
Issued share capital	26	41.6	41.4	41.6	41.4
Share premium account	27	13.8	13.7	13.8	13.7
Equity reserve	28	5.2	3.8	5.2	3.8
Hedging and translation reserve	29	(13.6)	(4.6)	(0.3)	(0.3)
Retained earnings	30	316.4	259.6	99.7	81.1
Own shares	31	(1.9)	(1.0)	(1.9)	(1.0)
Equity attributable to equity holders of the parent		361.5	312.9	158.1	138.7
Total equity		361.5	312.9	158.1	138.7

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 28 February 2014. They were signed on its behalf by:

CHARLES BERRY
Director

DEREK HARDING
Director

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

A) GROUP

	All equity is attributable to equity holders of the parent						
	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Balance at 1 January 2012	40.2	12.3	2.7	4.5	216.6	–	276.3
Profit for the year 2012	–	–	–	–	69.9	–	69.9
Gains on cash flow hedges	–	–	–	2.0	–	–	2.0
Exchange differences on translation of foreign operations	–	–	–	(11.1)	–	–	(11.1)
Actuarial losses on defined benefit pension schemes	–	–	–	–	(12.3)	–	(12.3)
Tax relating to components of other comprehensive income	–	–	–	–	2.6	–	2.6
Total comprehensive income for the period	–	–	–	(9.1)	60.2	–	51.1
Issue of share capital	1.2	1.4	(0.3)	–	–	–	2.3
Share-based payment charge	–	–	2.0	–	–	–	2.0
Tax relating to share-based payments	–	–	–	–	(1.4)	–	(1.4)
Purchase of shares held by employee benefit trust	–	–	–	–	–	(1.0)	(1.0)
Transfer to retained earnings	–	–	(0.6)	–	0.6	–	–
Dividends paid	–	–	–	–	(16.4)	–	(16.4)
Balance at 31 December 2012	41.4	13.7	3.8	(4.6)	259.6	(1.0)	312.9
Profit for the year 2013	–	–	–	–	71.4	–	71.4
Losses on cash flow hedges	–	–	–	(0.9)	–	–	(0.9)
Exchange differences on translation of foreign operations	–	–	–	(7.8)	–	–	(7.8)
Actuarial gains on defined benefit pension schemes	–	–	–	–	4.3	–	4.3
Tax relating to components of other comprehensive income	–	–	–	(0.3)	(2.1)	–	(2.4)
Total comprehensive income for the period	–	–	–	(9.0)	73.6	–	64.6
Issue of share capital	0.2	0.1	(0.2)	–	–	–	0.1
Share-based payment charge	–	–	3.0	–	–	–	3.0
Tax relating to share-based payments	–	–	–	–	1.7	–	1.7
Purchase of shares held by employee benefit trust	–	–	–	–	–	(0.9)	(0.9)
Transfer to retained earnings	–	–	(1.4)	–	1.4	–	–
Dividends paid	–	–	–	–	(19.9)	–	(19.9)
Balance at 31 December 2013	41.6	13.8	5.2	(13.6)	316.4	(1.9)	361.5

B) COMPANY

	All equity is attributable to equity holders of the Company						
	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Balance at 1 January 2012	40.2	12.3	2.7	(0.3)	71.0	–	125.9
Profit for the year 2012	–	–	–	–	32.5	–	32.5
Actuarial losses on defined benefit pension schemes	–	–	–	–	(6.6)	–	(6.6)
Total comprehensive income for the period	–	–	–	–	25.9	–	25.9
Issue of share capital	1.2	1.4	(0.3)	–	–	–	2.3
Share-based payment charge	–	–	2.0	–	–	–	2.0
Purchase of shares held by employee benefit trust	–	–	–	–	–	(1.0)	(1.0)
Transfer to retained earnings	–	–	(0.6)	–	0.6	–	–
Dividends paid	–	–	–	–	(16.4)	–	(16.4)
Balance at 31 December 2012	41.4	13.7	3.8	(0.3)	81.1	(1.0)	138.7
Profit for the year 2013	–	–	–	–	35.2	–	35.2
Actuarial gain on defined benefit pension schemes	–	–	–	–	1.9	–	1.9
Total comprehensive income for the period	–	–	–	–	37.1	–	37.1
Issue of share capital	0.2	0.1	(0.2)	–	–	–	0.1
Share-based payment charge	–	–	3.0	–	–	–	3.0
Purchase of shares held by employee benefit trust	–	–	–	–	–	(0.9)	(0.9)
Transfer to retained earnings	–	–	(1.4)	–	1.4	–	–
Dividends paid	–	–	–	–	(19.9)	–	(19.9)
Balance at 31 December 2013	41.6	13.8	5.2	(0.3)	99.7	(1.9)	158.1

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Net cash from/(used in) operating activities	34a	92.4	83.3	(19.1)	(25.8)
Investing activities					
Interest received		0.2	0.3	2.4	2.3
Dividends received from subsidiaries		–	–	48.1	50.0
Proceeds on disposal of property, plant and equipment		0.9	0.1	–	–
Purchases of property, plant and equipment		(28.7)	(25.3)	(0.1)	(0.1)
Purchases of intangible assets		(1.0)	(0.8)	–	(0.1)
Acquisition of Thermal (net of cash acquired of £0.2m)	32	(28.1)	–	–	–
Acquisition of Atlas	32	(2.4)	–	–	–
Acquisition of GA		–	(28.1)	–	–
Investment in subsidiaries		–	–	(8.1)	–
Proceeds on disposal of subsidiary		–	4.5	–	–
Investment in joint venture		(0.5)	(0.9)	–	–
Net cash (used in)/from investing activities		(59.6)	(50.2)	42.3	52.1
Financing activities					
Dividends paid		(19.9)	(16.4)	(19.9)	(16.4)
Repayment of borrowings		(0.2)	(0.2)	–	–
Repayments of obligations under finance leases		(0.5)	(0.6)	–	–
Share issues		0.1	2.3	0.1	2.3
Purchase of shares held by employee benefit trust		(0.9)	(1.0)	(0.9)	(1.0)
Net loans advanced to subsidiaries		–	–	(5.0)	(13.0)
Net cash inflow on forward contracts		–	–	–	0.7
Net cash used in financing activities		(21.4)	(15.9)	(25.7)	(27.4)
Net increase/(decrease) in cash and cash equivalents		11.4	17.2	(2.5)	(1.1)
Cash and cash equivalents at beginning of period		43.9	28.5	(0.2)	0.9
Effect of foreign exchange rate changes		(2.2)	(1.8)	–	–
Cash and cash equivalents at end of period	34c	53.1	43.9	(2.7)	(0.2)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Senior plc is a company incorporated in England and Wales under the Companies Act. 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 2 to 26.

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 properties and financial instruments. They have also been prepared on the going concern basis as set out in the Financial Review on pages 24 to 26. 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. Thus they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

In the current financial year, the Group and Company have adopted the following standards and amendments:

IFRS 7 (Amendments) improves disclosure in netting arrangements associated with financial assets and financial liabilities. This amendment does not represent a material impact on these Financial Statements.

IFRS 13 defines fair value and replaces the requirements contained in individual accounting standards. The standard does not change the requirements regarding which items should be measured or disclosed at fair value and as such has no material impact on these Financial Statements.

IAS 1 (Amendments) improves how items of other income should be presented in the statement of other comprehensive income (OCI). Other than having to separate items of OCI into items that may be reclassified subsequently to the profit or loss account and those that will not be reclassified to the profit or loss account, these amendments do not materially impact these Financial Statements.

IAS 19 (Amendments) changes the accounting and valuation of defined benefit plans and termination benefits. The interest cost and expected return on plan assets has been replaced with a net interest charge on the net defined benefit liability and scheme running costs are now recognised within operating profit. The amendments also enhance the disclosure requirements of defined benefit plans. The impact of retrospectively applying the accounting changes is not considered to have a material impact on these Financial Statements and so the prior year results have not been restated. If the changes were applied retrospectively as at 31 December 2012, the Group's and Company's profit before tax for 2012 would have increased by £0.7m. The required enhanced disclosures are presented in these Financial Statements.

IAS 32 (Amendments) addresses inconsistencies relating to the offsetting of financial assets and financial liabilities criteria. This amendment does not represent a material impact on these Financial Statements.

IAS 36 (Amendments) clarifies the disclosure requirements of changes made by the introduction of IFRS 13. The Group has early adopted this standard.

The Annual Improvements to IFRSs 2009-2011 Cycle incorporated necessary, but non-urgent, amendments to five International Financial Reporting Standards. The amendments most relevant to the Group and Company are:

IAS 1 "Presentation of Financial Statements" amendments clarify the requirement for additional comparative information and do not represent a material impact on these Financial Statements.

IAS 34 "Interim Financial Reporting" amendments clarify the disclosure requirements for segment information and fair value of Financial Instruments. The Interim Financial Statements as at 30 June 2013 reflected these amendments, where applicable.

The remaining three amendments in the Improvements to IFRSs 2009 – 2011 Cycle do not currently impact these Financial Statements.

The following amendments to Standards and Interpretations are also effective from the current financial year, but currently do not impact these Financial Statements: IFRS 1 (Amendments) "Government Loans" and IFRIC 20: Stripping Costs in the Production of a Surface Mine are currently not relevant to the Group's operations.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective, and in some instances not yet endorsed by the EU:

IFRS 9 Financial Instruments. The mandatory effective date will be no earlier than 1 January 2017.

IFRS 10 Consolidated Financial Statements. Effective for annual periods beginning on or after 1 January 2014. Endorsed by the EU.

IFRS 11 Joint Arrangements. Effective for annual periods beginning on or after 1 January 2014. Endorsed by the EU.

IFRS 12 Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after 1 January 2014. Endorsed by the EU.

IFRS 10, IFRS 12 and IAS 27 (Amendments) Investment Entities. Effective for reporting periods beginning on or after 1 January 2014. Endorsed by the EU.

IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance. Effective for annual periods beginning on or after 1 January 2014. Endorsed by the EU.

IAS 19 (Amendments): Employee Contributions. Effective for annual periods beginning on or after 1 July 2014.

IAS 27 Separate Financial Statements. Effective for annual periods beginning on or after 1 January 2014. Endorsed by the EU.

IAS 28 Investments in Associates and Joint Ventures. Effective for annual periods beginning on or after 1 January 2014. Endorsed by the EU.

IAS 39 (Amendments): Novation of Derivatives and Continuation of Hedge Accounting. Effective for reporting periods beginning on or after 1 January 2015. Endorsed by the EU.

IFRIC Interpretation 21 Levies. Effective for reporting periods beginning on or after 1 January 2014.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Annual Improvements to IFRSs 2010–2012 Cycle as published in December 2013. Effective for annual periods beginning on or after 1 July 2014.

Annual Improvements to IFRSs 2011–2013 Cycle as published in December 2013. Effective for annual periods beginning on or after 1 July 2014.

The Directors anticipate that the adoption of these Standards and Interpretations in future period will not have a material impact on these Financial Statements, except for additional disclosures, when the relevant standards come into effect.

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate Financial Statements have been prepared in accordance with IFRS. They have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are the same as those set out below, except in respect of investments in subsidiaries, which are stated at cost less, where appropriate, provisions for impairment.

The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council ("FRC"). Accordingly, in the year ending 31 December 2014, the Company intends to transition to reporting under FRS 101 as issued by the FRC. The Company intends to take advantage of the disclosure exemptions available under that standard. Any shareholder who objects to this proposal should write to the Company Secretary at the Registered Office as set out at the back of the Annual Report & Accounts 2013.

The principal accounting policies under IFRS are set out below.

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. 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 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 into 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. 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 acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, 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

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when goods are delivered in accordance with the terms and conditions of the sale.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

CONSTRUCTION CONTRACTS

Senior Hargreaves Limited, which was disposed of on 16 October 2012 was the only operating company in the Group to be involved in construction contracts.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally calculated in accordance with the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work and claims are included to the extent it is highly probable that they will be recovered from the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is only recognised to the extent that contract costs incurred will probably be recoverable.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 net 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 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 of.

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 2013	Average rates 2012	Year-end rates 2013	Year-end rates 2012
US dollar	1.57	1.59	1.66	1.63
Euro	1.18	1.23	1.20	1.23

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.

OPERATING PROFIT

Operating profit is stated before investment income and finance costs relating to external borrowings and retirement benefit obligations.

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 Income Statement and are presented in the Statement of Comprehensive Income.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over the period until the benefits become vested.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, 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.

TAXATION

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in 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%
Improvements to leasehold buildings	according to remaining lease term
Plant and equipment	5%–33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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 income.

