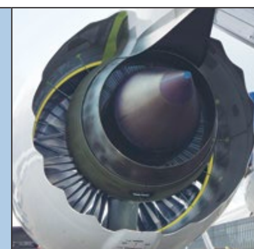
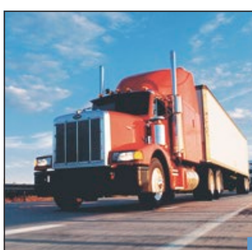
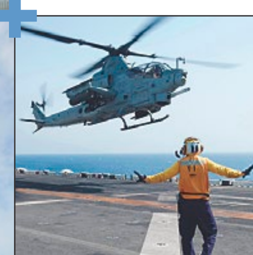
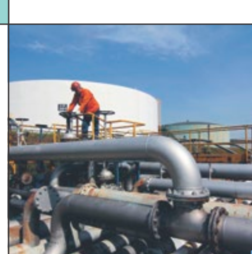
Senior plc
Annual Report & Accounts 2015









WHO WE ARE

Senior is an international, market-leading, engineering solutions provider with 33 operations in 14 countries.

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

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

To find out more visit
www.seniorplc.com

Cautionary statement
The Annual Report & Accounts 2015 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.

FINANCIAL HIGHLIGHTS

REVENUE
£849.5M +4%
(2014 – £820.8m)

ADJUSTED OPERATING MARGIN[1]
12.7% –0.9PPTS
(2014 – 13.6%)

ADJUSTED PROFIT BEFORE TAX[1]
£99.3M –3%
(2014 – £102.6m)

PROFIT BEFORE TAX
£63.8M –21%
(2014 – £80.6m)

ADJUSTED EARNINGS PER SHARE[1]
18.98P –4%
(2014 – 19.84p)

BASIC EARNINGS PER SHARE
11.59P –24%
(2014 – 15.25p)

DIVIDENDS PER SHARE
6.20P +10%
(2014 – 5.63p)

RETURN ON CAPITAL EMPLOYED
18.9% –4.9PPTS
(2014 – 23.8%)

FREE CASH FLOW[2]
£51.7M –11%
(2014 – £57.8m)

NET DEBT
£194.6M
(2014 – £105.0m)

[1] A reconciliation of adjusted profit before tax to reported profit before tax is on page 22.

[2] See Notes 32b and 32c for derivation of free cash flow and of net debt, respectively.

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

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GROUP AT A GLANCE

The Group aims to create long-term sustainable growth in shareholder value. This is achieved 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.

WHERE WE OPERATE

USA	MEXICO	CANADA	BRAZIL
9 Aerospace	1 Aerospace		
3 Flexonics		1 Flexonics	1 Flexonics

EMPLOYEES

7,472

WORLDWIDE OPERATIONS

33

COUNTRIES WE OPERATE IN

14

AEROSPACE

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

GROUP REVENUE

68%

REVENUE

£575.0M (+3%)[1]

ADJUSTED OPERATING PROFIT

£76.8M (-5%)[1]

ADJUSTED OPERATING MARGIN

13.4%

EMPLOYEES WORLDWIDE

4,644

STRUCTURES

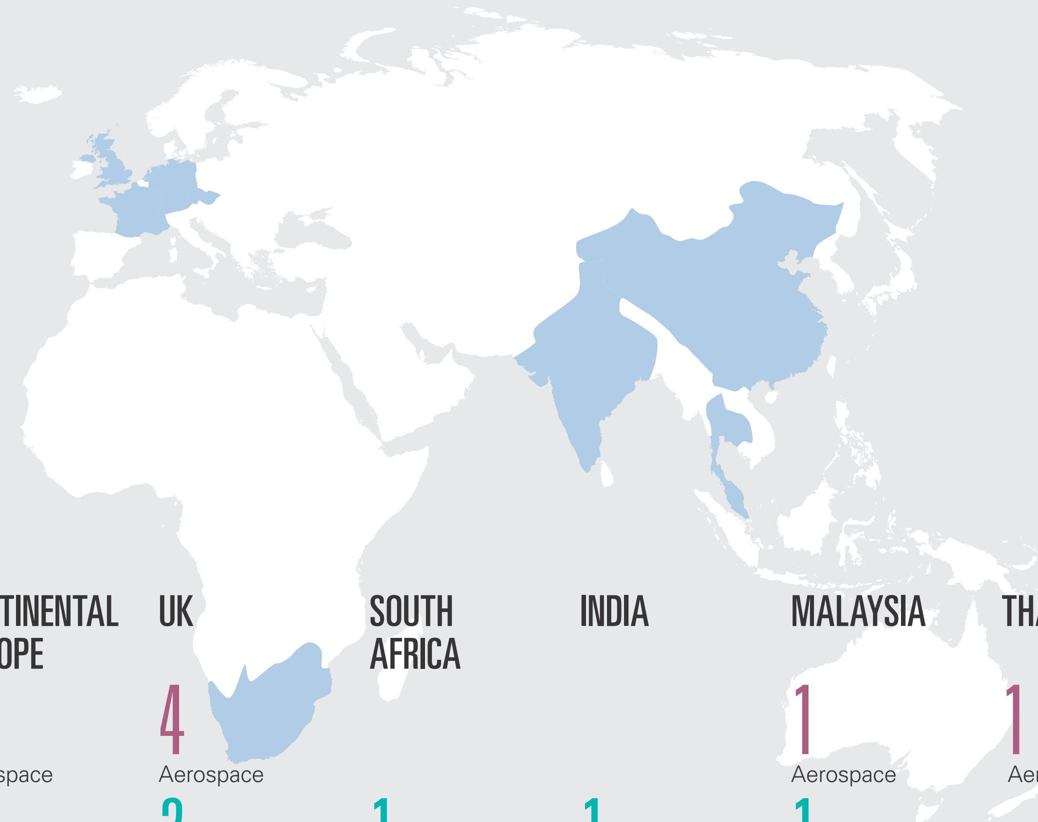
- Precision-machined airframe components and assemblies

FLUID CONVEYANCE SYSTEMS

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

GAS TURBINE ENGINES

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



CONTINENTAL EUROPE	UK	SOUTH AFRICA	INDIA	MALAYSIA	THAILAND	CHINA
3 Aerospace	4 Aerospace			1 Aerospace	1 Aerospace	
3 Flexonics	2 Flexonics	1 Flexonics	1 Flexonics	1 Flexonics		1 Flexonics plus a joint venture

FLEXONICS

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

GROUP REVENUE
32%

REVENUE
£274.9M (-4%)[1]

ADJUSTED OPERATING PROFIT
£39.4M (-11%)[1]

ADJUSTED OPERATING MARGIN
14.3%

EMPLOYEES WORLDWIDE
2,783

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

[1] At constant currency

READ MORE

READ THE GROUP CHIEF EXECUTIVE'S STATEMENT OF THE YEAR ON PAGES 10 TO 12

READ THE FINANCIAL REVIEW ON PAGES 22 TO 25

2015 AT A GLANCE

During 2015 the Group continued to make good progress in delivering its strategy. Here is a selection of highlights from the year.

Steico brings new capabilities to the Group to offer the full range of tube and duct assemblies for platforms such as the Airbus A350

201

New employees from acquisition of Steico

30YRS

The Company has been operating for 30 years

178

People employed

ACQUISITION OF LPE

LPE is a leading manufacturer of precision-machined components, fabrications, assemblies and kit sets for the oil and gas, telecommunications, aerospace, defence, land and sea systems, nuclear and marine industries.

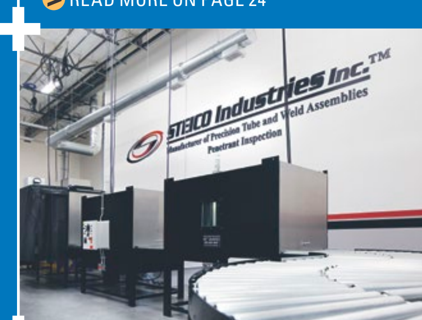
The Company is based in Lymington, Hampshire, UK and employs 178 people. It has been operating for over 30 years and has 121,000 sq. ft. of manufacturing space equipped with the latest manufacturing technology.

> READ MORE ON PAGE 24

ACQUISITION OF STEICO

Steico is a leading manufacturer of precision tube and duct assemblies for the commercial and defence aerospace industries, located in Oceanside, California, USA. Steico employs 201 people, operating from a state-of-the-art 112,000 sq. ft., vertically integrated facility. Steico has established itself as a trusted manufacturing partner to major original equipment manufacturers (OEMs) and 1st tier suppliers in the aerospace industry.

> READ MORE ON PAGE 24



DISPOSAL OF SENIOR AEROSPACE COMPOSITES

On 21 December 2015, the Group entered into a sale agreement to dispose of its small Wichita based commodity composites business. The disposal was completed on 16 February 2016.

READ MORE ON PAGE 20

The new California facility will support the future A320neo

39,000 SQ FT

New facility in close proximity to Boeing South Carolina

A LIST

CDP rating

CDP A LIST

We were pleased to report this year that the Group's environmental improvements were recognised for the depth and quality of climate change data it has disclosed to investors and the global marketplace through CDP, the international NGO, formerly known as the Carbon Disclosure Project that drives sustainable economies. Senior's efforts were recognised when it was included in CDP's Climate A List. The Leadership Index highlights companies providing a high level of transparency in their disclosure of climate-related information.

READ MORE ON PAGE 34

THE GROUP OPENS FOUR NEW FACILITIES

In February 2015, the Group opened a new 39,000 sq. ft. facility within close proximity to Boeing South Carolina, which will operate as an extension to Senior Aerospace AMT. The first phase of expansion into a new 196,000 sq. ft. factory in Thailand was completed during the year and phase two construction is well underway. At SSP, the construction of a new additional 59,000 sq. ft. production facility was completed during the year. The Group has opened a new 26,000 sq. ft. facility in India to support the manufacture of EGR coolers for a blue-chip customer.

196,000 SQ FT

Expansion in Thailand

MEXICO FACILITY RE-OPENS

Following a fire at our Mexican Aerospace facility in October 2014, much of 2015 was focused on getting this factory back on track. Thanks to the efforts of our team in Mexico, the first customer delivery was made two weeks after the incident, while still operating in a much reduced capacity. New equipment arrived during the first half of 2015 and following extensive building work, the building was re-opened in October 2015.

FOCUS ON OUR 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.