OTHER INTANGIBLE ASSETS

Other intangible assets include computer software and customer relationships acquired in a business combination. Computer software is measured initially at purchase cost and the cost of customer relationships acquired in a business combination is generally based on fair market values. Intangible assets are amortised on a straight-line basis over their estimated useful lives, being between three and five years.

INTERNALLY GENERATED INTANGIBLE ASSETS – RESEARCH AND DEVELOPMENT EXPENDITURE

An internally generated intangible asset arising from the Group's development activities is recognised if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives.

Development work is also carried out on a funded basis. In such circumstances the costs 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. Otherwise expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

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 CGU 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.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 “loans and receivables” and non-derivative financial liabilities are categorised as “other financial liabilities”. 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 appropriate allowances for estimated irrecoverable amounts. These are recognised in the Income Statement when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the asset is impaired. The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement.

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.

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 cost of a financial liability and of allocating interest expense 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 issue 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.

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 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 net 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 Income Statement. Gains or losses from remeasuring the derivative are also recognised in the Income Statement. If the hedge is effective, these entries will offset in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the 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 Income Statement for the period.

Gains and losses accumulated in equity are recognised in the Income Statement on disposal of the foreign operation.

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 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 has applied the requirements of IFRS 2 Share-based payments.

The Group has issued equity-settled and cash-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, whereas the liability in respect of cash-settled amounts is included in current and non-current liabilities as appropriate.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made a number of judgements. Estimates and assumptions concerning the future are also made by the Group. These are continually evaluated and are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The key assumptions concerning the future and other key sources of estimation uncertainty and judgements 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 are as follows:

Goodwill

The Group reviews the carrying values of its goodwill balances by carrying out impairment tests at least on an annual basis. These tests require estimates to be made of the value in use of its CGUs which are dependent on estimates of future cash flows and long-term growth rates of the CGUs. The carrying amount of goodwill at 31 December 2013 was £225.9m (2012 – £220.1m). Further details on these estimates are set out in Note 13.

Fair value of intangible assets acquired on acquisition

On acquisition of a business, the Group reviews the potential for recognising intangible assets and to date has recognised amounts in respect of customer relationships acquired. The fair values of these intangible assets are dependent on estimates of attributable future revenues, profitability and cash flows. The carrying amount at 31 December 2013 of intangible assets in respect of customer relationships acquired was £14.3m (2012 – £16.7m).

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 2013 was £14.5m (2012 – £12.0m) and £9.5m (2012 – £5.1m), respectively. Further details on these estimates are set out in Notes 10 and 22.

Retirement benefit obligations

The asset or liability recognised in respect of retirement benefit obligations is dependent on a number of estimates including those relating to mortality, inflation, salary increases, and the rate at which liabilities are discounted. Any change in these assumptions would impact the retirement benefit obligation recognised. The carrying amount of retirement benefit obligations at 31 December 2013 was a liability of £25.6m (2012 – £37.1m). Further details on these estimates are set out in Note 37.

3. REVENUE

An analysis of the Group's revenue is as follows:

	Year ended 2013 £m	Year ended 2012 £m
Sales of goods – continuing operations	775.1	712.0
Sales of goods – discontinued operations	–	5.7
Revenue from construction contracts – discontinued operations	–	12.1
	775.1	729.8

NOTES TO THE FINANCIAL STATEMENT CONTINUED

4. SEGMENT INFORMATION

The Group reports its segment information as two operating Divisions according to the market segments they serve, Aerospace and Flexonics. For management purposes, the Aerospace Division is managed as two sub-divisions, Aerostructures and Fluid Systems, in order to enhance management oversight; however, these are aggregated as one reporting segment in accordance with IFRS 8. 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 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, and working capital assets. Goodwill, intangible customer relationships, 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.

Segment liabilities include directly attributable working capital liabilities. Debt, finance leases, retirement benefit obligations, 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.

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

	Aerospace Year ended 2013 £m	Flexonics Year ended 2013 £m	Eliminations/ central costs Year ended 2013 £m	Total Year ended 2013 £m	Aerospace Year ended 2012 £m	Flexonics Year ended 2012 £m	Eliminations/ central costs Year ended 2012 £m	Total Year ended 2012 £m
Continuing operations								
External revenue	506.1	269.0	–	775.1	470.3	241.7	–	712.0
Inter-segment revenue	0.5	0.3	(0.8)	–	0.2	0.3	(0.5)	–
Total revenue	506.6	269.3	(0.8)	775.1	470.5	242.0	(0.5)	712.0
Continuing adjusted trading profit	76.5	40.4	(9.0)	107.9	72.1	37.3	(8.7)	100.7
Share of joint venture loss	–	(0.3)	–	(0.3)	–	(0.1)	–	(0.1)
Continuing adjusted operating profit	76.5	40.1	(9.0)	107.6	72.1	37.2	(8.7)	100.6
Loss on sale of fixed assets	–	–	–	–	–	(0.1)	–	(0.1)
Exceptional pension credit/(charge)	–	–	1.1	1.1	–	–	(1.9)	(1.9)
Reversal of contingent consideration payable	–	3.8	–	3.8	–	–	–	–
Impairment of goodwill	(12.7)	–	–	(12.7)	–	–	–	–
Restructuring costs	(1.9)	–	–	(1.9)	–	–	–	–
Amortisation of intangible assets from acquisitions	(3.0)	(1.2)	–	(4.2)	(4.1)	(0.2)	–	(4.3)
Acquisition costs	(0.4)	–	–	(0.4)	–	(0.6)	–	(0.6)
Operating profit	58.5	42.7	(7.9)	93.3	68.0	36.3	(10.6)	93.7
Investment income				0.2				0.3
Finance costs				(9.7)				(10.6)
Profit before tax				83.8				83.4
Tax				(12.4)				(16.8)
Profit for the period from continuing operations				71.4				66.6
Discontinued operations								
Operating profit				–				0.8
Profit on disposal				–				2.5
Profit for the period from discontinued operations				–				3.3
Profit after tax and discontinued operations				71.4				69.9
Continuing operations adjusted operating profit				107.6				100.6
Discontinued operations adjusted operating profit				–				0.8
Adjusted operating profit (See Note 9)				107.6				101.4

4. SEGMENT INFORMATION CONTINUED

Segment information for assets, liabilities, additions to non-current assets and depreciation and amortisation is presented below:

	Year ended 2013 £m	Year ended 2012 £m
Assets		
Aerospace	251.5	219.5
Flexonics	103.7	107.4
Corporate	2.3	1.8
Segment assets for reportable segments	357.5	328.7
Unallocated		
Goodwill	225.9	220.1
Intangible customer relationships	14.3	16.7
Cash	53.1	44.5
Deferred and current tax	7.6	12.8
Others	2.0	1.5
Total assets per balance sheet	660.4	624.3

	Year ended 2013 £m	Year ended 2012 £m
Liabilities		
Aerospace	74.6	63.3
Flexonics	37.3	41.8
Corporate	14.1	21.1
Segment liabilities for reportable segments	126.0	126.2
Unallocated		
Debt	111.6	114.4
Finance leases	0.7	1.0
Deferred and current tax	31.6	29.9
Retirement benefit obligations	25.6	37.1
Others	3.4	2.8
Total liabilities per balance sheet	298.9	311.4

	Additions to non-current assets Year ended 2013 £m	Additions to non-current assets Year ended 2012 £m	Depreciation and amortisation Year ended 2013 £m	Depreciation and amortisation Year ended 2012 £m
Aerospace	21.7	16.4	17.0	17.6
Flexonics	7.8	9.4	9.3	7.2
Subtotal continuing operations	29.5	25.8	26.3	24.8
Unallocated corporate amounts	0.2	0.2	0.2	0.1
Discontinued operations	–	0.1	–	0.2
Total	29.7	26.1	26.5	25.1

The Group's revenues from its major products and services is presented below:

	Year ended 2013 £m	Year ended 2012 £m
Aerospace – Structures	305.2	282.7
Aerospace – Fluid Systems	200.9	187.6
Aerospace total	506.1	470.3
Land vehicles	152.3	128.9
Industrial and others	116.7	112.8
Flexonics total	269.0	241.7
Group continuing	775.1	712.0
Discontinued	–	17.8
Group total	775.1	729.8

Included in revenues arising from the Aerospace segment are revenues of approximately £85.2m (2012 – £68.7m) which arose from sales to the Group's largest customer and revenues of approximately £84.1m (2012 – £73.1m) which arose from sales to the Group's second largest customer.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

4. SEGMENT INFORMATION CONTINUED

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/services. The carrying values of segment non-current assets are analysed by the geographical area in which the assets are located.

	Sales revenue	Sales revenue	Segment non-current assets	Segment non-current assets
	Year ended 2013	Year ended	Year ended 2013	Year ended
	£m	2012	£m	2012
		£m		£m
USA	405.6	372.2	233.4	251.2
UK	129.1	110.0	111.6	87.0
Rest of the World	240.4	229.8	41.6	36.7
Subtotal continuing operations	775.1	712.0	386.6	374.9
Unallocated amounts	–	–	7.0	12.5
Discontinued operations	–	17.8	–	–
Total	775.1	729.8	393.6	387.4

The unallocated amounts on non-current assets relate to deferred tax assets.

5. TRADING PROFIT AND PROFIT FOR THE PERIOD

Trading profit for continuing operations can be analysed as follows:

	Year ended 2013	Year ended
	£m	2012
		£m
Revenue	775.1	712.0
Cost of sales	(578.5)	(530.2)
Gross profit	196.6	181.8
Distribution costs	(4.2)	(3.3)
Administrative expenses	(98.8)	(84.6)
Trading profit	93.6	93.9

Trading profit for the period (continuing and discontinued) has been arrived at after charging/(crediting):

	Year ended 2013	Year ended
	£m	2012
		£m
Net foreign exchange losses	2.7	1.1
Research and development costs	12.9	12.8
Depreciation of property, plant and equipment	21.6	20.1
Amortisation of intangible assets included in administration expenses	4.9	5.0
Cost of inventories recognised as expense	578.5	544.8
Provision for impairment for doubtful receivables	0.5	0.1
Staff costs (see Note 6)	223.1	210.9
Government grants received	–	(0.1)

All research and development costs were expensed during the year.

5. TRADING PROFIT AND PROFIT FOR THE PERIOD CONTINUED

The analysis of the Auditor's remuneration is as follows:

	Year ended 2013 £m	Year ended 2012 £m
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's Auditor and their associates for other services to the Group		
– The audit of the Company's subsidiaries	0.5	0.5
Total audit fees	0.6	0.6
– Taxation compliance services	–	0.1
– Other taxation advisory services	0.1	0.1
– Corporate finance services	–	0.3
Total non-audit fees	0.1	0.5

Fees payable to Deloitte LLP 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. In 2012, fees payable for corporate finance services relate to services provided in respect of potential acquisitions.

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 36 to 39. No services were provided pursuant to contingent fee arrangements.

6. STAFF COSTS

The average monthly number of employees (including Directors) was:

	Group Year ended 2013 Number	Group Year ended 2012 Number
Production	5,441	5,198
Distribution	43	57
Sales	292	318
Administration	586	508
	6,362	6,081

	Year ended 2013 £m	Year ended 2012 £m
Their aggregate remuneration comprised:		
Wages and salaries	189.5	177.7
Social security costs	23.0	21.7
Other pension costs – defined contribution (see Note 37a)	6.2	5.4
Other pension costs – defined benefit (see Note 37e)	2.0	1.9
Share-based payments (see Note 36)	3.5	2.3
Aggregate remuneration	224.2	209.0
Exceptional pension (credit)/charge (see Note 37)	(1.1)	1.9
Total	223.1	210.9

NOTES TO THE FINANCIAL STATEMENT CONTINUED

7. INVESTMENT INCOME

	Year ended 2013 £m	Year ended 2012 £m
Interest on bank deposits	0.2	0.3
Total income	0.2	0.3

The Company earned investment income of £2.2m (2012 – £2.1m) on financial assets all of which relate to the “Loans and receivables” category.

8. FINANCE COSTS

	Year ended 2013 £m	Year ended 2012 £m
Interest on bank overdrafts and loans	0.4	0.4
Interest on other loans	7.9	7.6
Net finance cost of retirement benefit obligations (Note 37e)	1.4	2.6
Total finance costs	9.7	10.6

The Company incurred finance costs of £9.8m (2012 – £10.1m) on financial liabilities all of which relate to the “Other financial liabilities” category.

9. ADJUSTED OPERATING PROFIT AND ADJUSTED PROFIT BEFORE TAX

The provision of adjusted operating profit and adjusted profit before tax, derived in accordance with the table below, has been included to identify the performance of operations, from the time of acquisition or until the time of disposal, prior to the impact of gains or losses arising from the sale of fixed assets, amortisation of intangible assets acquired on acquisitions, reversal of contingent consideration payable, impairment charges, restructuring costs, exceptional pension credit or charge, gains or losses from disposal of operations and acquisition costs.

	Year ended 2013 £m	Year ended 2012 £m
Operating profit from continuing operations	93.3	93.7
Operating profit from discontinued operations	–	0.8
Operating profit	93.3	94.5
Loss on sale of fixed assets	–	0.1
Exceptional pension (credit)/charge	(1.1)	1.9
Reversal of contingent consideration payable	(3.8)	–
Impairment of goodwill	12.7	–
Restructuring costs	1.9	–
Amortisation of intangible assets from acquisitions	4.2	4.3
Acquisition costs	0.4	0.6
Adjustments to operating profit	14.3	6.9
Adjusted operating profit	107.6	101.4
Profit before tax from continuing operations	83.8	83.4
Profit before tax from discontinued operations	–	3.3
Profit before tax	83.8	86.7
Adjustments to profit as above before tax	14.3	6.9
Profit on disposal of discontinued operations	–	(2.5)
Adjustments to profit before tax	14.3	4.4
Adjusted profit before tax	98.1	91.1

10. TAX CHARGE

	Year ended 2013 £m	Year ended 2012 £m
Current tax:		
Current year	12.6	14.4
Adjustments in respect of prior periods	(3.7)	0.7
	8.9	15.1
Deferred tax (Note 22):		
Current year	0.3	3.7
Adjustments in respect of prior periods	3.2	(2.0)
	3.5	1.7
	12.4	16.8
Attributable to:		
Continuing operations	12.4	16.8

The Finance Act 2013, which provides for a reduction in the main rate of Corporation Tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of UK deferred tax at the balance sheet date.

UK Corporation Tax is calculated at an effective rate of 23.25% (2012 – 24.5%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year on profit from continuing operations can be reconciled to the profit per the Consolidated Income Statement as follows:

	Year ended 2013 £m	Year ended 2013 %	Year ended 2012 £m	Year ended 2012 %
Profit before tax from continuing operations	83.8		83.4	
Tax at the UK Corporation Tax rate of 23.25% (2012 – 24.5%)	19.4		20.4	
Tax effect of income/expenses that are non-taxable/deductible in determining taxable profit	(7.7)		(8.8)	
Tax effect of unrelieved tax losses	(0.3)		0.2	
Tax effect of movements in temporary differences not previously recognised	(0.7)		(0.5)	
Deferred tax expense resulting from a reduction in tax rate	0.6		–	
Effect of different tax rates of subsidiaries operating in other jurisdictions	1.6		6.8	
Adjustments to tax charge in respect of prior periods	(0.5)		(1.3)	
Tax expense and effective tax rate for the year	12.4	14.8	16.8	20.1

NOTES TO THE FINANCIAL STATEMENT CONTINUED

10. TAX CHARGE CONTINUED

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 2013 £m	Year ended 2012 £m
Current tax:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(0.1)	–
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss		
Tax on actuarial (gains)/losses	(1.5)	3.1
Effect of change in tax rate	(0.6)	–
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(0.2)	–
Tax recovery	–	(0.5)
Total tax recognised directly in other comprehensive income	(2.4)	2.6
Current tax	(0.1)	–
Deferred tax (Note 22)	(2.3)	2.6
	(2.4)	2.6

In addition to the amount charged to the Consolidated Income Statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	Year ended 2013 £m	Year ended 2012 £m
Current tax:		
Excess tax deductions related to share-based payments on exercised options	0.5	3.4
Deferred tax:		
Excess tax deductions related to share-based payments on exercised options	0.3	–
Change in estimated excess tax deductions related to share-based payments	0.9	(4.8)
Total tax recognised directly in equity	1.7	(1.4)

11. DIVIDENDS

	Year ended 2013 £m	Year ended 2012 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2012 of 3.27p (2011 – 2.65p) per share	13.6	10.7
Interim dividend for the year ended 31 December 2013 of 1.52p (2012 – 1.38p) per share	6.3	5.7
	19.9	16.4
Proposed final dividend for the year ended 31 December 2013 of 3.60p (2012 – 3.27p) per share	15.0	13.5

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting 2014 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:

	Year ended 2013 million	Year ended 2012 million
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	414.7	408.5
Effect of dilutive potential ordinary shares:		
Share options	5.4	10.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	420.1	418.8

	Year ended 2013		Year ended 2012	
	Earnings £m	EPS Pence	Earnings £m	EPS Pence
Earnings and earnings per share				
Profit for the period from continuing operations	71.4	17.22	66.6	16.30
Profit for the period from discontinued operations	–	–	3.3	0.81
Profit for the period from continuing and discontinued operations	71.4	17.22	69.9	17.11
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £1.4m (2012 – £1.6m)	2.8	0.67	2.7	0.66
Acquisition costs net of tax of £nil (2012 – £0.1m)	0.4	0.10	0.5	0.12
Reversal of contingent consideration payable net of tax of £nil (2012 – £nil)	(3.8)	(0.92)	–	–
Goodwill impairment charge net of tax of £5.1m (2012 – £nil)	7.6	1.83	–	–
Loss on sale of fixed assets net of tax of £nil (2012 – £0.1m)	–	–	–	–
Exceptional pension (credit)/charge net of tax of £0.4m (2012 – £nil)	(0.7)	(0.17)	1.9	0.47
Profit on disposal of discontinued operations	–	–	(2.5)	(0.61)
Restructuring costs net of tax of £0.8m (2012 – £nil)	1.1	0.27	–	–
Adjusted earnings after tax	78.8	19.00	72.5	17.75
Earnings per share				
– basic from continuing operations		17.22p		16.30p
– basic from continuing and discontinued operations		17.22p		17.11p
– diluted from continuing operations		17.00p		15.90p
– diluted from continuing and discontinued operations		17.00p		16.69p
– adjusted		19.00p		17.75p
– adjusted and diluted		18.76p		17.31p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2012 – £nil).

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

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

- gains or losses arising from the sale of fixed assets;
- amortisation of intangible assets acquired on acquisitions;
- exceptional pension credit or charge;
- profit on disposal of discontinued operations;
- acquisition costs;
- reversal of contingent consideration payable;
- impairment charges; and
- restructuring costs.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

13. GOODWILL

	Group Year ended 2013 £m	Group Year ended 2012 £m
Cost		
At 1 January	228.4	218.6
Exchange differences	(3.3)	(8.0)
Increases (see Note 32)	0.3	0.1
Recognised on acquisition of subsidiaries (see Note 32)	20.7	17.7
At 31 December	246.1	228.4
Accumulated impairment losses		
At 1 January	8.3	8.7
Impairment charge in the year	12.7	–
Exchange differences	(0.8)	(0.4)
At 31 December	20.2	8.3
Carrying amount at 31 December	225.9	220.1

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. As noted in the Strategic Report on pages 2 to 3, the Aerospace Division consists of 19 operations and the Flexonics Division consists of 12 operations. Each of these operations is considered to be a separate CGU. Goodwill has been allocated to 19 of these individual CGUs – 13 in Aerospace and six in Flexonics. The table below highlights the carrying amount of goodwill allocated to the CGUs that are considered significant in comparison with the total carrying amount of goodwill. Where the carrying amount of goodwill allocated to a CGU is individually not considered significant, it is aggregated in the table below. The carrying amount of goodwill of the aggregated Aerospace CGUs is considered significant and the recoverable amounts for these units are based principally on the same key assumptions.

	Group Year ended 2013 £m	Group Year ended 2012 £m
Aerospace		
– Capo Industries	15.3	27.9
– AMT	32.4	33.0
– Weston	27.6	27.6
– Jet Products	15.5	15.8
– Connecticut	12.6	12.8
– BWT and Atlas	16.7	15.0
– Bird Bellows	12.0	12.0
– Thermal	19.0	–
– Other Aerospace CGUs	26.8	27.0
	177.9	171.1
Flexonics		
– Pathway	21.4	21.8
– GA	17.4	17.4
– Other Flexonics CGUs	9.2	9.8
	48.0	49.0
Total	225.9	220.1

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The 2013 goodwill impairment review was undertaken as at 31 December 2013, with an additional review performed at Capo Industries as at 30 June 2013 as noted below. The recoverable amounts of all the CGUs are determined from value in use calculations. The calculations use cash flow forecasts derived from the most recent financial budgets and forecasts per individual unit, as approved by management for the next three years. For all the CGUs a detailed budget that covers the next financial year is used and for some CGUs this is supplemented by forecasts of performance for the two years after that. These forecasts, where appropriate, take account of the current economic environment as set out in the Strategic Report on pages 1 to 27. Cash flows thereafter have been extrapolated based on estimated growth rates. These growth rates do not exceed independently sourced estimated long-term average growth rates for the relevant markets. The cash flow forecasts for each CGU have also been adjusted to reflect risks specific to each CGU. The pre-tax rate used to discount the forecast cash flows for all CGUs is 10.5% (2012 – 10.8%). This is based on the Group's weighted average pre-tax cost of capital and is the measurement used by management in assessing investment appraisals.

13. GOODWILL CONTINUED

The key assumptions used in the value in use calculations for all Aerospace CGUs are the forecast build rates for aircraft, forecast gross margins and long-term average forecast growth rates. Forecast build rates for aircraft are in line with market forecasts and guidance available from manufacturers such as Boeing and Airbus. Forecast gross margins are set individually by each CGU and reflect past experience, notably the most recently achieved margins, but also factor in continuing efficiency improvements to counteract inflationary increases in underlying costs. Cash flows extrapolated beyond the initial forecast period of three years are based on growth rates of 2.5% per annum which does not exceed the long-term average growth rate forecasts for the aerospace market as included in market outlooks from Boeing and Airbus. Management believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of AMT, Weston, Jet Products, Connecticut, BWT and Atlas, Bird Bellows, Thermal, and all other aggregated Aerospace CGUs to exceed the recoverable amount of those units and aggregated units, respectively.

As noted in the Group's Interim Report 2013, Capo Industries has been impacted by the subdued business jet market since 2008, and taking into account that the anticipated recovery in this, and the regional jet engine markets, has not yet materialised and expectations for future operating margins are consequently lower, an impairment review for this CGU was performed at 30 June 2013. The recoverable amount was determined from a value in use calculation. The calculation used the cash flow forecasts derived from the most recent forecasts at the time, as approved by management for the next five years, and cash flows thereafter were extrapolated based on estimated growth rates that did not exceed independently sourced estimated long-term average growth rates for the aerospace industry. Different probability weighted scenarios, where the compound annual sales growth over the initial five-year period ranged from management's base case of 18.1% to 3.6% were considered. Beyond this combined five-year period, cash flows were projected to grow at a compound annual growth rate of 3.6% from 2019 to 2031, with reference to Boeing and Bombardier 20-year market projections, and 2.5% per annum thereafter. The pre-tax rate used to discount the forecast cash flows was 10.8%. As at 30 June 2013, before impairment testing, goodwill of £29.9m was allocated to Capo Industries within Aerospace. As a result of the impairment test noted above, an impairment loss of £12.7m was recognised against Capo Industries goodwill, leaving a balance of £15.3m at 31 December 2013 after taking account of foreign exchange movements. This impairment loss has been included within trading profit in the Consolidated Income Statement.

As at 31 December 2013 a further impairment review has been performed for this CGU with projections for the initial forecast period being expanded a further two years beyond the initial forecast period of three years to reflect the medium-term plan of management to recover from this downturn in the market. Different scenarios where the compound annual sales growth over the initial five-year period varies from management's base case of 17.5% to 3.7% have been considered. Beyond this combined five-year period, cash flows are projected to grow at a compound annual growth rate of 3.7% from 2019 to 2032, in line with Boeing and Bombardier 20-year market projections, and 2.5% per annum thereafter as noted above. The recoverable amount of Capo Industries at 31 December 2013 is £22.9m. As noted in the Financial Review on page 26 further cost savings are anticipated following the restructuring of Capo Industries with Ketema, and as such management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amount of Capo Industries to exceed its recoverable amount.

The key assumptions used in the value in use calculations for Pathway and GA are the forecast orders and forecast gross margins. Forecast orders are based on the orders secured and quote activity at the time of setting the budget, and also reflect past experience with the build-up of orders and quote success rates. Forecast gross margins reflect past experience, notably the most recently achieved margins, but also factor in expected efficiency improvements to counteract inflationary increases in underlying costs. Management believes that any reasonable possible change in the key assumptions would not cause the carrying amount of Pathway or GA to exceed its recoverable amount. Other than as noted for GA, no significant goodwill is associated with CGUs operating in land vehicle markets.