"Exposure to the Group's Executives and other members within the Senior family have extended my understanding of the Group's offerings and core values."

Eric Davis
Director – Sales & Marketing
Senior Flexonics Pathway

"My personal vision has always been to attain a CEO position within Senior. Attending the Management & Leadership, Strategic Marketing and Finance programmes, has been an integral factor in achieving my goal. Overall, I am a big believer in the benefits of developing people and am thankful that Senior supported me with this investment."

Dan Brooks
CEO
Senior Aerospace
Mexico

7,472
Employees worldwide

STRONG ENTREPRENEURIAL SPIRIT

The Group benefits from having empowered, entrepreneurial and highly engaged local management. Our business leaders appreciate the autonomous environment which they operate in, within a suitable governance and control framework. They are also increasingly collaborating across the business. This culture of empowerment and autonomous collaboration, along with the strong reputation of the Group helps attract and retain experienced senior executives from within the industry.

VALUES

Senior's values of safety, integrity, customer focus, respect and trust, accountability, and excellence along with entrepreneurial spirit guide our people in the judgements, actions and decisions they make each day. This is underpinned by our "tell it as it is" philosophy. Senior's long term goals are underpinned by an absolute commitment to the highest standards of safety and ethics and to developing talent across the organisation.

DEVELOPING OUR PEOPLE

The Group's employees are one of its most valuable assets and the delivery of our strategy depends on the right people, skills and capabilities being in place. Talent development and succession planning is a key priority for our business and the Group is increasing focus in this area with the recruitment of a Group HR Director.

To operate at the highest levels we need to invest in our people wherever they are located and whatever role they hold. Our extensive training and development programmes are designed to help them learn new skills, refine existing ones and progress internally. Each of Senior's businesses is responsible for continuously developing its people and the skills and training needs of employees are typically reviewed through a performance review and development process. There are a range of personal development opportunities at local level including, specific job-related skills and vocational and professional qualifications.

The Group is also working closely with educational bodies and schools to promote Science, Technology, Engineering and Mathematics subjects at an early age, and is partnering with universities to promote our graduate opportunities and attract more talented young people. For example, Senior Flexonics Blois has entered into a partnership

"It is truly structured to be a journey in leadership. My journey has taken me from a large Flexonics business to the largest Aerospace business within Senior's portfolio."

Carl Armbrister
CFO
Senior Aerospace AMT

"In 2015, I attended the Fast Track Advanced Management Programme at Ashridge which focused on developing strategic thinking. On returning to work, we started working on: What value are we creating for our stakeholders? What is our business strategy? Do we have in place the resources, to execute this strategy? We are maturing and growing within the Senior portfolio, and I feel much better prepared to lead and contribute."

Julieta De Los Angeles
CFO
Senior Aerospace Mexico

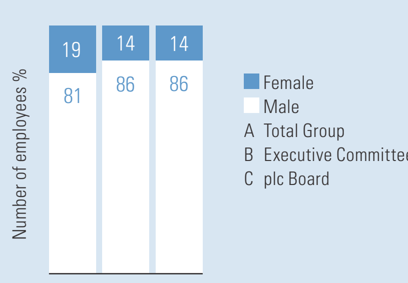
with a number of local technical and engineering schools to provide placement for graduates, technicians and apprentices. In 2015, the partnership won the regional collaboration award. Many of our businesses have also entered into long-standing apprenticeship schemes, partnering with local education organisations to provide practical work experience to young people. The high standard of our schemes has resulted in a number of Senior apprentices winning national and regional apprenticeship awards.

GROUP DEVELOPMENT PROGRAMME

In addition to local training and development, Senior operates a Group Development Programme which seeks to develop mid- to senior-level managers so that they acquire the broader skills essential to operate at higher management levels. In 2015, Senior introduced an Operational Excellence module to its Group Development Programme to develop a greater understanding of some of the best practice tools and techniques of operations management. The Group Development Programme enables employees from different businesses to learn together and create a common culture. Since its introduction, 554 employees have received training on the programme. Employee development, together with a renewed emphasis on succession planning, will remain an important focus for the Group in the future.

DIVERSITY

As an international Group, with 7,472 people working globally, we are committed to attracting, developing and retaining the best people from different backgrounds and cultures, creating a dynamic workforce that can apply diverse perspectives and backgrounds to competitive advantage. We believe a diverse workforce enhances innovation and are keen to improve age, gender and ethnic diversity across our businesses. Senior's employment policies are non-discriminatory, complying with all current legislation to engender equal opportunity irrespective of age, race, gender, ethnic origin, nationality, religion, health, disability, marital status, sexual preference, political or philosophical opinions or trade union membership.



554

Employees who have received training in the Group Development Programme

CHAIRMAN'S STATEMENT

CHARLES BERRY CHAIRMAN

A SOLID PERFORMANCE IN A CHALLENGING YEAR

2015 PERFORMANCE

Senior delivered a solid performance in 2015 against the backdrop of difficult market conditions, particularly on the industrial side of the business. Adjusted profit before tax decreased to £99.3m, down 3%, or 6% on a constant currency basis, over the prior year. This was mainly due to gains in the Aerospace Division being more than offset by significant declines in the Flexonics Division reflecting the challenging market conditions resulting from global uncertainty in the oil and gas, commodity and industrial sectors.

Group cash generation remains strong, with free cash flow of £51.7m for the year resulting in a strong financial position for the Group at the end of 2015.

DIVIDEND

The Board is proposing a final dividend of 4.36 pence per share which would bring total dividends, paid and proposed, for 2015 to 6.20 pence per share. The increase of 10% over 2014 despite the decrease in adjusted earnings per share reflects the Group's encouraging medium-term prospects and dividend cover of 3.1 times.

GOVERNANCE

The Board recognises the importance of setting the right tone from the top of the organisation, and for this reason has been encouraged by the work undertaken in 2015 to update key policies such as the Senior Code of Conduct as part of a holistic corporate framework. The Board has continued to maintain oversight of capital allocation, performance and risk management. During 2015, significant improvements were made to the Group's risk management processes and these have been explained on pages 26 to 31 of this Annual Report.

SAFETY

As a Board we are committed to the safety and well-being of our employees. Our goal is to eliminate occupational injury and illness through our Zero Harm strategy so everyone returns home safely at the end of the day. It is with great sadness, therefore, to report on two deaths that occurred in 2015 from activities closely associated with Senior. A sub-contractor died while working on the construction of the Group's new facility in India and in December an engineer was fatally injured while working for our Chinese joint venture. Following both of these incidents, a comprehensive investigation was conducted and a series of corrective actions have been implemented and the lessons shared across the Group.

SUSTAINABILITY

Environmental stewardship and corporate responsibility are values core to Senior and performance in these areas is increasingly important to our investors, customers and employees. As the Group expands, the responsibility to improve the environmental performance and strengthen the focus on safety within newly acquired businesses is a key operational aim. During 2015, the Group has increased its efforts in this area and has developed a new 20/20 Vision which outlines our approach to Sustainability for the next five years. Consequently, this year's Annual Report includes an expanded Corporate Responsibility section outlining all of the key themes and actions which underpin our 20/20 Vision.

ACQUISITIONS

As well as growing organically, Senior seeks to increase shareholder value through the acquisition of capabilities adjacent to its existing portfolio.

This strategy continued in 2015 with the acquisition of Lymington Precision Engineering ("LPE") and Steico Industies Inc., ("Steico").

LPE represents an excellent addition to Senior's portfolio, strengthening the Group's precision machining capabilities and providing access to LPE's strong customer relationships and adjacent markets.

Steico represents an important addition to Senior's Aerospace Division, broadening our product offering and enabling Senior to respond to our customers' desire for us to offer more complete fluid systems work packages. The Board is delighted to welcome the employees of both businesses to the Group.

THE BOARD

Mark Rollins retired from the Board on 31 May 2015 after 17 years with the Group including seven years as Chief Executive. Mark made an outstanding contribution to Senior during his time with the Group, and on behalf of the Board, I would like to thank him for his dedicated and successful service to Senior and to wish him all the very best for a long and fulfilling retirement.

In May 2015, David Squires joined the Group as Chief Executive-designate, before taking over as Group Chief Executive on 1 June 2015. I am extremely pleased to have David on the team and have already observed the benefits of his depth and breadth of experience, following 25 years in the global aerospace and defence industry, working in both developing and larger organisations.

I am also pleased to welcome Susan Brennan to Senior, as a non-executive Director.

Susan Brennan is Chief Operations Officer at Bloom Energy Corporation, a leading developer of solid oxide fuel cell technology based in Sunnyvale, California. Susan has more than 25 years of manufacturing experience, including automotive vehicle, powertrain and components assembly. She served as VP of Manufacturing at Nissan North America, Inc. and as Director of global manufacturing at Ford, where she led a global business office for Ford's assembly, powertrain and stamping plants.

Finally, I would like to take this opportunity to thank Andy Hamment for his contribution to Senior. Andy has decided to retire from the Board after the conclusion of the Company's AGM on 22 April 2016.

EMPLOYEES

Senior's continued strength is a reflection of the quality of the people within the Group. Senior now employs over 7,400 people with around 1,300 located in Asia, demonstrating the ever-increasing global nature of the Group. On behalf of the Board, I would like to thank all of the Group's employees for their significant contribution to Senior's success over the past year.

STRATEGY

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: three in the Aerospace Division (Fluid Conveyance Systems, Gas Turbine Engines and Structures) and two in the Flexonics Division (Land Vehicle Emission Control and Industrial Process Control), with each strategic market sector offering 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.

Charles Berry
Chairman

CHANGES TO THE BOARD

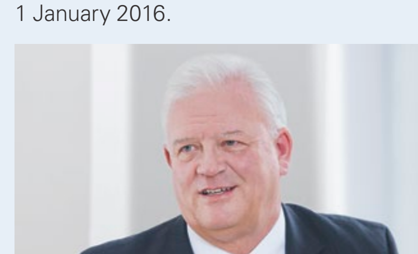
NEW GROUP CHIEF EXECUTIVE APPOINTED

David Squires joined Senior and the Board on 1 May 2015, and took over from Mark Rollins as Group Chief Executive on 1 June 2015.

David Squires joined the Board 1 May 2015.

Mark Rollins retired 31 May 2015.

Susan Brennan joined the Board 1 January 2016.



Andy Hamment will retire following the AGM.