An impairment charge of £12.7m has been recognised in 2013 (2012 – £nil).

14. OTHER INTANGIBLE ASSETS

	Group Year ended 2013 Customer relationships £m	Group Year ended 2013 Computer software £m	Group Year ended 2013 Total £m	Group Year ended 2012 Customer relationships £m	Group Year ended 2012 Computer software £m	Group Year ended 2012 Total £m	Company Year ended 2013 Computer software £m	Company Year ended 2012 Computer software £m
Cost								
At 1 January	44.9	9.5	54.4	40.1	9.5	49.6	0.4	0.3
Additions	–	1.0	1.0	–	0.8	0.8	–	0.1
Disposals	–	(0.3)	(0.3)	–	(0.5)	(0.5)	(0.1)	–
Acquired on acquisition of subsidiaries	1.8	–	1.8	6.3	–	6.3	–	–
Exchange differences	(0.5)	(0.2)	(0.7)	(1.5)	(0.3)	(1.8)	–	–
At 31 December	46.2	10.0	56.2	44.9	9.5	54.4	0.3	0.4
Amortisation								
At 1 January	28.2	7.5	35.7	25.2	7.5	32.7	0.2	0.1
Charge for the year	4.2	0.7	4.9	4.3	0.7	5.0	–	0.1
Disposals	–	(0.3)	(0.3)	–	(0.5)	(0.5)	(0.1)	–
Exchange differences	(0.5)	(0.2)	(0.7)	(1.3)	(0.2)	(1.5)	–	–
At 31 December	31.9	7.7	39.6	28.2	7.5	35.7	0.1	0.2
Carrying amount at 31 December	14.3	2.3	16.6	16.7	2.0	18.7	0.2	0.2

NOTES TO THE FINANCIAL STATEMENT CONTINUED

14. OTHER INTANGIBLE ASSETS CONTINUED

The carrying amount of the Group's customer relationships includes an amount of £4.7m in respect of customer contracts acquired as part of the acquisition of GA in 2012 and £1.7m in respect of customer contracts acquired as part of the acquisition of Thermal in 2013. These are being amortised over five years and two months and three years from the date of acquisition, respectively.

In addition, the carrying amount of the Group's customer relationships includes amounts of £7.9m (2012 – £10.6m) and £nil (2012 – £0.2m) in respect of customer contracts acquired as part of the acquisitions of Weston and Damar in 2011. These are being amortised over five years and 2.8 years from the date of acquisition, respectively.

15. 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 page 105.

	Company Year ended 2013 £m	Company Year ended 2012 £m
At 1 January	251.8	251.8
Additional investment in subsidiaries	8.1	–
At 31 December	259.9	251.8

16. 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.

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

The Group's investment of £1.0m represents the Group's share of the joint venture's net assets as at 31 December 2013.

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 2013 and 31 December 2012.

	2013 £m	2012 £m
Revenue	–	–
Expenses	(0.6)	(0.1)
Loss	(0.6)	(0.1)
Total assets	2.5	1.8
Total liabilities	(0.4)	(0.1)
Net assets	2.1	1.7
Group's share of loss	(0.3)	(0.1)
Group's share of net assets	1.0	0.8

17. PROPERTY, PLANT AND EQUIPMENT

A) GROUP

	Year ended 2013 Freehold land and buildings £m	Year ended 2013 Leasehold land and buildings £m	Year ended 2013 Plant and equipment £m	Year ended 2013 Total £m	Year ended 2012 Freehold land and buildings £m	Year ended 2012 Leasehold land and buildings £m	Year ended 2012 Plant and equipment £m	Year ended 2012 Total £m
Cost or valuation								
At 1 January	60.0	1.7	267.6	329.3	61.2	2.0	260.2	323.4
Additions	1.6	–	27.1	28.7	1.6	–	23.7	25.3
Acquired on acquisition of subsidiaries	3.5	–	1.0	4.5	0.7	–	9.5	10.2
Exchange differences	(0.6)	–	(7.8)	(8.4)	(2.2)	(0.1)	(11.4)	(13.7)
Disposals	–	–	(7.9)	(7.9)	(0.1)	(0.1)	(9.9)	(10.1)
Disposed of on disposal of subsidiary	–	–	–	–	(1.2)	(0.1)	(4.5)	(5.8)
Fully depreciated assets	1.2	–	5.5	6.7	–	–	–	–
At 31 December	65.7	1.7	285.5	352.9	60.0	1.7	267.6	329.3
Accumulated depreciation and impairment								
At 1 January	19.1	1.3	174.1	194.5	18.2	1.4	177.4	197.0
Charge for the year	1.6	0.1	19.9	21.6	1.7	0.1	18.3	20.1
Exchange differences	(0.4)	–	(5.1)	(5.5)	(0.4)	(0.1)	(7.9)	(8.4)
Eliminated on disposals	–	–	(7.0)	(7.0)	(0.1)	(0.1)	(9.7)	(9.9)
Eliminated on disposal of subsidiary	–	–	–	–	(0.3)	–	(4.0)	(4.3)
Fully depreciated assets	1.2	–	5.5	6.7	–	–	–	–
At 31 December	21.5	1.4	187.4	210.3	19.1	1.3	174.1	194.5
Carrying amount at 31 December	44.2	0.3	98.1	142.6	40.9	0.4	93.5	134.8

The carrying amount of the Group's land and buildings and plant and equipment includes an amount of £2.4m (2012 – £2.7m) in respect of assets held under finance leases.

Some land and buildings were revalued in 1988 and this valuation has been treated as the deemed cost under IFRS 1. These assets were disposed of with the disposal of Senior Hargreaves Limited in 2012.

At 31 December 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £6.3m (2012 – £4.8m).

B) COMPANY

	Year ended 2013 Plant and equipment £m	Year ended 2012 Plant and equipment £m
Cost		
At 1 January	0.5	0.5
Additions	0.1	0.1
Disposals	(0.1)	(0.1)
At 31 December	0.5	0.5
Accumulated depreciation		
At 1 January	0.3	0.3
Charge for the year	0.1	0.1
Eliminated on disposals	(0.1)	(0.1)
At 31 December	0.3	0.3
Carrying amount at 31 December	0.2	0.2

NOTES TO THE FINANCIAL STATEMENT CONTINUED

18. INVENTORIES

	Group Year ended 2013 £m	Group Year ended 2012 £m
Raw materials	27.8	25.3
Work-in-progress	51.6	45.7
Finished goods	20.0	20.2
	99.4	91.2

Inventory write-downs and provisions, excluding acquisitions, decreased by £1.7m in the year (2012 – decreased by £0.7m).

19. TRADE AND OTHER RECEIVABLES

Trade and other receivables at 31 December comprise the following:

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Non-current assets				
Other receivables	0.5	0.5	–	–
Due from subsidiaries	–	–	5.1	4.7
	0.5	0.5	5.1	4.7
Current assets				
Trade receivables	103.2	93.0	–	–
Current tax recoverable	0.6	0.3	–	–
Value added tax	1.2	0.9	0.1	0.1
Currency derivatives	1.9	1.0	–	–
Prepayments and accrued income	5.5	4.9	0.6	0.9
Other receivables	1.9	1.1	0.1	0.1
Due from subsidiaries	–	–	133.2	137.9
	114.3	101.2	134.0	139.0
Total trade and other receivables	114.8	101.7	139.1	143.7

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 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 21.

19. TRADE AND OTHER RECEIVABLES CONTINUED

The average credit period taken on sales of goods is 57 days (2012 – 53 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.0m (2012 – £1.1m). 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, £13.6m (2012 – £11.1m) is due from the Group's largest customer and £5.1m (2012 – £4.8m) is due from the Group's second 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.

	Group Year ended 2013 £m	Group Year ended 2012 £m
Movements in allowance for doubtful receivables:		
At 1 January	1.1	1.3
Provision for impairment	0.5	0.1
Amounts written off as uncollectible	(0.2)	–
Amounts recovered	(0.4)	(0.2)
Exchange differences	–	(0.1)
At 31 December	1.0	1.1
Ageing analysis of past due but not impaired trade receivables:		
Up to 30 days past due	13.4	11.5
31 to 60 days past due	1.8	1.6
61 to 90 days past due	0.5	0.8
91 to 180 days past due	0.4	0.8
Total past due but not impaired	16.1	14.7
Not past due	87.1	78.3
Total current trade receivables	103.2	93.0

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.

For the Company, the carrying amount of amounts due from subsidiaries approximates their fair value. There are no past due or impaired receivable balances (2012 – £nil).

NOTES TO THE FINANCIAL STATEMENT CONTINUED

20. BANK OVERDRAFTS AND LOANS

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Bank overdrafts	–	0.6	2.8	2.5
Other loans	111.6	113.8	111.4	113.5
	111.6	114.4	114.2	116.0

The borrowings are repayable as follows:

On demand or within one year	21.2	0.8	23.8	2.5
In the second year	15.1	21.6	15.1	21.5
In the third to fifth years inclusive	63.3	33.7	63.3	33.7
After five years	12.0	58.3	12.0	58.3
	111.6	114.4	114.2	116.0

Less: amount due for settlement within 12 months
(shown under current liabilities)

	(21.2)	(0.8)	(23.8)	(2.5)
Amount due for settlement after 12 months	90.4	113.6	90.4	113.5

ANALYSIS OF BORROWINGS BY CURRENCY

31 December 2013

	Total £m	Pound Sterling £m	Euros £m	US dollars £m	Others £m
Bank overdrafts	–	–	–	–	–
Other loans	111.6	–	0.2	111.4	–
	111.6	–	0.2	111.4	–

An analysis of the Company's borrowings is as follows: Bank overdrafts – Sterling £2.8m, Other loans – US dollars £111.4m.

31 December 2012

	Total £m	Pound Sterling £m	Euros £m	US dollars £m	Others £m
Bank overdrafts	0.6	–	0.6	–	–
Other loans	113.8	–	0.3	113.5	–
	114.4	–	0.9	113.5	–

An analysis of the Company's borrowings is as follows: Bank overdrafts – Sterling £2.5m, Other loans – US dollars £113.5m.

The weighted average interest rates paid were as follows:

	Year ended 2013 %	Year ended 2012 %
Bank overdrafts	1.50	2.30
Other loans	6.46	6.46

20. BANK OVERDRAFTS AND LOANS CONTINUED

Bank overdrafts of £nil (2012 – £0.6m) 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 2012 or 2013.

The Directors estimate the fair value of the Group's borrowings to be as follows:

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Bank overdrafts	–	0.6	2.8	2.5
Other loans	124.9	132.8	124.7	132.5
	124.9	133.4	127.5	135.0

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.

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 and the Company's main loans are unsecured guaranteed loan notes in the US private placement market and revolving credit facilities.

- a) Loan notes of \$120m, 2013 £72.3m (2012 – £73.6m) were taken out in October 2008. Notes of \$25m carry interest at the rate of 6.42% and are due for repayment in October 2015. Notes of \$75m carry interest at the rate of 6.84% and are due for repayment in October 2018. Notes of \$20m carry interest at the rate of 6.94% and are due for repayment in October 2020.
- b) Loan notes of \$30m, 2013 £18.1m (2012 – £18.4m) were taken out in January 2007 and are due for repayment in January 2017. The loan notes carry interest at the rate of 5.85% per annum.
- c) Loan notes of \$35m, 2013 £21.0m (2012 – £21.5m) were taken out in October 2007 and are due for repayment in October 2014. The loan notes carry interest at the rate of 5.93% per annum.

The Group also has two revolving credit facilities.

A committed £60m five-year syndicated multi-currency facility was entered into in October 2011. There were no amounts drawn by either the Group or the Company at 31 December 2013 or at 31 December 2012.

A committed \$25m single bank (£15.1m) overdraft and letter of credit facility was entered into in December 2012 and matures in May 2015. This facility was reduced from \$50m to \$25m in October 2013. There were no loans drawn under the facility on 31 December 2013 and 31 December 2012 and there were letters of outstanding credit of \$4.7m (£2.9m) (2012 – £8.9m).

As at 31 December 2013, the Group had available £72.2m (2012 – £81.8m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

21. 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, measured by adjusted profit before interest, tax, depreciation and amortisation ("EBITDA"). 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, obligations under finance leases, forward exchange contract losses less cash and cash equivalents and forward exchange contract gains. Total capital is the equity shown in the Consolidated Balance Sheet.