CHIEF EXECUTIVE'S STATEMENT

DAVID SQUIRES GROUP CHIEF EXECUTIVE

SENIOR DELIVERED A SOLID SET OF RESULTS IN 2015. THE GROUP'S OVERALL STRATEGY REMAINS UNCHANGED

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

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

OVERVIEW OF 2015 RESULTS

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

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

"The Group is financially robust and remains well positioned for the future as new Aerospace and Flexonics programmes and products enter production and as Senior increasingly benefits from its strong customer relationships and global footprint"

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

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

ORDER BOOKS

9 YEARS

Boeing and Airbus have record nine-year order books.

DIVIDEND GROWTH

10%

Paid and proposed dividends increase by 10%.

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

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

STRATEGY

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

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

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

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

SUMMARY

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

OUR GROUP VISION

A trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, cash flow and shareholder value.

VALUES

SAFETY
We operate safely, protecting people and the environment

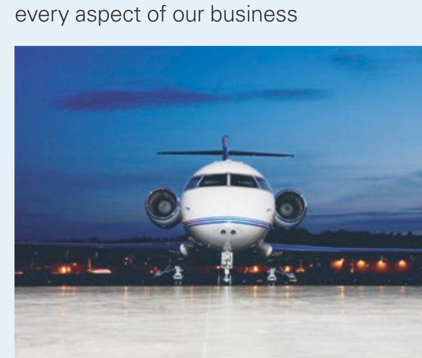
INTEGRITY
We operate with integrity and in an ethical manner

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

RESPECT AND TRUST
We work together with mutual respect and trust

ACCOUNTABILITY
We do what we say

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



CHIEF EXECUTIVE'S STATEMENT CONTINUED

BOEING

57 PER MONTH

737 build rate increase to 57 per month in 2019.

AIRBUS

60 PER MONTH

A320 build rate increase to 60 per month in 2019.

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

MARKET CONDITIONS

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

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

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

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

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

OUTLOOK

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

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

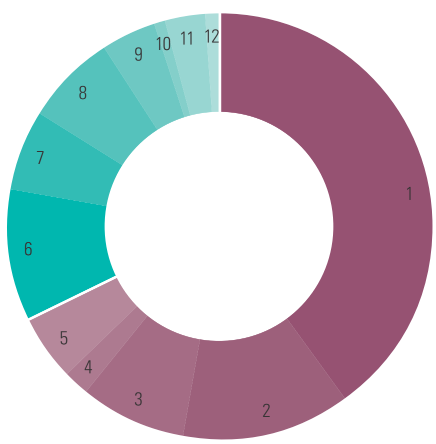
David Squires
Group Chief Executive

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.

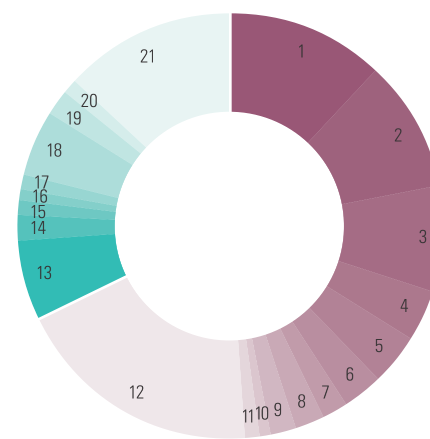
MARKETS

Aerospace Division		**68%**
1	Large Commercial Aircraft	40%
2	Military/Defence Aerospace	13%
3	Regional & Business Jets	8%
4	Space & Non Military Helicopter	2%
5	Other Aerospace Division	5%
Flexonics Division		**32%**
6	Truck & Off-Highway	10%
7	Passenger Vehicles	6%
8	Petrochemical	7%
9	Power & Energy	4%
10	Heating, Ventilation & Solar	1%
11	Other Industrial	3%
12	Aerospace	1%



CUSTOMERS

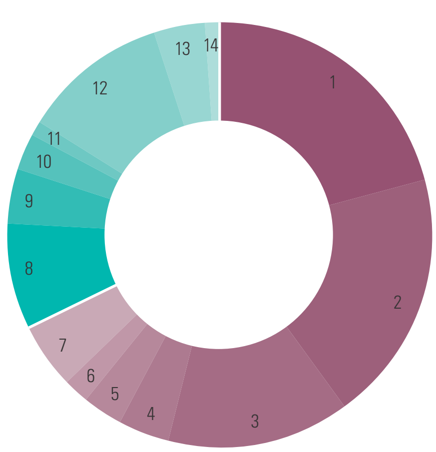
Aerospace Division		**68%**
1	Boeing	12%
2	Rolls-Royce	10%
3	Spirit	8%
4	UTC	4%
5	Lockheed Martin	4%
6	Airbus	3%
7	Bombardier	2%
8	GKN	2%
9	Safran	2%
10	General Dynamics	1%
11	GE	1%
12	Other Aerospace Division	19%
Flexonics Division		**32%**
13	Cummins	6%
14	Caterpillar	2%
15	Renault	1%
16	Ford	1%
17	PSA	1%
18	Other Land Vehicle	5%
19	Emerson	2%
20	Schlumberger	1%
21	Other Industrial & Aerospace	13%



PRODUCTS

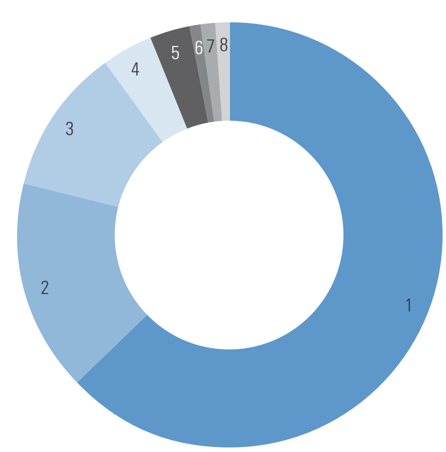
Aerospace Division		**68%**
1	Airframe structural parts	21%
2	Engine structures and mountings	19%
3	High pressure ducting	14%
4	Fluid control systems	4%
5	Low pressure ducting and other composites	3%
6	Helicopter machined parts	2%
7	Other non-aerospace products	5%
Flexonics Division		**32%**
8	Emission control (LV)	8%
9	Fuel distribution (LV)	4%
10	Exhaust flexes (LV)	3%
11	Off-highway hydraulics (LV)	1%
12	Industrial flexible parts	11%
13	Industrial machined parts	4%
14	Aerospace products	1%

(LV) = land vehicles



GEOGRAPHY – SALES BY ORIGIN

1	North America	63%
2	UK	16%
3	Rest of Europe	11%
4	Malaysia	4%
5	Thailand	3%
6	South Africa	1%
7	Brazil	1%
8	India	1%



MARKET OVERVIEW
CONTINUED

AEROSPACE

68%

The Aerospace division represents 68% of the Group.

AIR TRAVEL

x2

Air travel is forecast to double in the next 15 years.

AEROSPACE KEY MARKETS

Large Commercial Aircraft (40% of Group)
Senior continues to enjoy strong demand from the large commercial aircraft sector, where order books are at record levels, representing a healthy nine years' production at current build rates. Senior has healthy shipset content on all the key large commercial aircraft platforms and will benefit from expected increases in build rates of all the key platforms. Senior has also secured significantly higher content on the new engine versions of the leading narrow-bodied aircraft than the current versions, thus allowing the Group to outgrow the market, as these new engine versions come into service and production ramps up.

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

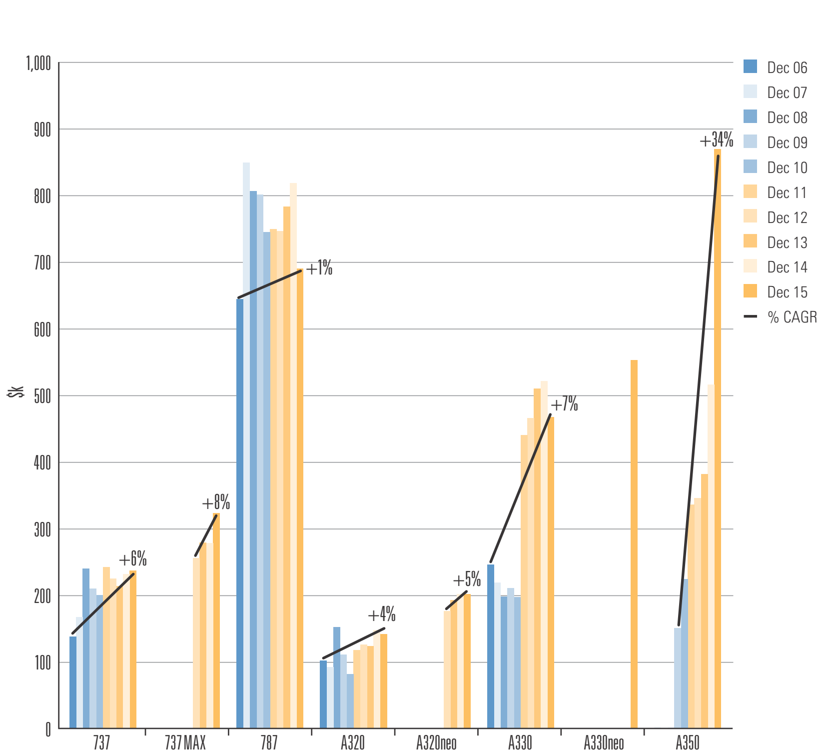
Forecast annual growth in global passenger air traffic is the key driver of demand for new commercial aircraft, and hence for many of Senior's core aerospace products.

Regional and Business Jets (8% of Group)
The Group's regional jet market revenue (3% of Group) is expected to benefit in the medium term as new platforms come to market, such as the Bombardier CSeries, Mitsubishi MRJ and Embraer E2-Jet. Senior has significantly higher shipset content on these new platforms than legacy regional jets. Customer deliveries of the CSeries are expected to commence in 2016, whilst the MRJ and E2-Jets are anticipated to enter into service from 2018.

Senior's business jet revenue (5% of Group) comes mainly from the larger sized business jets which are facing some challenging markets in the short term. The recent acquisition of Steico brings additional content to the Group on platforms such as HondaJet, which commenced customer deliveries in December 2015, and Bombardier Global 7000 and 8000, which is anticipated to enter into service from 2018.

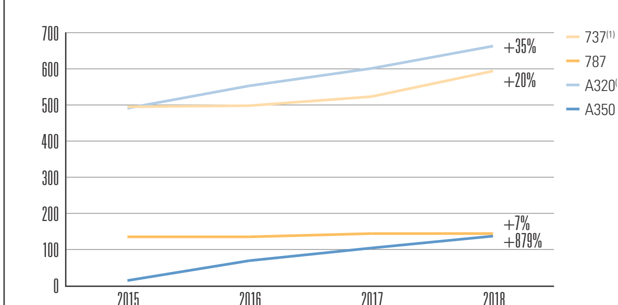
Military Aerospace (13% of Group)
The Group's revenue from the military and defence sector is expected to benefit from the A400M reaching full rate production in 2016 and the Joint Strike Fighter, which is scheduled to ramp-up significantly between now and end of the decade. Additionally, European and US defence budgets are starting to rise as a result of increased geo-political tensions.

SHIPSET VALUE PROGRESSION[1] – LARGE COMMERCIAL AIRCRAFT



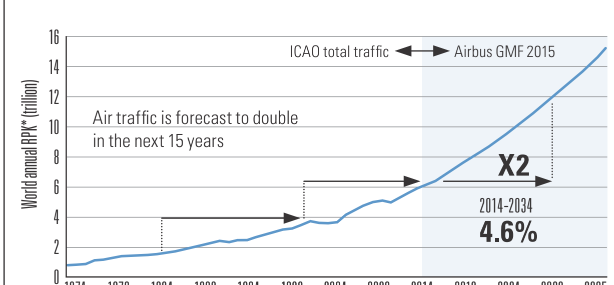
[1] Average based on programme share and estimated engine variant

ESTIMATED ANNUAL PRODUCTION



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

WORLD AIR TRAFFIC CHART



SOURCE: ICAO, Airbus GMF 2015

FLEXONICS

32%

The Flexonics division represents 32% of the Group.

FLEXONICS KEY MARKETS

Land Vehicles (16% of Group)

Demand for the majority of the Group's products in the land vehicles market is linked to the increasingly stringent global requirements for reduced carbon emissions. This arises in the form of reduction targets for emissions from cars, trucks and off-highway vehicles and through increased fuel efficiency from their engines. The chart below highlights the deployment of emissions standards in major geographies.

In the truck and off-highway sector (10% of Group), Senior's revenue arises predominantly from North American markets, where markets are expected to remain challenging in the near term. Production of North American heavy-duty diesel trucks is forecast to decline significantly in 2016 as a result of the overall industrial slowdown coupled with higher inventory levels. However, production is anticipated to improve in the medium to longer term as demand for replacement capacity is driven by regulatory changes. The off-highway market, particularly for agricultural and mining vehicles, is expected to remain weak in 2016 from the indirect impacts of lower oil and commodity prices.

In the passenger car sector (6% of Group), Senior's revenue arises predominantly from European markets. This market sector is forecast to grow in the medium to longer term as illustrated in the chart below.

In the medium to longer term, demand for the Group's products in these sectors is anticipated to increase as a result of growth in GDP and as emissions regulations continue to tighten, particularly in geographies outside of North America and Europe. Senior is developing new heat exchanger and other exhaust gas recycling solutions for the next generation of heavy-duty diesel engines, as well as mid to smaller range engines and alternative energy applications. The Group is also pursuing potential growth opportunities in a number of emerging markets.

Industrial (15% of Group)

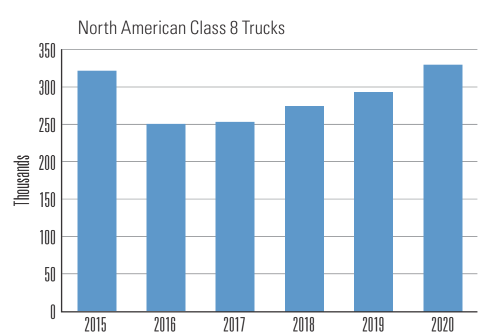
Senior designs and manufactures products for global industrial process control markets including petrochemical, HVAC and power and energy markets, to meet an increasingly stringent regulatory environment. In the near term, industrial markets, particularly oil and gas related, are continuing to be impacted by the decline in oil prices as investment in the sector is reduced or postponed, compounded by destocking across the sector.

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

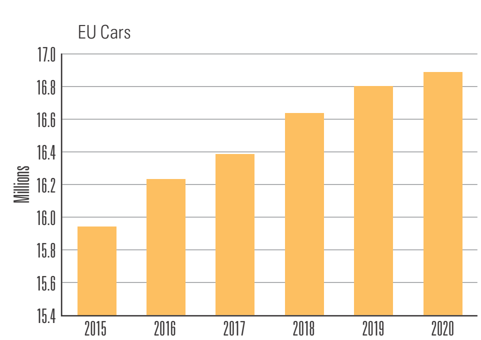
GLOBAL EMISSIONS STANDARDS

REGION	2015	2016	2017	2018	2019
Light Duty Engines – Car & Truck					
Brazil	PROCONVE L-6				
China	China 4			China 5	
Europe	Euro 6				
India	BS III		BS IV		BS V
US	Tier 2		Tier 3		
Heavy Duty Engines – On Highway					
Brazil	PROCONVE P-7				
China	China IV				
Europe	Euro VI				
India	BS III		BS IV		BS V
US	EPA2013				
Engines – Off Road					
Brazil	PROCONVE MAR-I				
China	Stage III				
Europe	Stage IV				Stage V
India	BS III				
US	Tier 4				

LAND VEHICLE PRODUCTION FORECAST

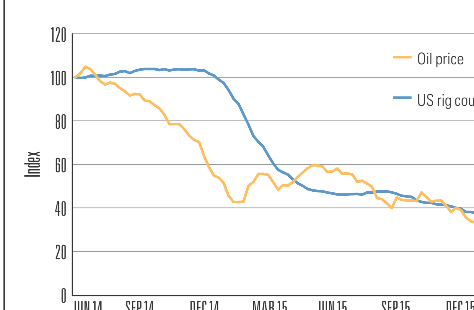


SOURCE: ACT Research



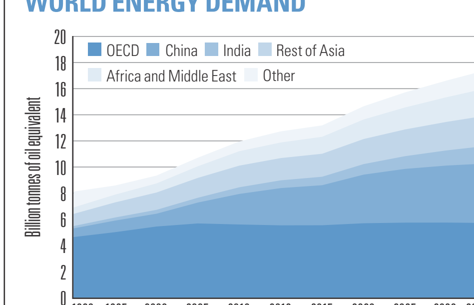
SOURCE: IHS

OIL PRICE AND US RIG COUNT DECLINES



SOURCE: Rig count data from Baker Hughes

WORLD ENERGY DEMAND



SOURCE: BP Energy Outlook 2035

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 and collaborative operations working within an effective control framework. The major elements of value creation for the Group can be classified as follows:

OUR ASSETS

PORTFOLIO

Developing our portfolio of autonomous and collaborative operations. The Senior portfolio provides:

- 33 operations in 14 countries covering five market sectors
- Financial strength supporting investment and innovation for customer benefit
- A culture of collaborative autonomy
- The opportunity to share best practices
- Leverage of customer relationships
- Complementary capabilities
- An integrated global footprint, providing customer proximity and lower cost

PEOPLE

Recruiting and developing our people, to deliver sustainable growth. Our people make the difference. They operate in a culture of:

- Developing strong customer relationships
- "Tell it as it is" philosophy
- Maintaining a safe and healthy workplace
- Investing in local communities
- Integrity and high ethical standards
- Empowerment of local management, within a well-defined control framework
- Ongoing investment in personal development at all levels throughout the business

OUR APPROACH

CUSTOMER ALIGNMENT

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

Effective customer alignment means:

STRONG CUSTOMER RELATIONSHIPS

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

BEING ON THE RIGHT PLATFORMS

Investment is targeted in new product development, technologies and geographic regions as these markets have higher than average growth potential which will further enhance organic growth opportunities. Many of the Group's products are developed to help customers 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.

EXPANDING CAPABILITIES

The Group's customers increasingly operate on a global basis and it is important that Senior is able to support them across the world. 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.

OUR DIVERSIFIED BUSINESS MODEL

Our business model is diversified by geography, customer, product and market, giving us a key strategic advantage.

OPERATIONAL EXCELLENCE

Being passionate about operational excellence, driving continuous improvement.

Effective operational excellence results in:

ETHICS & SAFETY AT THE HEART OF WHAT WE DO

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. Governance procedures are designed to allow each operation to embrace and manage 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.

CONTINUOUS IMPROVEMENT

Driving value creation through the implementation of operational excellence initiatives based around Lean principles and sustained superior performance in the eyes of its customers. Success through delivering 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.

REDUCING ENVIRONMENTAL IMPACT

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 CO_2 emissions), waste generation and recycling, and water consumption. 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.

AREAS OF STRATEGIC FOCUS

01 AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL

02 FOCUS ON GROWTH

03 HIGH PERFORMANCE OPERATING SYSTEM

04 COMPETITIVE COST COUNTRY STRATEGY

05 CONSIDERED AND EFFECTIVE CAPITAL DEPLOYMENT

06 TALENT DEVELOPMENT

SEE NEXT PAGE FOR MORE DETAIL

Geography
WE SELL IN 14 COUNTRIES

Customer
WE SELL TO ALL MAJOR AEROSPACE AND FLEXONICS MANUFACTURERS

Product
WE OFFER 14 MAJOR CATEGORIES OF PRODUCT LINES

Market
OUR PRODUCTS SERVE 12+ MARKETS

AREAS OF STRATEGIC FOCUS

The following six areas of specific strategic focus have been identified as key elements of our business model, which will drive the creation of shareholder value. They will receive specific attention and focus over the coming years.

01 ENHANCE SENIOR'S AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL

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

OUR PLANS FOR 2016

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

02 FOCUS ON GROWTH

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

- growing market share, particularly with key customers;
- focusing on innovation;
- geographical expansion; and
- seeking out and exploiting adjacent opportunities.