All of the Group's external borrowing facilities 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 not exceed 2.5x. At 31 December 2013 net debt was 0.5x the Group's level of EBITDA (31 December 2012 – 0.6x). 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 2013 EBITDA was 15.4x the level of net interest (31 December 2012 – 15.7x). 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 60% to 80%. Ratios outside this range may still be considered to be acceptable, in certain circumstances. The gearing ratio for the Group at the end of 2013 was 16% (2012 – 23%). The decrease in 2013 is attributable mainly to the strong profit and free cash flow generation during the year. The cash generated by the Group in recent years has led to the gearing ratio being lower than the targeted range.

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 85% of its revenue from businesses outside the United Kingdom, with 66% 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 Pound Sterling would have increased (or decreased) 2013 Group operating profit by £9.4m (£7.3m of which would have been due to the US dollar movement) and would have increased (or decreased) net equity by £20.5m (£15.4m 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 Euro and the South African Rand, and between the US dollar and the Pound Sterling. The Group seeks to hedge transaction-related exposures on a rolling 15- to 18-month forward basis 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 2013 are immaterial. The impact on net equity is determined by the unrecognised portion of open forward contracts at the year-end. A 10% appreciation (or depreciation) of the Euro against the Rand and of the US dollar against Pound Sterling would have decreased (or increased) net equity by £0.6m and £1.7m, respectively.

21. FINANCIAL INSTRUMENTS CONTINUED

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.

The following sensitivity analysis of the Group's and the Company's exposure to interest rate risk at the reporting date has been determined based on the exposure to interest rates at the beginning of the financial year, and held constant throughout the reporting period 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 and Company's net profit would have increased (or decreased) by £0.2m. Any fixed interest debt is held to maturity and not fair value adjusted through the profit and loss. An increase (or decrease) of 0.5% in the US dollar market interest rate for the fixed rate debt held up to maturity would have decreased (or increased) the fair value of the Group's and Company's borrowings by £2.0m. The Group's and Company's sensitivity to interest rates has decreased during the current period mainly due to the increased proportion of fixed debt.

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 19. The Group is guarantor under the lease of one building in the UK, which arose on the disposal of a former Group-owned subsidiary in 2001.

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 and Company's maximum exposure to credit risk.

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 reserve borrowing 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 24 to 26, the Group is currently in a well-funded position, with significant headroom under its committed borrowing facilities and no major renewal of borrowing facilities due until 2014. It is considered unlikely that the Group will face any significant funding issues in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

21. FINANCIAL INSTRUMENTS CONTINUED CATEGORIES OF FINANCIAL INSTRUMENTS

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Carrying value of financial assets:				
Cash and cash equivalents	53.1	44.5	0.1	2.3
Trade receivables	103.2	93.0	–	–
Other receivables	2.4	1.6	0.1	0.1
Due from subsidiaries	–	–	138.3	142.6
Loans and receivables at amortised cost	158.7	139.1	138.5	145.0
Currency derivatives used for hedging	1.9	1.0	–	–
Currency derivatives at fair value through profit and loss	–	–	–	–
Total financial assets	160.6	140.1	138.5	145.0
Carrying value of financial liabilities:				
Bank overdrafts and loans	111.6	114.4	114.2	116.0
Obligations under finance leases	0.7	1.0	–	–
Trade payables	64.5	58.3	0.3	0.2
Other payables and accruals	52.2	55.9	3.7	4.4
Due to subsidiaries	–	–	107.3	115.3
Other financial liabilities at amortised cost	229.0	229.6	225.5	235.9
Currency derivatives used for hedging	2.3	0.5	–	–
Currency derivatives at fair value through profit and loss	–	–	–	–
Total financial liabilities	231.3	230.1	225.5	235.9
Undiscounted contractual maturity of other financial liabilities:				
Amounts payable:				
On demand or within one year	145.6	122.8	142.4	129.7
In the second to fifth years inclusive	97.9	78.9	97.6	78.2
After five years	13.7	64.0	13.7	64.0
	257.2	265.7	253.7	271.9
Less: future finance charges	(28.2)	(36.1)	(28.2)	(36.0)
Other financial liabilities at amortised cost	229.0	229.6	225.5	235.9

Any amounts drawn under the committed syndicated multi-currency facility, which matures in 2016, are drawn on a short-term basis and are therefore shown as payable within one year in the above contractual maturity analysis. 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 20.

An ageing analysis of trade, deferred consideration and other receivables is as disclosed within Note 19.

21. 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. At the balance sheet date, total notional amounts and fair values of outstanding forward foreign exchange contracts that the Group and the Company have committed are given below:

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Notional amounts:				
Foreign exchange contracts – cash flow hedges	55.2	43.3	–	–
Foreign exchange contracts – held for trading	–	–	–	–
Total	55.2	43.3	–	–
Less: amounts maturing within 12 months	(44.0)	(33.7)	–	–
Amounts maturing after 12 months	11.2	9.6	–	–
Contractual maturity:				
Cash flow hedges balances due within one year:				
Outflow	45.3	40.3	–	–
Inflow	53.5	40.9	–	–
Cash flow hedges balances due between one and two years:				
Outflow	9.9	10.8	–	–
Inflow	6.6	11.0	–	–
Cash flow hedges balances due between two and three years:				
Outflow	–	–	–	–
Inflow	–	–	–	–
Held for trading balances due within one year:				
Outflow	–	–	–	–
Inflow	–	–	–	–
Fair values:				
Foreign exchange contracts – cash flow hedges	(0.4)	0.5	–	–
Foreign exchange contracts – held for trading	–	–	–	–
Total (liability)/asset	(0.4)	0.5	–	–

These fair values are based on market values of equivalent instruments at the balance sheet date, comprising £1.9m (2012 – £1.0m) assets included in trade and other receivables and £2.3m (2012 – £0.5m) included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to £0.3m loss (2012 – £0.6m gain) has been deferred in equity. The fair values for the Company comprise £nil (2012 – £nil) assets included in trade and other receivables and £nil (2012 – £nil) included in trade and other payables.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

21. 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.

A) GROUP

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
31 December 2013				
Assets				
Foreign exchange contracts – cash flow hedges	–	1.9	–	1.9
Total assets	–	1.9	–	1.9
Liabilities				
Foreign exchange contracts – cash flow hedges	–	2.3	–	2.3
Total liabilities	–	2.3	–	2.3
31 December 2012				
Assets				
Foreign exchange contracts – cash flow hedges	–	1.0	–	1.0
Total assets	–	1.0	–	1.0
Liabilities				
Foreign exchange contracts – cash flow hedges	–	0.5	–	0.5
Total liabilities	–	0.5	–	0.5

B) COMPANY

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
31 December 2013				
Assets				
Financial assets at fair value through profit or loss:				
Foreign exchange contracts – held for trading	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Financial liabilities at fair value through profit or loss:				
Foreign exchange contracts – held for trading	–	–	–	–
Total liabilities	–	–	–	–
31 December 2012				
Assets				
Financial assets at fair value through profit or loss:				
Foreign exchange contracts – held for trading	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Financial liabilities at fair value through profit or loss:				
Foreign exchange contracts – held for trading	–	–	–	–
Total liabilities	–	–	–	–

21. FINANCIAL INSTRUMENTS CONTINUED

An amount of £1.5m loss (2012 – £0.8m loss) has been transferred to the Consolidated Income Statement, and is included within trading profit, in respect of contracts which matured during the period. There was no ineffectiveness to be recorded from foreign exchange cash flow hedges. An amount of £nil (2012 – £nil) has been recognised in the Consolidated Income Statement in respect of foreign exchange contracts held for trading. For the Company, a net gain of £nil (2012 – £nil) has been recognised in its Income Statement in respect of foreign exchange contracts held for trading.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 18 months. Amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged items affect net profit or loss, which is generally within 12 months from the balance sheet date.

22. 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 benefit obligations £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 January 2012	17.5	0.8	12.6	(9.3)	(20.3)	(4.3)	(3.0)
(Credit)/charge to income	(0.5)	–	2.6	2.8	1.0	(4.2)	1.7
(Credit)/charge to other comprehensive income	–	–	–	(3.1)	–	0.5	(2.6)
Charge directly to equity	–	–	–	–	4.8	–	4.8
Acquisition of subsidiary	2.4	–	2.3	–	–	–	4.7
Exchange differences	(0.8)	(0.1)	(0.6)	0.1	0.7	0.2	(0.5)
At 1 January 2013	18.6	0.7	16.9	(9.5)	(13.8)	(7.8)	5.1
Charge/(credit) to income	1.8	–	(2.1)	0.6	(1.1)	3.7	2.9
Charge/(credit) to other comprehensive income	–	0.2	–	2.7	–	(1.2)	1.7
Credit directly to equity	–	–	–	–	(0.9)	(0.3)	(1.2)
Acquisition of subsidiary	(0.1)	–	0.3	–	–	–	0.2
Exchange differences	(0.3)	(0.1)	(0.1)	(0.3)	0.5	(0.1)	(0.4)
Effect of change in tax rate:							
– income statement	–	–	–	–	–	0.6	0.6
– other comprehensive income	–	–	–	0.6	–	–	0.6
As 31 December 2013	20.0	0.8	15.0	(5.9)	(15.3)	(5.1)	9.5

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:

	Group Year ended 2013 £m	Group Year ended 2012 £m
Deferred tax liabilities	16.5	17.6
Deferred tax assets	(7.0)	(12.5)
	9.5	5.1

At the balance sheet date, the Group has unused tax losses of £25.1m (2012 – £53.9m) available for offset against future profits. A deferred tax asset has been recognised in respect of £22.0m (2012 – £47.6m) of such losses. No deferred tax asset has been recognised in respect of the remaining £3.1m (2012 – £6.3m) due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of £3.1m (2012 – £3.4m) that will expire within eight years. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £11.2m (2012 – £5.8m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

22. DEFERRED TAX LIABILITIES AND ASSETS CONTINUED

In addition, at the balance sheet date, the Group has deductible temporary differences, for which no deferred tax asset has been recognised, in respect of share-based payments of £1.0m (2012 – £0.9m), accelerated book depreciation of £10.6m (2012 – £13.3m) and other temporary differences of £nil (2012 – £0.4m). The Company has deductible temporary differences, for which no deferred tax asset has been recognised, in respect of retirement benefit obligations of £15.6m (2012 – £23.3m), share-based payments of £2.9m (2012 – £2.1m), accelerated book depreciation of £0.6m (2012 – £0.5m) and other temporary differences of £0.3m (2012 – £0.1m). Deferred tax assets have not been recognised in respect of these differences due to the unpredictability of both the timing of the reversal of these temporary differences and of the future profit streams in the entities concerned.

At the balance sheet date, the Group and Company have £5.0m (2012 – £5.0m) of surplus 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 £15.7m (2012 – £15.7m) 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. The Company has £15.6m (2012 – £15.6m) of such unused capital losses.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	Group Year ended 2013 £m	Group Year ended 2012 £m	Group Year ended 2013 £m	Group Year ended 2012 £m
Amounts payable under finance leases:				
Within one year	0.4	0.6	0.4	0.5
In the second to fifth years inclusive	0.3	0.5	0.3	0.5
After five years	–	–	–	–
	0.7	1.1	0.7	1.0
Less: future finance charges	–	(0.1)	–	–
Present value of lease obligations	0.7	1.0	0.7	1.0
Less: amount due for settlement within 12 months (shown under current liabilities)			(0.4)	(0.5)
Amount due for settlement after 12 months			0.3	0.5

It is the Group's policy to lease certain of its buildings and fixtures and equipment under finance leases. The most significant lease, representing approximately 30% (2012 – 24%) of the Group's obligations, expires in 2018. For the year ended 31 December 2013, the average effective borrowing rate was 4.2% (2012 – 5.4%). 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.

An analysis of the present value of lease obligations by currency is as follows: Sterling £0.3m (2012 – £0.4m), Euros £0.1m (2012 – £0.2m) and US dollars £0.3m (2012 – £0.4m).

24. TRADE AND OTHER PAYABLES

Trade and other payables at 31 December comprise the following:

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Current liabilities				
Trade payables	64.5	58.3	0.3	0.2
Social security and PAYE	6.2	6.2	0.1	0.1
Value Added Tax	2.2	1.5	–	–
Currency derivatives	2.3	0.5	–	–
Other payables and accruals	52.2	55.9	3.7	4.4
Due to subsidiaries	–	–	107.3	115.3
Total trade and other payables	127.4	122.4	111.4	120.0

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The average credit period taken for trade purchases is 54 days (2012 – 55 days).

25. PROVISIONS

Group	Warranties £m	Other £m	Total £m
At 1 January 2012	5.1	0.4	5.5
Additional provision in the year	2.5	–	2.5
Utilisation of provision	(0.8)	(0.1)	(0.9)
Release of unused amounts	(0.6)	–	(0.6)
Unwinding of discount	–	–	–
Exchange difference	(0.4)	–	(0.4)
At 31 December 2012	5.8	0.3	6.1
Additional provision in the year	0.6	–	0.6
Utilisation of provision	(1.2)	–	(1.2)
Release of unused amounts	(4.1)	–	(4.1)
Unwinding of discount	–	–	–
Exchange difference	0.2	–	0.2
At 31 December 2013	1.3	0.3	1.6
Included in current liabilities	1.3	0.3	1.6

Provisions for warranty costs are based on an assessment of future claims with reference to past experience.

26. SHARE CAPITAL

	Group and Company	
	Year ended 2013 £m	Year ended 2012 £m
Authorised:		
750 million ordinary shares of 10p each	75.0	75.0
Issued and fully paid:		
415.9 million ordinary shares of 10p each	41.6	41.4

At 31 December 2012, the issued and fully paid up share capital was 413.9 million ordinary shares of 10p each.

42,422 shares were issued during 2013 at an average price of 144.85p per share under share option plans raising £0.1m. 2,039,740 shares were issued during 2013 under the 2005 Long Term Incentive Plan.

The Company has one class of ordinary shares which carries no right to fixed income.

27. SHARE PREMIUM ACCOUNT

	Group and Company	
	Year ended 2013 £m	Year ended 2012 £m
Balance at 1 January	13.7	12.3
Movement in year	0.1	1.4
Balance at 31 December	13.8	13.7

28. EQUITY RESERVE

	Group and Company	
	Year ended 2013 £m	Year ended 2012 £m
Balance at 1 January	3.8	2.7
Transfer to retained earnings reserve	(1.4)	(0.6)
Movement in year	2.8	1.7
Balance at 31 December	5.2	3.8

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 includes £3.0m (2012 – £2.0m) in respect of the share-based payment charge for the year, and £0.2m (2012 – £0.3m) release in respect of the shares issued in the year under the 2005 Long Term Incentive Plan.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

29. HEDGING AND TRANSLATION RESERVES

A) GROUP

	Hedging reserve Year ended 2013 £m	Translation reserve Year ended 2013 £m	Total Year ended 2013 £m	Hedging reserve Year ended 2012 £m	Translation reserve Year ended 2012 £m	Total Year ended 2012 £m
Balance at 1 January	(37.0)	32.4	(4.6)	(39.0)	43.5	4.5
Exchange differences on translation of overseas operations	–	(7.8)	(7.8)	–	(11.1)	(11.1)
Change in fair value of hedging derivatives	(0.9)	–	(0.9)	2.0	–	2.0
Tax on items taken directly to equity	–	(0.3)	(0.3)	–	–	–
Balance at 31 December	(37.9)	24.3	(13.6)	(37.0)	32.4	(4.6)

B) COMPANY

	Hedging reserve Year ended 2013 £m	Translation reserve Year ended 2013 £m	Total Year ended 2013 £m	Hedging reserve Year ended 2012 £m	Translation reserve Year ended 2012 £m	Total Year ended 2012 £m
Balance at 1 January and 31 December	–	(0.3)	(0.3)	–	(0.3)	(0.3)

30. RETAINED EARNINGS

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Balance at 1 January	259.6	216.6	81.1	71.0
Dividends paid	(19.9)	(16.4)	(19.9)	(16.4)
Net profit for the year	71.4	69.9	35.2	32.5
Pension actuarial gain/(loss)	4.3	(12.3)	1.9	(6.6)
Transfer from equity reserve	1.4	0.6	1.4	0.6
Tax on deductible temporary differences	(0.4)	1.2	–	–
Balance at 31 December	316.4	259.6	99.7	81.1

£7.5m (2012 – £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.

31. OWN SHARES

	Group and Company	
	Year ended 2013 £m	Year ended 2012 £m
Balance at 1 January	(1.0)	–
Movement in the year	(0.9)	(1.0)
Balance at 31 December	(1.9)	(1.0)

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 36).

32. ACQUISITIONS

GAMFG PRECISION LLC

As noted in the 31 December 2012 Annual Report & Accounts, on 2 November 2012, the Group acquired 100% of the issued share capital of GAMFG Precision LLC and its parent company GAMCO Acquisition Company (collectively "GA"). On finalisation of the fair value exercise, property, plant and equipment on acquisition was reduced by £0.3m, with an increase in goodwill previously recognised of £0.3m.

The contingent consideration of £3.8m is no longer payable to the sellers of GA and consequently this amount has been released to the income statement during 2013.

ATLAS COMPOSITES LIMITED

On 8 February 2013, the Group acquired 100% of the issued share capital of Atlas Composites Limited and its parent company Castlegate 408 Limited (collectively "Atlas"). Atlas, based in Ilkeston, Derbyshire, UK, designs and manufactures composite structures, components and tooling for aerospace, motorsport, defence and communications markets. The cash consideration, net of cash acquired of £0.1m, was £2.4m and the acquisition was funded from the Group's existing debt facilities.

Goodwill of £1.7m has been recognised on acquisition and represents the premium paid in anticipation of future profitability from assets that are not capable of being separately identified and separately recognised such as the assembled workforce as well as the Group's ability to generate future value from expanding Atlas' aerospace activities through utilisation of the Group's existing relationships and experience in the aerospace industry.

Atlas contributed £3.0m of external revenue and made an operating loss of £0.1m from the date of acquisition to 31 December 2013. If the acquisition had been completed on 1 January 2013, continuing Group revenue for the 12 months ended 31 December 2013 would have been £775.5m and continuing Group operating profit would have remained unchanged at £93.3m.

THERMAL ENGINEERING LIMITED

On 29 November 2013, the Group acquired 100% of the issued share capital of Thermal Engineering Limited and its parent company Thermal Engineering Holding Limited (collectively "Thermal"). Thermal is located in Royston, Hertfordshire, UK and specialises in manufacturing hot- and cold-formed components, complex fabricated assemblies and thermal insulation heat shields and systems for the aerospace industry.

Thermal's capabilities are highly complementary to Senior's existing portfolio, providing additional capability to the Group in the areas of hot forming and insulation. The consideration was £28.3m, before netting £0.2m of cash acquired, and the acquisition was funded by the Group's existing debt facilities.

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

Recognised amounts of identifiable assets acquired and liabilities assumed:	£m
Identifiable intangible assets	1.8
Property, plant and equipment	4.5
Inventories	2.0
Financial assets, excluding cash and cash equivalents	4.8
Cash and cash equivalents	0.2
Financial liabilities	(3.6)
Deferred tax liability	(0.4)
Net assets acquired	9.3
Goodwill	19.0
Total consideration	28.3
Consideration satisfied by:	
Cash paid	21.8
Repayment of debt	6.5
Net cash outflow arising on acquisition:	
Cash consideration paid to date	28.3
Less: Cash and cash equivalents acquired	(0.2)
Net cash outflow arising on acquisition	28.1

The goodwill of £19.0m represents the premium paid in anticipation of future profitability from assets that are not capable of being separately identified and separately recognised such as the assembled workforce as well as the expectation that the Group will be able to leverage its wider market access and strong financial position to generate sustainable financial growth beyond what Thermal would have potentially achieved as a stand-alone company. None of the goodwill is expected to be deductible for tax purposes.

The intangible assets acquired as part of the acquisition relate mainly to customer contracts and relationships, the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows, and are being amortised over three years.

The financial assets acquired include trade receivables with a fair value of £4.6m and a gross contractual value of £4.6m, all of which is expected to be collectible.

Acquisition-related costs of £0.2m are included in administrative expenses within trading profit in the Group's Consolidated Income Statement for the year ended 31 December 2013.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

32. ACQUISITIONS CONTINUED

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

Thermal contributed £1.0m of external revenue and £0.1m to the Group's operating profit from the date of acquisition to 31 December 2013. If the acquisition had been completed on 1 January 2013, continuing Group revenue for the 12 months ended 31 December 2013 would have been £791.3m and continuing Group operating profit would have been £94.3m.

33. DISCONTINUED OPERATIONS

On 16 October 2012, the Group disposed of the entire share capital of Senior Hargreaves Limited to the M&W Group.

The results of the discontinued operation, which have been included in the Consolidated Income Statement, were as follows:

	Year ended 2013 £m	Year ended 2012 £m
Revenue	–	17.8
Expenses	–	(17.0)
Operating profit	–	0.8
Profit on disposal	–	2.5
Tax	–	–
Profit for the period from discontinued operations	–	3.3

During the year, Senior Hargreaves Limited contributed £nil (2012 – £nil) to the Group's net operating cash flows, paid £nil (2012 – £0.1m) in respect of investing activities and paid £nil (2012 – £2.0m) in respect of financing activities in relation to inter-Group loans and dividends.

34. NOTES TO THE CASH FLOW STATEMENT

A) RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH FROM OPERATING ACTIVITIES

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Operating profit/(loss) from continuing operations	93.3	93.7	(4.1)	(6.4)
Operating profit from discontinued operations	–	0.8	–	–
Operating profit/(loss)	93.3	94.5	(4.1)	(6.4)
Adjustments for:				
Depreciation of property, plant and equipment	21.6	20.1	0.1	0.1
Amortisation of intangible assets	4.9	5.0	–	–
Impairment of goodwill	12.7	–	–	–
Reversal of contingent consideration payable	(3.8)	–	–	–
Restructuring costs	1.9	–	–	–
Share options	3.5	2.3	1.0	0.7
Loss on disposal of property, plant and equipment	–	0.1	–	–
Pension payments in excess of service cost	(7.7)	(13.7)	(6.6)	(12.9)
Share of joint venture	0.3	0.1	–	–
Exceptional pension (credit)/charge	(1.1)	1.9	–	1.9
Operating cash flows before movements in working capital	125.6	110.3	(9.6)	(16.6)
Increase in inventories	(8.6)	(3.9)	–	–
(Increase)/decrease in receivables	(9.2)	2.6	0.1	0.2
Decrease in payables	(1.3)	(8.9)	(0.7)	(0.2)
Decrease in receivables from subsidiaries	–	–	0.9	1.1
Working capital currency movements	–	(0.3)	–	–
Cash generated by/(used in) operations	106.5	99.8	(9.3)	(15.5)
Income taxes paid	(6.0)	(8.6)	–	–
Interest paid	(8.1)	(7.9)	(9.8)	(10.3)
Net cash from/(used in) operating activities	92.4	83.3	(19.1)	(25.8)

34. NOTES TO THE CASH FLOW STATEMENT CONTINUED**B) FREE CASH FLOW**

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

	Group Year ended 2013 £m	Group Year ended 2012 £m
Net cash from operating activities	92.4	83.3
Interest received	0.2	0.3
Proceeds on disposal of property, plant and equipment	0.9	0.1
Purchases of property, plant and equipment	(28.7)	(25.3)
Purchase of intangible assets	(1.0)	(0.8)
Free cash flow	63.8	57.6

C) ANALYSIS OF GROUP NET DEBT

	At 1 January 2013 £m	Cash flow £m	Non-cash items £m	Assumed on acquisition £m	Exchange movement £m	At 31 December 2013 £m
Cash	44.5	10.8	–	–	(2.2)	53.1
Overdrafts	(0.6)	0.6	–	–	–	–
Cash and cash equivalents	43.9	11.4	–	–	(2.2)	53.1
Debt due within one year	(0.2)	0.2	(21.2)	–	–	(21.2)
Debt due after one year	(113.6)	–	21.2	–	2.0	(90.4)
Finance leases	(1.0)	0.5	–	(0.2)	–	(0.7)
Total	(70.9)	12.1	–	(0.2)	(0.2)	(59.2)

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Cash and cash equivalents comprise:				
Cash	53.1	44.5	0.1	2.3
Bank overdrafts	–	(0.6)	(2.8)	(2.5)
Total	53.1	43.9	(2.7)	(0.2)

Cash and cash equivalents held by the Group and the Company (which are presented as a single class of assets on the face of the Balance Sheets) 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 FINANCIAL STATEMENT CONTINUED

35. OPERATING LEASE ARRANGEMENTS THE GROUP AND THE COMPANY AS LESSEE

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Minimum lease payments under operating leases recognised in the Consolidated Income Statement for the year	7.8	7.3	0.1	0.2

The Group also received £0.5m under a sub-lease recognised in the Consolidated Income Statement for the year (2012 – £0.5m).