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

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

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

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

OUR PLANS FOR 2016

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

03 INTRODUCE A HIGH PERFORMANCE OPERATING SYSTEM

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

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

OUR PLANS FOR 2016

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

04 COMPETITIVE COST COUNTRY STRATEGY

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

OUR PLANS FOR 2016

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

05 CONSIDERED AND EFFECTIVE CAPITAL DEPLOYMENT

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

OUR PLANS FOR 2016

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

06 TALENT DEVELOPMENT

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

OUR PLANS FOR 2016

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

2015 PERFORMANCE

AEROSPACE

DIVISIONAL REVIEW

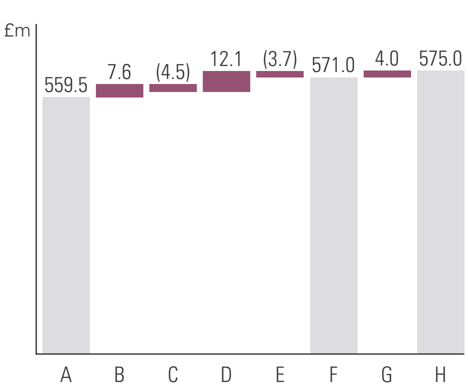
The Aerospace Division represents 68% (2014 – 65%) of Group revenue and consists of 19 operations. These are located in North America (ten), the United Kingdom (four), continental Europe (three), Thailand and Malaysia. The Division's operating results on a constant currency basis are summarised below:

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

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

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

Revenue reconciliation



A 2014 revenue
B Truck and off-highway
C Passenger vehicles
D Industrial
E Other
F 2015 organic
G Acquisitions
H 2015 revenue

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

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

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

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

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

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

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

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

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

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

FLEXONICS

DIVISIONAL REVIEW

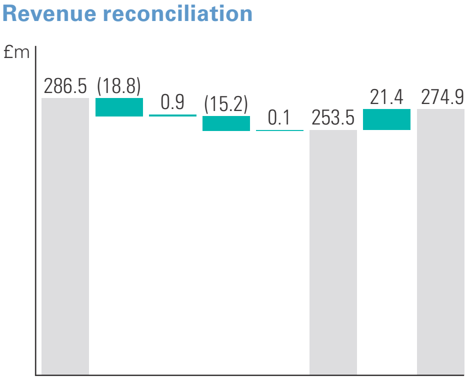
The Flexonics Division represents 32% (2014 – 35%) of Group revenue and consists of 14 operations which are located in North America (four), continental Europe (three), the United Kingdom (two), South Africa, India, Brazil, Malaysia, and China where the Group also has a 49% equity stake in a land vehicle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

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

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

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

Revenue reconciliation



A 2014 revenue
B Truck and off-highway
C Passenger vehicles
D Industrial
E Other
F 2015 organic
G Acquisitions
H 2015 revenue

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

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

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

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

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

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

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

FINANCIAL REVIEW

DEREK HARDING GROUP FINANCE DIRECTOR

SENIOR'S CASH-GENERATIVE NATURE AND ROBUST FINANCIAL POSITION PROVIDE A SOLID PLATFORM FOR GROWTH

FINANCIAL SUMMARY

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

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

[1] See table below for reconciliation of adjusted operating profit to reported operating profit.

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

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

FINANCIAL DETAIL

Revenue

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

Operating profit

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

REVENUE GROWTH

3.5%

Group revenue increased by 3.5% to £849.5m.

OPERATING MARGIN

12.7%

The Group's operating margin is 12.7%.

Finance costs

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

Research and development

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

Profit before tax

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

Exchange rates

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

	Profit and loss – average rates		
	2015	2014	£ Impact
£ : US Dollar	**1.53**	1.65	+7.8%
£ : Euro	**1.37**	1.24	-9.5%

	Balance sheet – period end rates		
	2015	2014	£ Impact
£ : US Dollar	**1.47**	1.56	+6.1%
£ : Euro	**1.36**	1.29	-5.1%

Using 2015 average rates would have increased 2014 revenue by £24.9m and increased 2014 adjusted operating profit by £3.9m. A 10 cents movement in the £:$ exchange rate is estimated to affect full-year revenue by £35.0m, operating profit by £4.7m and net debt by £10.0m. A 10 cents movement in the £:€ exchange rate is estimated to affect full-year revenue by £6m, operating profit by £0.3m and net debt by less than £0.3m.

Tax charge

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

Tax policy

The Group believes it has a corporate responsibility to act with integrity in all tax matters. It is the Group's obligation to pay the amount of tax legally due and to observe all applicable rules and regulations in the jurisdictions in which it operates. While meeting this obligation, the Group also has a responsibility to its shareholders to plan, manage and control tax costs. The Group seeks to achieve this by conducting business affairs in a way which is efficient from a tax perspective, including maintaining appropriate levels of debt in the countries we operate in and claiming available tax credits and incentives.

The Group is committed to building constructive working relationships with the tax authorities of the countries in which it operates. The Group is also paying close attention to changes in international tax legislation arising from the OECD's BEPS project to ensure continued compliance within an ever changing environment.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 418.3 million (2014 – 416.3 million). The increase arose principally from the vesting of shares awarded under the Group's Long-Term Incentive Plan. Adjusted earnings per share decreased by 4.3% to 18.98 pence (2014 – 19.84 pence). Basic earnings per share decreased by 24.0% to 11.59 pence (2014 – 15.25 pence). See Note 12 of the Financial Statements for details of the basis of these calculations.

FINANCIAL REVIEW CONTINUED

CASH FLOW

£51.7M

The Group generated £51.7m of free cash flow.

NET DEBT: EBITDA

1.4X

The ratio of net debt to EBITDA is 1.4 times.

Cash flow

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

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

Capital expenditure

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

Working capital

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

Acquisitions

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

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

Dividend

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

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

Goodwill

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

Retirement benefit obligations

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

Net debt

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

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

Funding and Liquidity

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

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

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

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

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

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

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

Derek Harding
Group Finance Director

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014 (the "Code"), the Directors have assessed the prospects of the Group over the three year period to 31 December 2018. The Directors believe this period reflects the normal planning cycle of its business operations and adequately covers customer lead times for both new and expansion investment.

Whilst the Directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved, the period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability, based on the stress-testing and scenario planning discussed below, is the three-year period to 31 December 2018. This period – essentially the period used for the Group's mid-term business plans – has been selected because it presents the Board and therefore readers of the Annual Report & Accounts 2015 with a reasonable degree of confidence whilst still providing an appropriate longer-term outlook.

In its assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties detailed on pages 30 and 31 and in particular the risks associated with potential delays in the launch or ramp-up in production of new aircraft platforms.

The Directors have adopted a scenario approach supported by financial modelling. The "Base Case Scenario", comprising the Group Budget for 2016 and the Group's Vision for 2017 and 2018 before future acquisitions, is flexed to reflect the probability weighted and cumulative estimated effects of the Group's principal risks and uncertainties. In addition, the Directors have also carried out a Reverse Stress Analysis by modelling the point at which future viability becomes uncertain.

The scenarios are designed to be severe but plausible; and take account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks and that realistically would be achieved in the circumstances. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, as discussed on page 26, is taken into account.

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

Based upon the robust assessment of the principal risks facing the Group and their stress-testing based assessment of Group's prospects, all of which are described on page 26, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018 subject to Senior retaining the ability to acquire funding over the three-year period to 2018 in order to refinance committed facilities as they fall due, which is expected to be the case.

GOING CONCERN

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

RISKS AND UNCERTAINTIES

OVERALL APPROACH

Senior plc's risk philosophy is based around an acknowledgement that profits are in part the reward for risk taking. Business objectives cannot be achieved without assuming some degree of risk, and therefore risk should be embraced and managed effectively.

The Group's Risk Management Philosophy:

- Aims to take a relatively conservative approach to risk management.
- Targets an approach that is one of evolution rather than revolution.
- Encourages pursuit of opportunities, within an effective risk management framework, as an essential component of a high performance culture.
- Acknowledges that stronger and more effective risk management procedures will result in management teams being capable of embracing increased levels of risk and pursuing more opportunities.
- Effectively implemented, should allow Senior plc to increase its rate of performance delivery without breaching its risk appetite.
- Is designed to enhance senior leadership decision making capabilities, strengthen accountability and enhance stewardship of the Group's assets.
- Is a critical factor in enabling management teams to deliver against performance and organisational objectives, collectively the Group's business objectives.

The Group aims to embed its risk management procedures within its existing business processes and corporate governance structure, rather than impose an additional administrative burden on its operations. The implementation of this Risk Philosophy is supported by an appropriate balance of policies, procedures (including a mandatory Code of Conduct) and performance metrics that are reported on regularly and designed to enable the effective monitoring of progress against agreed objectives.

At a minimum, the Group aims to ensure that any individually significant event:

- that has or may result in the potential to compromise its ability to achieve its business objectives; or
- could lead to a material breach of policies and procedures; or
- could impact the delivery of earnings materially at a local operational level; is identified, reported on and actioned through the Group's risk management procedures.

Risk events may occur in one or more of the following categories: Strategic, Operational, Technology, Compliance (including environmental and regulatory), Reporting (financial and non-financial), Reputational, Financial or Political.

Within each operation, responsibility for the implementation of procedures to comply with the Group's risk philosophy and risk management framework rests with the senior management team, which is accountable to the operation's CEO and Divisional CEO.

The Group Executive Management Committee has responsibility for oversight of all Group operations and implementation of risk management at a Divisional level, and the Senior plc Board is ultimately accountable for the implementation of effective risk management procedures across the Group.

RISK MANAGEMENT PROCESS

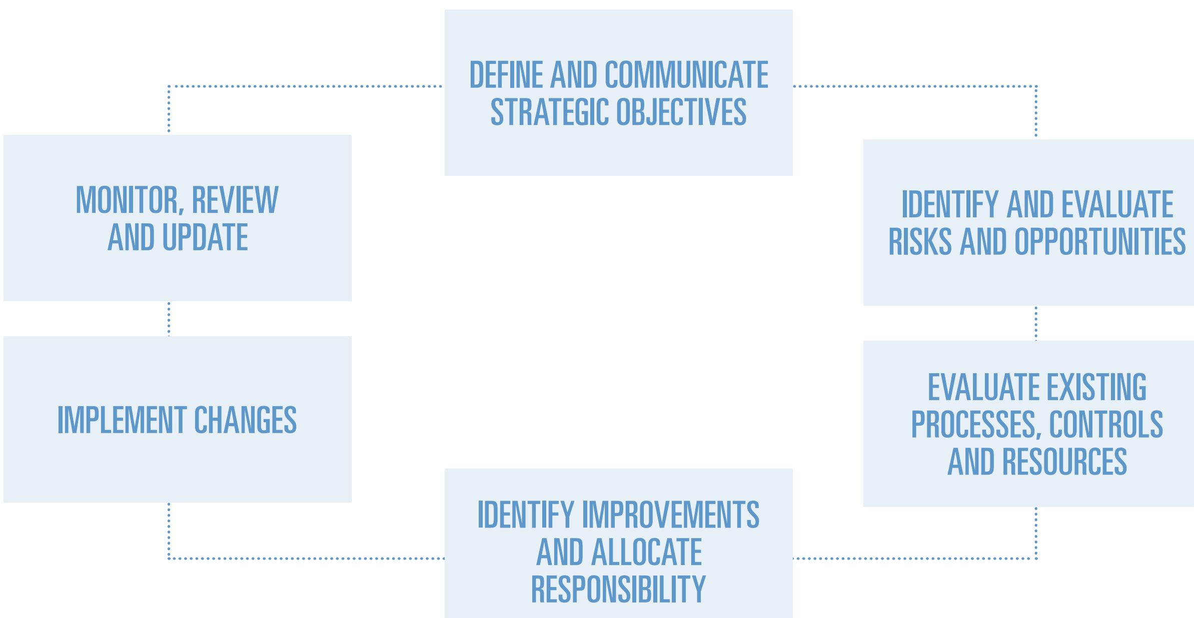
During 2015 a number of improvements were undertaken to improve the robustness of the Group Risk Assessment Process.