At 31 December, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group Year ended 2013 £m	Group Year ended 2012 £m	Company Year ended 2013 £m	Company Year ended 2012 £m
Within one year	7.6	7.0	–	–
In the second to fifth years inclusive	23.1	19.2	0.4	0.3
After five years	13.1	11.2	1.2	1.3
	43.8	37.4	1.6	1.6

The total of future minimum sub-lease payments expected to be received by the Group under non-cancellable sub-leases at the end of 2013 was £2.2m (2012 – £2.7m).

Operating lease payments principally represent rentals payable by the Group for certain of its manufacturing properties. The leases with the four largest outstanding commitments, representing 36% (2012 – 46%) of the Group's commitment, (excluding sub-leases) respectively expire in 2026 (with rentals fixed for three years), in 2024 (with rentals increasing by 2.5% every 12 months), in 2024 and in 2022.

As at the date of approving the accounts, the Company has guaranteed £1.0m (2012 – £1.0m) of annual lease commitments of certain current and previous subsidiary entities.

36. SHARE-BASED PAYMENTS

The Group recognised total expenses of £3.5m (2012 – £2.3m) related to share-based payments, of which £3.0m (2012 – £2.0m) related to equity-settled share-based payments, and £0.5m (2012 – £0.3m) related to social security costs on share-based payments. At 31 December 2013, the Group had a liability of £0.7m (2012 – £0.6m) arising from share-based payments of which £0.7m (2012 – £0.6m) related to social security costs. The Company recognised total expenses of £1.0m (2012 – £0.7m) related to equity-settled share-based payments. At 31 December 2013 the Company had a liability of £0.4m (2012 – £0.3m) related to social security costs.

The disclosures below are in respect of both Group and Company.

A) 2005 LONG TERM INCENTIVE PLAN

Equity-Settled Long Term Incentive Plans

On 25 March 2013 1,105,898 shares and on 3 September 2013 215,749 shares were awarded under the 2005 Long Term Incentive Plan. Awards under this plan have a three-year vesting period, subject to earnings per share ("EPS") and total shareholder return ("TSR") performance conditions being met. Half the awards have an attaching performance target for EPS growth over the three-year performance period of at least 3% per annum above the RPI. The other half of the awards begin to vest if the Company'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 with EPS conditions are 227.50p and 256.10p per share, respectively which is essentially the share price at the date of grant of 246.80p and 278.10p, respectively, per share less an allowance for dividends foregone over the three-year vesting period. The estimated fair value for the awards granted in the year with TSR conditions are 116.40p and 131.00p, respectively, per share, reflecting an adjustment of 51% to the fair value of the awards with EPS conditions due to the stringent TSR condition.

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 of 246.80p and 278.10p respectively, a risk-free interest rate of 0.3% per annum, expected volatility of 37.0% per annum, net dividend yield of 1.9% per annum, and the performance conditions as noted above. Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years.

36. SHARE-BASED PAYMENTS CONTINUED

The following share awards were outstanding as at 31 December 2013 and 2012:

	Year ended 2013 Number of shares	Year ended 2012 Number of shares
Outstanding at 1 January	4,961,212	6,500,854
Granted	1,321,647	1,710,406
Exercised	(2,039,740)	(2,679,044)
Forfeited	(50,550)	(571,004)
Outstanding at 31 December	4,192,569	4,961,212

Cash-Settled Long Term Incentive Plan

Under the 2005 Plan, phantom awards were granted to certain employees. These are subject to the same general terms and conditions as the above equity-settled awards, however, on vesting the holder is entitled to receive an amount equal to the market value of the shares in relation to which the phantom award vests.

5,728 notional shares subject to the phantom award were awarded under the 2005 Long Term Incentive Plan on 25 March 2013. 15,913 phantom awards vested during the year. The number of notional shares outstanding at 31 December 2013 was 16,627 (2012 – 26,812).

B) ENHANCED SMIS DEFERRED SHARE AWARD

369,581 shares were awarded under the Enhanced SMIS Deferred Share Award on 25 March 2013. 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 227.50p per share, which is essentially the share price at the date of grant of 246.80p per share less an allowance for dividends foregone over the three-year deferral period.

The following share awards were outstanding as at 31 December 2013 and 2012:

	Year ended 2013 Number of shares	Year ended 2012 Number of shares
Outstanding at 1 January	450,726	–
Granted	369,581	520,106
Exercised	–	–
Forfeited	–	(69,380)
Outstanding at 31 December	820,307	450,726

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 30 April 2013.

The estimated fair value for the award granted during the year was 48.56p. This fair value was calculated by applying a Black-Scholes option pricing model. The model inputs at the date of the grant were the share price of 244.40p, a risk-free interest rate of 0.48% per annum, expected volatility of 33.39% per annum and a net dividend yield of 1.95%. Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years.

The following options were outstanding as at 31 December 2013 and 2012:

	Year ended 2013		Year ended 2012	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	978,082	144.40p	10,207,074	38.22p
Granted	2,617,888	244.40p	–	–
Exercised	(42,422)	144.85p	(8,923,725)	25.28p
Forfeited	(277,540)	209.98p	(305,267)	76.44p
Expired	(37,771)	144.40p	–	–
Outstanding at 31 December	3,238,237	219.62p	978,082	144.40p
Exercisable at 31 December	–	–	71,000	144.40p

The weighted average share price at the date of exercise for share options exercised during the period was 245.77p (2012 – 192.27p). The options outstanding at 31 December 2013 had an exercise price of 244.40p and 144.40p per share, and a weighted average remaining contractual life of 2.5 years. The options outstanding at 31 December 2012 had an exercise price of 144.40p per share, and a weighted average remaining contractual life of 2.0 years.

NOTES TO THE FINANCIAL STATEMENT CONTINUED

36. SHARE-BASED PAYMENTS CONTINUED

D) ONE-OFF SHARE AWARD

On 3 September 2013, a One-off Award of 82,720 shares was granted under the terms of a share award agreement agreed in connection with and to facilitate Derek Harding's recruitment as Group Finance Director, in order to partly compensate him for foregoing entitlements from his previous employer. In the normal course of events, 4/9ths of the One-off Award will vest on 2 September 2014, 3/9ths on 2 September 2015 and 2/9ths on 2 September 2016, in each case subject to Derek Harding's continued service until the relevant vesting date.

The estimated fair value for the grant in the year is 256.10p per share, which is essentially the share price at the date of grant of 278.10p per share less an allowance for dividends foregone over the vesting period.

	Year ended 2013 Number of shares	Year ended 2012 Number of shares
Outstanding at 1 January	–	–
Granted	82,720	–
Exercised	–	–
Forfeited	–	–
Outstanding at 31 December	82,720	–

37. 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 largest defined benefit arrangement for the Group and Company, the Senior plc Pension Plan, is a funded scheme in the UK, providing benefits based on final pensionable emoluments for the employees of the Group and Company. This plan was closed to new employees from April 2008. A change to the Rules of the Plan was implemented prior to 31 December 2009 to introduce a cap on future pensionable earnings growth of 2% per annum from 6 April 2010. The latest full actuarial valuation was carried out as at 5 April 2013 and, for the purposes of accounting under IAS19, this valuation has been rolled forward to 31 December 2013.

In addition, the Group operates two defined benefit plans in the USA, 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 the USA 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.

The bulk of the pension obligations relate to the UK Plan and we provide more detail on that arrangement below.

For the Senior plc Pension Plan in the UK, the Trustee is Senior Trustee Limited. The appointment of the Directors to the Board is determined by the plan's Trust documentation. There is a policy that at least one-third of all Directors should be nominated by members of the plan. 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 investment strategy for the plan is decided locally by the Trustees. The primary investment objective is for the plan to be able to meet benefit payments as they fall due. This objective is implemented by setting strategic asset allocations using a "horizon-based" approach. Under this approach, all benefit cash flows expected to fall in the next 17 years (the horizon period) are met by investment in low-risk assets such as fixed interest and index-linked bonds. Cash flows after the horizon period are met by investment in more volatile assets which are expected to deliver a higher return (than bonds) in the longer term. Benefits are expected to be paid over the next 60 to 70 years. The UK Plan's average duration is around 17 years. In setting this strategy, the Trustees consider 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 Trustees continue to review their investment strategy and have also implemented a switching mechanism to secure any outperformances of equities relative to bonds, by selling equities to buy bonds.

The Group is ultimately responsible for making up any shortfall in the UK defined benefit Plan over a period agreed with the trustees. To the extent that actual experience is different to 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. The two key risks faced by pension schemes are longevity (i.e. members living longer than expected) and investment risk (i.e. the scheme's assets perform poorly relative to the liabilities).

The Group has agreed with the Trustees of the UK plan to fund the plan deficit over an eight-year period from April 2013 to March 2021. The estimated amounts of contributions expected to be paid during 2014 to the UK plan is £8.2m (£7.6m of which is to fund the past service deficit and £0.6m in respect of administrative expenses) and to the US funded plans is £nil.

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 £6.2m (2012 – £5.4m).

37. RETIREMENT BENEFIT SCHEMES CONTINUED

b) Defined benefit schemes

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit plans is set out below.

The Company's defined benefit scheme obligations are set out in the "UK plans funded" column below.

	31 December 2013				31 December 2012			
	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	(238.7)	(38.8)	(5.7)	(283.2)	(228.8)	(44.8)	(5.4)	(279.0)
Fair value of plan assets	223.1	34.5	–	257.6	205.5	36.4	–	241.9
Plan deficit per balance sheet	(15.6)	(4.3)	(5.7)	(25.6)	(23.3)	(8.4)	(5.4)	(37.1)

c) Movements in the present value of defined benefit obligations were as follows:

	31 December 2013				31 December 2012			
	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	228.8	44.8	5.4	279.0	211.6	38.5	5.0	255.1
Current service costs	1.0	0.7	0.3	2.0	1.2	0.6	0.1	1.9
Interest cost	9.9	1.8	0.2	11.9	10.1	1.7	0.2	12.0
Contributions by plan participants	0.5	–	–	0.5	0.7	–	–	0.7
Experience on benefit obligations	(0.5)	0.3	–	(0.2)	0.7	1.1	–	1.8
Actuarial losses/(gains) – financial	3.2	(5.7)	–	(2.5)	11.6	3.6	0.6	15.8
Actuarial losses – demographic	4.9	0.1	–	5.0	–	2.8	–	2.8
Benefits paid	(9.1)	(1.5)	(0.3)	(10.9)	(9.0)	(1.4)	(0.3)	(10.7)
Curtailment (credit)/charge	–	(1.1)	–	(1.1)	1.9	–	–	1.9
Exchange differences	–	(0.6)	0.1	(0.5)	–	(2.1)	(0.2)	(2.3)
At 31 December	238.7	38.8	5.7	283.2	228.8	44.8	5.4	279.0

d) Movements in the fair value of plan assets were as follows:

	31 December 2013				31 December 2012			
	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	205.5	36.4	–	241.9	186.3	34.3	–	220.6
Interest on plan assets	9.1	1.4	–	10.5	7.6	1.8	–	9.4
Actual return on plan assets less interest	9.5	(2.9)	–	6.6	5.7	2.4	–	8.1
Contributions from employer	8.4	1.7	–	10.1	14.2	1.1	–	15.3
Contributions by plan participants	0.5	–	–	0.5	0.7	–	–	0.7
Benefits paid	(9.1)	(1.5)	–	(10.6)	(9.0)	(1.4)	–	(10.4)
Running costs	(0.8)	–	–	(0.8)	–	–	–	–
Exchange differences	–	(0.6)	–	(0.6)	–	(1.8)	–	(1.8)
At 31 December	223.1	34.5	–	257.6	205.5	36.4	–	241.9

e) Amounts recognised in the Income Statement in respect of these defined benefit schemes are as follows:

	31 December 2013				31 December 2012			
	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	1.0	0.7	0.3	2.0	1.2	0.6	0.1	1.9
Running costs	0.8	–	–	0.8	–	–	–	–
Curtailment (credit)/charge	–	(1.1)	–	(1.1)	1.9	–	–	1.9
Charge/(credit) included within operating profit	1.8	(0.4)	0.3	1.7	3.1	0.6	0.1	3.8
Included within finance costs	0.8	0.4	0.2	1.4	2.5	(0.1)	0.2	2.6
Amount recognised in the Income Statement	2.6	–	0.5	3.1	5.6	0.5	0.3	6.4

NOTES TO THE FINANCIAL STATEMENT CONTINUED

37. RETIREMENT BENEFIT SCHEMES CONTINUED

f) Amounts recognised in other comprehensive income are as follows:

	31 December 2013				31 December 2012			
	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	(3.2)	5.7	–	2.5	(11.6)	(3.6)	(0.6)	(15.8)
– Change in demographic assumptions	(4.9)	(0.1)	–	(5.0)	–	(2.8)	–	(2.8)
– Experience adjustments on benefit obligations	0.5	(0.3)	–	0.2	(0.7)	(1.1)	–	(1.8)
Actual return on plan assets less interest on plan assets	9.5	(2.9)	–	6.6	5.7	2.4	–	8.1
Gains/(losses) recognised in other comprehensive income	1.9	2.4	–	4.3	(6.6)	(5.1)	(0.6)	(12.3)

Actuarial gains of £4.3m (2012 – £12.3m losses) 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 2013 is £46.3m (2012 – £50.6m).

g) Assets and assumptions in funded plans

	UK plans funded		US plans funded	
	2013 £m	2012 £m	2013 £m	2012 £m
Fair value of plan assets				
Equities	72.4	58.7	–	–
Bonds	80.9	80.6	34.5	36.4
Gilts	68.4	67.6	–	–
Cash and net current (liabilities)/assets	1.4	(1.4)	–	–
Total	223.1	205.5	34.5	36.4
Actual return on plan assets	18.6	13.3	(1.5)	4.2

The UK plan assets are held exclusively within instruments with quoted market prices in an active market with the exception of the holdings in insurance policies.