In particular, Divisional and Group level Risk Assessments were significantly upgraded allowing a greater focus to be placed on the detailed aspects of each risk, quality of controls and further action required to manage our business risks. In turn, this approach allows the Group to drive benefits from the process that directly relate to our Business Objectives.

Senior's annual Risk Management and Assessment Process is based on a framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The COSO framework is globally recognised as the definitive standard against which operations measure their risk management and internal control systems. It outlines five components that, in an effective system, work to support the achievement of an entity's mission, strategy and related business objectives. These are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring.

The foundation of Senior's Risk Management approach is a half yearly Risk Assessment Review although risks are continuously monitored by the Executive Committee and the Board. In addition, all entities complete an Annual Controls Self-Assessment (CSA), which is designed to highlight any significant gaps in the internal control system and require development of improvement initiatives.



Risk is considered to be the fact that the outcome of a future event is typically uncertain, and consequently the result may not be as planned. The outcome may be favourable or adverse to the one planned. Hence risk assessment and risk management should be considered in the light of both positive and negative outcomes. The possibility of a missed opportunity is also a risk. The outcome may be impacted by both internal and external factors, some of which we may have little or no influence over. Hence, it is important to assess the relative impacts of the various influencing factors and manage those that can be managed, whilst acknowledging, but not ignoring those that can't be.

Risk management is the process by which the key objectives and the risks in achieving them are identified, evaluated, prioritised and controlled.

Senior's operations have an increased awareness of risk management and have processes that promote consideration of risk as part of day-to-day management. This is evidenced by:

- an open culture which encourages consultation throughout the company;
- challenging debate and a multi-disciplinary approach to acceptance of new business;
- identification of the factors constraining current performance and formulation of related corrective actions;
- devolved responsibility for identifying and managing risk;
- simple and straightforward early warning mechanisms e.g. key performance indicators (financial and non-financial); and
- consistent and reliable reporting systems.

The risk assessment process is designed to provide a basis for the regular review of the operating environment and an opportunity to assess whether the correct level of resources are being targeted at the most appropriate areas. In doing so, the intention is to encourage proactive management and reduce the time spent in "firefighting" mode. This should lead to fewer surprises and a greater understanding of the Group's competitive advantage, together with the ability to take advantage of it.

In summary, the Senior Risk Management process can be illustrated below.

The process is led by the CEOs at each level in the organisation although full management team involvement is required.

RISKS AND UNCERTAINTIES CONTINUED

The first review is carried out as a stand-alone management meeting with all functional managers present at the same time. Each manager prepares an initial risk assessment covering his or her own area of responsibility, but potentially all areas of influence. This is presented to the meeting for constructive challenge. The CEOs then take the role of arbiter and devil's advocate, and are responsible for ensuring the completeness of the review and the prioritisation of the items coming out of it.

The review documentation is laid out according to broad functional areas, which may not necessarily align with the management structure at each operation. Hence it is the responsibility of the Managing Director to ensure that all areas of the business are covered in appropriate detail.

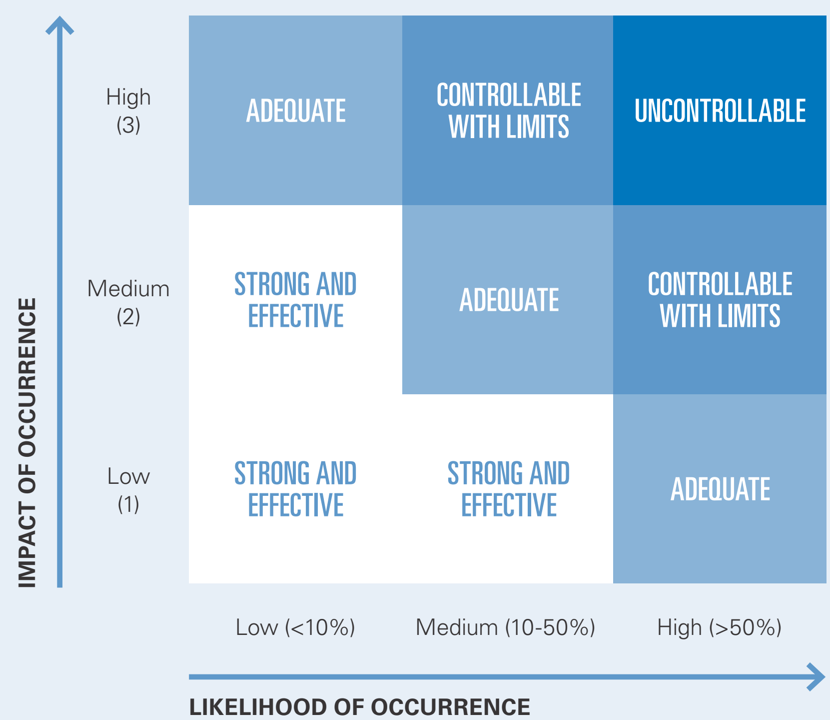
The typical questions to be asked and debated for each functional area are:

- Have there been any problems in the past?
- How is the area controlled and can it be improved?
- What impact would it have on the business and what is the probability of things going wrong?
- Can either the likelihood or severity of the impact of things going wrong be managed?
- Should an action plan be devised?

Once the review has been undertaken and Risks identified, these are then assessed against the framework opposite.

The impact is not only considered in current year financial terms, but also in more strategic terms, which encompasses the need to build relationships with all stakeholders including employees, customers and suppliers for the longer term success of the business.

RISK FRAMEWORK



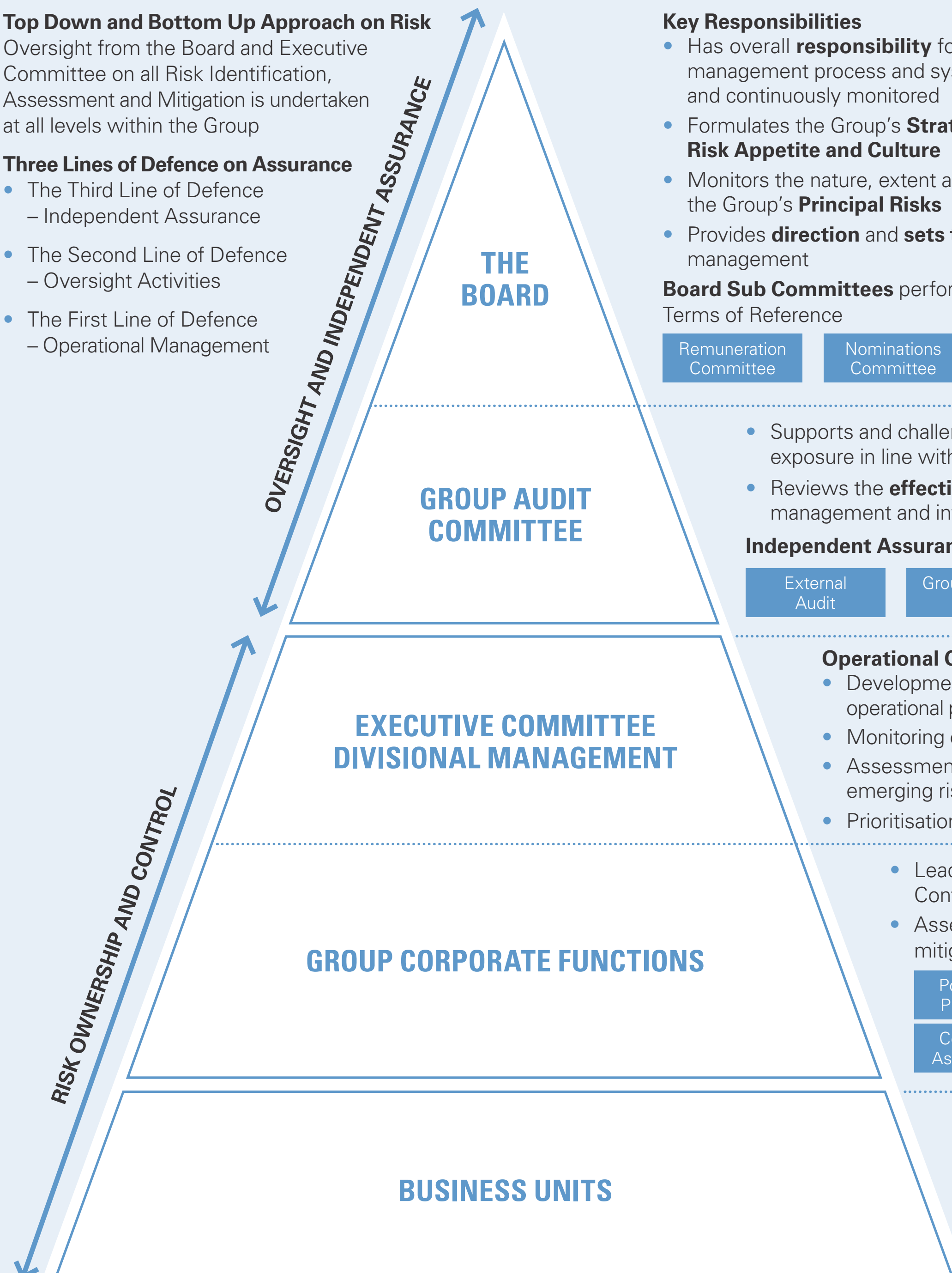
- High Impact – a potential impact > 10% of budgeted OP or 2.5% of revenue.
- Medium Impact – a potential impact > 5% of budgeted OP or 1.5% of revenue.
- Low Impact – a potential impact < 5% of budgeted OP or 1% of revenue.

OUR INTEGRATED GROUP RISK AND ASSURANCE FRAMEWORK

Top Down and Bottom Up Approach on Risk
Oversight from the Board and Executive Committee on all Risk Identification, Assessment and Mitigation is undertaken at all levels within the Group

Three Lines of Defence on Assurance

- The Third Line of Defence – Independent Assurance
- The Second Line of Defence – Oversight Activities
- The First Line of Defence – Operational Management



Key Responsibilities

- Has overall **responsibility** for ensuring the Group risk management process and systems of internal control are robust and continuously monitored
- Formulates the Group's **Strategy** and defines the Group's **Risk Appetite and Culture**
- Monitors the nature, extent and management of risk exposure for the Group's **Principal Risks**
- Provides **direction** and **sets the tone** on the importance of risk management

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

Remuneration Committee | Nominations Committee | HSE Committee | Treasury Committee

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

Independent Assurance – the 3rd line of Defence

External Audit | Group Internal Audit | Other External Assurance

Operational Oversight – 2nd line of Defence

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

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

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

Operational Management – 1st line of Defence

- Business Units identify, assess and mitigate their key risks
- Risk Assessments are reviewed and discussed by Divisional Management.

RISKS AND UNCERTAINTIES CONTINUED

↑ Increased risk ↓ Decreased risk → Constant risk

PRINCIPAL GROUP RISKS

Overall, the Group's risk profile was largely unchanged in 2015 when compared to 2014. The principal potential risks and uncertainties, together with actions that are being taken to mitigate each risk, are set out below:

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK
NEW AIRCRAFT PLATFORM DELAYS →	
Significant shipset content has been secured on a number of new aircraft platforms currently under development or in initial phases of production. These include the Airbus A350, A320neo, the Boeing 737 MAX and Bombardier's CSeries regional jet. 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.	• 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.
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.	• 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, the Czech Republic, South Africa, Brazil, India, Malaysia 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.
PRICE-DOWN PRESSURES →	
Customer pricing pressure is an ongoing challenge within our industries, driven by the expectations of airlines, land vehicle operators and governments seeking to purchase more competitively priced products in the future. This will continue to put pressure on the Group's future operating margins.	• The Group works closely with its customers to find innovative ways to produce products at a lower cost thus helping them to meet pricing challenges. • The Group is able to consider bundles of products that in total help achieve customer pricing challenges. • Where appropriate, the Group will actively pass work to some of its lower-cost facilities such as Mexico, Thailand, the Czech Republic, South Africa, Brazil, India, China and Malaysia with a view to help satisfy customer challenges.
ACQUISITIONS →	
Failure to execute an effective acquisition and integration programme would have a significant impact on the Group's ability to generate long-term value for shareholders.	• 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. • During 2015 a "Post-Acquisition Playbook" has been developed which will be used to ensure that acquisitions are integrated into the Group efficiently and effectively. • Post-acquisition reviews are performed on key 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 in order to avoid the risk of inappropriate allocation of resources and failure to deliver on long-term performance goals.	• 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.

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK
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 the Group's long-term performance.	• 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.
EMPLOYEE RETENTION →	
An inability to attract, develop and retain high-quality individuals in key management positions could severely affect the long-term success of the Group.	• 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 →	
Corporate governance legislation (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders and ultimately have a material adverse impact on the Group's enterprise value.	• The Group has well-established governance policies and procedures in all key areas, including a Group Code of Business Conduct, anti-bribery procedures, a Health and Safety Charter, 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 reviewing governance changes that may have an impact on the Group. • 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 →	
The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due.	• The Group's overall treasury risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Group's financial performance. • Compliance with financial policies and exposure limits are reviewed by the Group's Treasury Committee on a regular basis. • The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on operations' trading activities in foreign currencies, however, it does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. • The Group 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.
GLOBAL CYCLICAL DOWNTURN →	
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 remains significant.	• 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. • 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.

CORPORATE RESPONSIBILITY

Operating with integrity in an ethical, environmentally and socially sustainable manner is core to the future success of the Group.

SUSTAINABILITY IS AT THE CORE OF HOW WE OPERATE AS A BUSINESS

20/20 VISION: A NEW VISION FOR SUSTAINABILITY

Sustainability drives demand for the majority of the Group's products. Most of them are directly or indirectly aligned to the increasingly stringent global requirements for reduced carbon emissions, improved air quality or higher fuel efficiency in engines that power aircraft, trucks and passenger vehicles. Sustainability also creates value for Senior and its stakeholders by helping us to manage our businesses more efficiently, mitigate risks, reduce costs and protect the communities in which we operate.

In 2015, we launched our '20/20 Vision for Sustainability', a five-year strategy that seeks to build upon the improvement made in recent years. It was developed following a review of material issues significant to our stakeholders, and also looked at how Senior could influence performance and outcomes in these areas. The strategy has three core themes: our workplaces, our environment and our communities.

THEME	OBJECTIVES
WORKPLACE	
Safety	Continue towards our goal of zero harm, through effective management systems, employee engagement, and defining safe behaviours.
Ethics	Act in accordance with Senior's business principles and values, upholding a zero tolerance approach to bribery and corruption.
Employee engagement	Develop a Group HR framework with improvement objectives for learning, development, diversity and equality.
Supply chain	Implement a Responsible Supply Chain Management policy to all suppliers.
ENVIRONMENT	
Carbon emissions	Reduce carbon emissions through improved energy consumption and efficiency measures.
Water consumption	Limit the environmental impacts of our products and processes through more efficient water consumption.
Waste recycled	Reduce the overall quantity of waste generated and improve proportion of materials reused and recycled.
Certification	Establish formalised environmental management systems in all businesses to reduce the environmental impacts.
COMMUNITY	
Community giving	Establish positive and meaningful relationships with all the communities in which Senior operates and provide financial support to local charities and good causes.

THE ENVIRONMENT IN NUMBERS

4%

reduction in waste production since 2013. The Group also has five locations that operate a Zero Landfill whereby all of the waste is recycled or reused.

12%

reduction in water consumption since 2010.

WORKPLACE

The health and safety of our people is our top priority. Our goal is to eliminate occupational injury and illness through our Zero Harm strategy which underscores our belief that all accidents are preventable. As well as protecting employees, our focus on health and safety improves productivity, helps employees to feel valued and protects our reputation. We embed a HSE culture across the Group by providing the training and tools needed to recognise and understand the importance of good HSE practices and how to proactively mitigate risk. Our people must adhere to stringent health and safety procedures which are embedded in the Safety Management System ("SMS"). Our approach is risk-based with regard to safety-critical areas where our initiatives include: improved governance; development of consistent process and toolsets; and significant improvements in safety performance monitoring and reporting.

Whilst Senior is pleased to report continued improvement in its safety metrics, the Board is saddened to report on two deaths that occurred in 2015 from activities closely associated with Senior. A sub-contractor died while working on the construction of the Group's new facility in India, and in December an engineer was fatally injured while working for our Chinese joint venture. Following both of these incidents, a comprehensive investigation was conducted. Corrective actions have been implemented and the lessons shared across the Group.

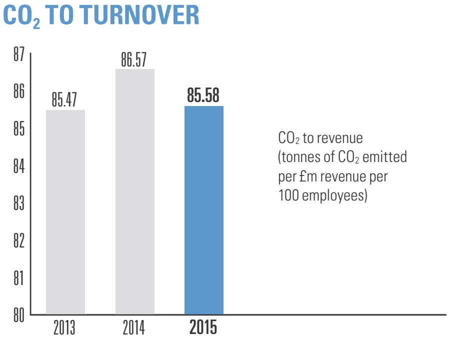
2015 update

- Reviewed and updated our HSE policies, standards and supporting Group operating procedures as part of the refresh of the SMS.
- Delivered measurable improvement in safety, including a 10.6% reduction in our Lost Time Incidents Rate (LTIR) compared to 2014. Our long-term goal of reducing by 20% our overall rate of accidents, including those incurring lost time, was met this year.
- Trained over 600 people on our Leading for Safety training course which engages all employees in safety, improving accountability and enabling individuals to better identify and eliminate risks.
- Provided new video training globally on our 10 Golden Rules that set out the minimum standard that must be met when performing safety-critical tasks.

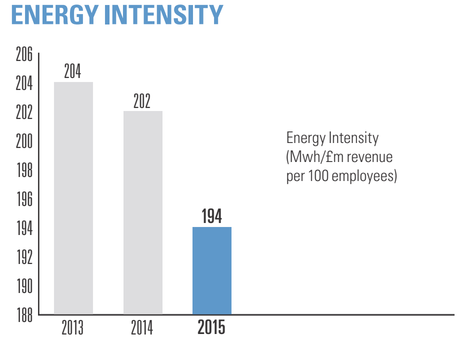
Our plans for 2016

- Continue to reinforce our 10 Golden Rules.
- Focus on individual accountability and safety behaviours through our Zero Harm programme.

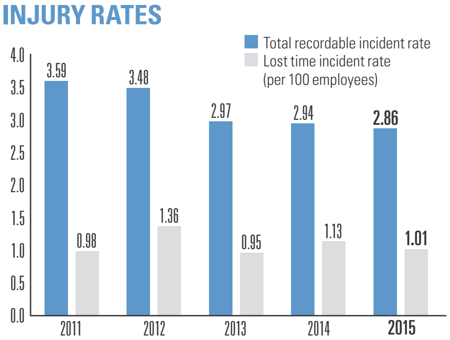
CO_2 TO TURNOVER



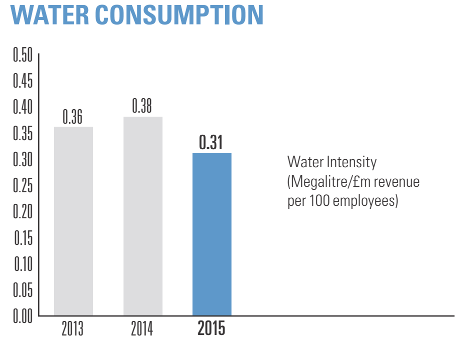
ENERGY INTENSITY



INJURY RATES



WATER CONSUMPTION



ENVIRONMENT

Senior's aspiration for zero harm applies as much to the environment as it does to health and safety. We are committed to implementing and upholding effective measures to minimise the environmental impact of our activities. Our main impacts on the environment are: energy consumption (and associated CO_2 emissions), waste generation and recycling, and water consumption and in 2015 the Group achieved continued reductions across all the impacts. Our Group-wide environmental management programme includes setting environmental targets; communicating regulatory developments; training and information-sharing; data analysis; internal and external auditing of environmental management systems and practices; and developing local energy conservation projects. Excluding recent acquisitions, all Senior operations now retain ISO 14001 certification. The remaining facilities are targeting certification in 2016.