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	
	2013 £m	2012 £m	2013 £m	2012 £m
Key assumptions (per annum %)				
Inflation	3.3%	2.9%	n/a	n/a
Increases in salary	2.0%	2.0%	4.0%	4.0%
Increase in pensions	3.2%	2.9%	0.0%	0.0%
Increase in deferred pensions	3.3%	2.9%	0.0%	0.0%
Rate used to discount plan liabilities	4.5%	4.4%	4.8%	3.9%
Life expectancy of a male aged 65, at the year-end	21.9	20.8	19.2	19.1
Life expectancy of a male aged 65, 20 years after the year-end	23.6	22.7	19.2	19.1

37. RETIREMENT BENEFIT SCHEMES CONTINUED

Benefits under the US funded plans are not linked to inflation.

For the UK Plan, the estimated impact on the plan deficit at 31 December 2013 of changes in key assumptions is as follows:

	Increase in plan deficit £m
0.5% decrease in the discount rate	19.0
One-year increase in life expectancy	7.0
0.5% increase in inflation	12.0

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. 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 £3.2m (2012 – £3.1m), unfunded closed pension and post-retirement healthcare plans in the USA £0.3m (2012 – £0.3m) and provision for post-retirement payments in France of £2.2m (2012 – £2.0m).

The closed pension and post-retirement healthcare plans in the US have been valued on a Projected Unit Method with the following assumptions: discount rate 4.8% and annual healthcare cost trend rate of 10.0% until the payment for medical benefits cease in December 2014. The effect of a 1% increase or decrease in the healthcare cost trend rate is negligible to the Group's results. The German plan has been subject to formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 3.4%, salary growth 2.0% and inflation 2.0%. 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.

38. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, are set out below. These eliminate on consolidation.

	Year ended 2013 £m	Year ended 2012 £m
Transactions in year		
Management charges	2.5	2.2
Pension recharges	0.5	0.6
Interest receivable	2.2	2.1
Interest payable	(1.8)	(2.3)
Dividend received	48.1	50.0
Balances at year-end		
Investments in subsidiaries	259.9	251.8
Amounts due from subsidiaries	138.3	142.6
Amounts due to subsidiaries	(107.3)	(115.3)

The management and interest charges are made on terms equivalent to those that prevail in arm's length 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 40 to 55.

FIVE-YEAR SUMMARY

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Group income statement					
Revenue					
Continuing operations	775.1	712.0	622.3	552.2	525.2
Discontinued operations	–	17.8	18.4	14.7	14.9
	775.1	729.8	640.7	566.9	540.1
Adjusted operating profit					
Continuing operations	107.6	100.6	87.3	74.4	58.6
Discontinued operations	–	0.8	1.0	1.0	0.8
	107.6	101.4	88.3	75.4	59.4
(Loss)/profit on sale of fixed assets	–	(0.1)	(0.3)	0.2	(0.1)
Exceptional pension credit/(charge)	1.1	(1.9)	–	–	6.3
Amortisation of intangible assets from acquisitions	(4.2)	(4.3)	(4.4)	(4.6)	(4.6)
Impairment of goodwill	(12.7)	–	–	(8.7)	–
Restructuring costs	(1.9)	–	–	–	–
Reversal of contingent consideration payable	3.8	–	–	–	–
Acquisition costs	(0.4)	(0.6)	(0.6)	(0.1)	–
Operating profit	93.3	94.5	83.0	62.2	61.0
Investment income/finance costs, net	(8.1)	(7.7)	(7.9)	(7.9)	(7.2)
Net finance cost of retirement benefit obligations	(1.4)	(2.6)	(2.4)	(2.2)	(4.2)
Profit on disposal of discontinued operations	–	2.5	–	–	–
Profit before tax	83.8	86.7	72.7	52.1	49.6
Tax	(12.4)	(16.8)	(17.7)	(11.7)	(10.6)
Profit for the year	71.4	69.9	55.0	40.4	39.0
Depreciation and amortisation of intangibles	26.5	25.1	23.0	24.6	25.4
Gross capital expenditure (including finance lease assets)	29.7	26.1	22.3	14.2	12.6
Basic earnings per share	17.22p	17.11p	13.68p	10.11p	9.79p
Diluted earnings per share	17.00p	16.69p	13.21p	9.77p	9.58p
Adjusted earnings per share	19.00p	17.75p	14.55p	12.01p	8.91p
Dividends in respect of year – per share	5.12p	4.65p	3.80p	3.12p	2.60p
– value	21.3	19.3	15.3	12.5	10.4
Group balance sheets					
Non-current assets	393.6	387.4	362.9	292.2	299.1
Net current assets	101.1	94.8	75.0	93.3	63.5
Non-current liabilities	(133.2)	(169.3)	(161.6)	(159.6)	(177.8)
Net assets	361.5	312.9	276.3	225.9	184.8
Net borrowings	(59.2)	(70.9)	(93.0)	(63.7)	(102.3)
Group cash flow					
Net cash from operating activities	92.4	83.3	77.1	70.2	69.8
Interest received	0.2	0.3	0.3	0.7	2.6
Proceeds from disposal of property, plant and equipment	0.9	0.1	0.3	2.1	0.3
Purchase of property, plant and equipment – cash	(28.7)	(25.3)	(21.1)	(13.5)	(12.3)
Purchase of intangible assets	(1.0)	(0.8)	(1.0)	(0.7)	(0.3)
Free cash flow	63.8	57.6	55.6	58.8	60.1
Dividends paid	(19.9)	(16.4)	(13.1)	(10.8)	(10.4)
Acquisitions less disposals	(30.5)	(23.6)	(68.6)	(8.3)	0.5
Investment in joint venture	(0.5)	(0.9)	–	–	–
Share issues	0.1	2.3	–	0.3	0.1
(Purchase)/sale of shares held by employee benefit trust	(0.9)	(1.0)	–	1.4	–
Decrease in loans	(0.2)	(0.2)	(0.2)	(4.6)	(15.5)
Decrease in finance leases	(0.5)	(0.6)	(0.4)	(0.2)	(0.2)
Cash inflow/(outflow) on forward contracts	–	–	0.2	–	(25.2)
Increase/(decrease) in cash and cash equivalents	11.4	17.2	(26.5)	36.6	9.4

PRINCIPAL GROUP UNDERTAKINGS

Operating companies	Business units	Locations
Senior UK Limited (incorporated in England and Wales)	Senior Aerospace Bird Bellows Senior Aerospace BWT Senior Flexonics Crumlin Senior Aerospace Weston*	Congleton Macclesfield Crumlin Earby
Thermal Engineering Limited (incorporated in England and Wales)***	Senior Aerospace Atlas Composites**	Ilkeston
Senior Aerospace (Thailand) Limited (incorporated in Thailand)****	Senior Aerospace Thermal Engineering	Royston
Senior Operations LLC (incorporated in Delaware, USA)	Senior Aerospace Thailand	Chonburi, Thailand
	Senior Aerospace Absolute Manufacturing	Arlington, Washington
	Senior Aerospace AMT	Arlington, Washington
	Senior Aerospace Capo Industries	Chino, California
	Senior Aerospace Composites	Wichita, Kansas
	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
Senior Aerospace GmbH (incorporated in Switzerland)	Senior Aerospace Mexico	Saltillo, Mexico
	Senior Flexonics Mexico	Saltillo, Mexico
Senior Aerospace Bosman B.V. (incorporated in the Netherlands)	Senior Aerospace Bosman	Rotterdam, Netherlands
Senior Calorstat SAS (incorporated in France)	Senior Aerospace Calorstat	Dourdan, France
Senior Aerospace Ermeto SAS (incorporated in France)	Senior Aerospace Ermeto	Blois, France
Senior Flexonics Blois SAS (incorporated in France)	Senior Flexonics Blois	Blois, France
Senior Flexonics SA (Pty) Limited (incorporated in the Republic of South Africa)	Senior Flexonics Cape Town	Cape Town, South Africa
Senior Flexonics GmbH (incorporated in Germany)	Senior Flexonics Germany	Kassel, Germany
Senior India Private Limited (incorporated in India)	Senior Flexonics New Delhi	New Delhi, India
Senior Flexonics Czech s.r.o. (incorporated in the Czech Republic)	Senior Flexonics Olomouc	Olomouc, Czech Republic
Senior do Brasil Ltda (incorporated in Brazil)	Senior Flexonics Sao Paulo	Sao Paulo, Brazil
Senior Operations (Canada) Limited (incorporated in Canada)	Senior Flexonics Canada	Brampton, Ontario

* Senior Aerospace Weston was merged into Senior UK Limited on 31 December 2013.

** Atlas Composites Limited was acquired on 8 February 2013 and merged into Senior UK Limited on 23 April 2013.

*** Thermal Engineering Limited was acquired on 29 November 2013.

**** Weston (SEA) Limited changed its name to Senior Aerospace (Thailand) Limited on 17 January 2014.

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China.

All other 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.

The Group undertakings listed above include only those that, in the opinion of the Directors, principally affect the profits or assets of the Group.

A full list of all Group undertakings will be appended to the Annual Return 2013.

ADDITIONAL SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2013

	Shareholders		Issued shares	
	Number	%	Millions	%
By category				
Corporate bodies	1,074	32.03	403.12	96.92
Other shareholders	2,279	67.97	12.81	3.08
	3,353	100.00	415.93	100.00
By range of holdings				
1 – 24,999	2,906	86.67	11.33	2.72
25,000 – 49,999	117	3.49	4.10	0.98
50,000 – 249,999	148	4.41	17.10	4.12
250,000 – 499,999	64	1.91	23.40	5.62
500,000 – 999,999	40	1.19	29.00	6.98
1,000,000 – and over	78	2.33	331.00	79.58
	3,353	100.00	415.93	100.00

The number of shares in issue at 31 December 2013 was 415,934,031.

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 25 April 2014 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 2014 AGM Notice of Meeting and Form of Proxy.

2014 FINANCIAL CALENDAR

THE KEY EVENTS FOR SENIOR IN 2014 ARE SET OUT BELOW

Some of the dates are indicative only and may be subject to change.

3 MARCH

Preliminary announcement of the 2013 Annual Results.

14 MARCH

Publication of the Annual Report & Accounts 2013.

24 APRIL

Interim Management Statement.

25 APRIL

Annual General Meeting.

30 APRIL

Shares ex-dividend for the 2013 final dividend.

2 MAY

Record date for shareholders on the register to receive 2013 final dividend.

30 MAY

Payment of the 2013 final dividend.

4 AUGUST

Preliminary announcement of the 2014 Interim Results.

8 AUGUST

Publication of the Interim Report 2014.

22 OCTOBER

Interim Management Statement.

22 OCTOBER

Shares ex-dividend for the 2014 interim dividend.

24 OCTOBER

Record date for shareholders on register to receive 2014 interim dividend.

28 NOVEMBER

Payment of the 2014 interim dividend.

OFFICERS AND ADVISERS

SECRETARY AND REGISTERED OFFICE

Andrew Bodenham
Senior plc
59/61 High Street, Rickmansworth, Hertfordshire WD3 1RH

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REGISTRARS

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Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

AUDITOR

Deloitte LLP
Mountbatten House, Grosvenor Square, Southampton SO15 2BZ

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.

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