CORPORATE RESPONSIBILITY CONTINUED

THE ENVIRONMENT IN NUMBERS

10%

reduction in energy relative to revenue since 2010.

2015 update

Greenhouse gases

- Included for the first time in CDP's Climate A List which highlights companies providing a high level of transparency in their disclosure of climate-related information.
- Achieved further reductions in energy usage through ongoing investments in several energy efficiency projects, including upgrading compressed air plants, improving furnace controls and installing high efficiency lighting and controls at our facilities. These measures have improved energy conservation by 10% since 2010.
- Commissioned energy surveys at a key number of main production sites.

Waste

- Increased the amount of waste recycled to 80% and extended the number of businesses achieving zero landfill to six.
- Total waste generated by the Group increased on 2014 levels. We continue to design out waste or find alternative ways to reuse the material.

Water

Achieved 16% reduction in demand (assuming 264 megalitres 2014 – 313,545 m^3/314 megalitres including 2014 acquisitions) through targeted investments in our businesses operating aqueous clean lines, a process that consumes high volumes of potable water, and through improvements to existing systems.

At Senior Aerospace Metal Bellows, a one million dollar investment was made in a closed-loop water reclamation system which cleans process-waste water, eliminating waste water and then reusing the clean water, reducing the business's overall water consumption by 450 m^3 annually. The water is cleaned to such a level that it can be used for process welding and the cleaning of medical products.

OUR PERFORMANCE

Environment	2013	2014	2015	Objectives and targets
Energy efficiency (MWh/£m revenue)	204	202	**194**	Achieved target of ≤ 207 MWh/£m revenue by 2015
Scope 1 GHG (tCO_2e)	9,466	11,475	**12,092**	Objective to include refrigerants and transport mileage into the data in 2015 – complete
Scope 2 GHG (tCO_2e)	51,151	56,787	**56,482**	
Scope 3 GHG (tCO_2e)	5,631	2,796	**4,130**	
Tonnes CO_2 emitted per £m of revenue	85.47	86.57	**85.58**	2020 target is 77
Water usage (in megalitres)	275	314	**264**	
Percentage of waste recycled or recovered	71%	81%	**82%**	Target for 2015 was 80% Target for 2020 is 90%
Water usage per £m of revenue	0.36	0.38	**0.31**	2020 target is 0.30
Safety				
Total Recordable Injury Rate measures the number of injuries per 100 employees	2.97	2.94	**2.86**	2015 target is ≤ 3.00
Lost Time Injury Rate tracks the number of injuries per 100 employees with one day or more away from work	0.95	1.13	**1.01**	Reduce the 2010 Lost Time Injury Rate by 20% by 2015 to ≤ 1.28 2020 target ≤ 0.50

Methodology:

1. The Group aims to collect and report its environmental data in accordance with the guidelines specified by the Global Reporting Initiative and the Greenhouse Gas Protocol (GHGP), to the extent that this is currently practicable. The figures reported above include data from the Group's wholly-owned or majority-owned operations.
2. The Group has followed the 2014 UK Government environmental reporting guidance and applied the greenhouse gas conversion factors contained within the GRI Guidelines and the Defra/DECC's 2014 Conversion Factors for Company Reporting.
3. Billed or metered sources represent the basis of the majority of our data; however, the travel data which represents less than 10% of the total is calculated on an estimated basis which we believe to be an accurate representation of use.
4. The Group has used the financial control approach to define its organisational boundary.
5. The Group has chosen sales as its intensity ratio. We are unable to normalise our environmental performance to our products because the Group's products differ greatly in size, form and weight.
6. The Scope 1 and 2 emissions have independently verified in accordance with the International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' (ISAE 3410). The auditor's statement can be located at www.seniorplc.com/sustainability

THE ENVIRONMENT IN NUMBERS

100%

of Senior's businesses acquired before 2014 have obtained the international environmental standard ISO14001.

Our plans for 2016

- Commence implementation of the Group's 20/20 improvement goals.
- Focus on ISO 14001 at the new acquisitions.
- Act on the findings of the energy surveys completed in 2015.
- Increase the number of locations achieving zero landfill.

INVESTING IN OUR COMMUNITIES

At Senior we believe that community engagement not only enhances our local reputation but allows us to compete more effectively. We encourage our businesses and employees to participate in their local communities, by investing in, supporting and sponsoring good causes. These relationships are normally managed at a local level, where employees select charitable interests within their community. In some cases, our businesses make direct financial contributions, sponsor or participate in charitable events. We encourage our businesses to direct their activities towards one of three key areas:

1. **Supporting local communities** Business donations to local charities and good causes; employees donating their time or fundraising to support causes that they believe in.
2. **Educational activities** Developing or participating in community outreach programmes, formal partnerships and specific projects with local schools, technical colleges or universities to develop an individual's work-based skills and supplement their education.
3. **Health and welfare** Donations to local hospitals, hospices or particular medical causes through employees donating their time and/or fundraising for local health-related activities or making cash donations. Many businesses have also organised and sponsored their employees in charitable sports activities.

Senior Flexonics Cape Town celebrated Mandela Day by providing winter clothing kits to local homeless people. Its employees also shared their specialist knowledge in health and wellness by running educational programmes for underprivileged children on HIV/AIDS, teenage pregnancy and the dangers of drug abuse.

Senior Aerospace BWT created its own Healthy Living programme in collaboration with Stockport County Football Club providing numerous coaching sessions to local primary schools.

Senior Flexonics Bartlett sponsored and participated in the Mill Race Marathon raising over $10,000 for local charitable causes. The marathon has become an annual event and over 40 employees are expected to participate in the Mill Race Marathon again in 2016. Senior's businesses in the Washington area have for many years partnered with the United Way, a local charity, to support vulnerable children and their families by improving living conditions, quality of life and access to education and the local communities. Since 2010, the three businesses have collectively donated $120,000, along with $80,000 by loaning employees to develop the programme. Over $500,000 has been raised in donations over a five-year period from the employees at Senior Aerospace AMT, Absolute and Damar through an annual United Way employee pledge campaign.

THE HIGHEST ETHICAL STANDARD

We are proud of our reputation and place the utmost importance not just on what we do, but how we do it. The Senior Code of Conduct provides a clear framework for decision-making, highlighting the values and behaviours we expect our employees and agents to demonstrate at all times. Our ethics and business conduct programme commits us to conducting business fairly, impartially and in compliance with local laws and regulations and to acting with integrity and honesty in our business relationships. Acting ethically is an enabler of our business, providing competitive advantage by strengthening long-term relationships and protecting the Group's reputation.

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

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

2015 update

- Instigated a comprehensive review of ethics and compliance policies.

Our plans for 2016

- Continue to improve and evolve the Group's ethics programme with an enhanced Group-wide training programme and a closer alignment of the business conduct programme with human resources, legal and internal audit activities.
- Roll out the ethics and compliance programmes to LPE and Steico Industries which were both acquired in 2015.
- Progress the findings of our internal review, strengthening our responsible business practices.
- Issue our Responsible Supply Chain Management Policy to all suppliers early in 2016.

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 revenue 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 number of recordable injuries which incur lost time by 20% in the five-year period to 2015; and
- to reduce the Group's rate of energy intensity by 10% in the five-year period to 2015.

The Group collects its environmental data in accordance with the guidelines specified by the Global Reporting Initiative (GRI), to the extent that this is currently practicable, and has applied the greenhouse gas conversion factors contained within the 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 greenhouse gas 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 a reasonably accurate representation of use.

2015 was a challenging year for the Group and as a result only two out of five of the Group's financial targets were met. During 2015 further improvements were made in the Group's underlying energy and water intensity performance and the Group was pleased to see CO_2 emissions decrease. The Group achieved 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 33 and 34.

The Group believes that corporate responsibility is a key part of how we do business at Senior, and while we are pleased to achieve the five-year targets for improvement set in 2010, we believe that further progress is posssible.

New targets have been set for the five-year period to 2020 as follows:

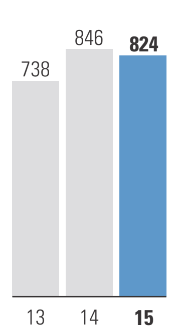
- to reduce the number of recordable injuries which incur lost time by 20% in the five-year period to 2020; and
- to reduce the Group's rate of energy intensity by 10% in the five-year period to 2020.

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

ORGANIC REVENUE (£M)

-2.6%

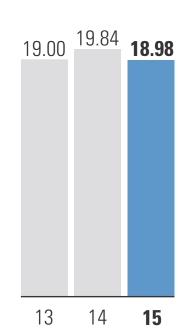
Organic revenue increased in the Aerospace Division due to increased build rates on large commercial aircraft programmes, offset slightly by lower volumes on the A330 and Global 5000/6000 programmes. In Flexonics, conditions were much tougher and resulted in lower demand for truck engine components. Industrial markets were down as incremental sales from a North American petrochemicals project were more than offset by weaker sales in the power generation, HVAC and renewables markets.



ADJUSTED EARNINGS PER SHARE (P)

-4.3%

Lower revenue at a lower margin results in a decline in adjusted profit before tax of 3% to £99.3m. Furthermore, the Group's tax rate increased from 19.5% to 20% and the number of basic shares increased by 2.0m to 418.3m resulting in a 4.3% reduction in EPS in the year.



RETURN ON REVENUE MARGIN (%)

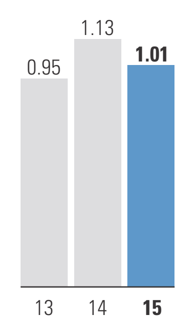
-0.9PPTS

During the year, the Group experienced a number of factors which reduced the margin. Reductions in high margin programmes, the cancellation of L85, lower aluminium revert prices and costs associated with temporary activities in the second half of the year to protect customer schedules all had a negative impact. A number of cost reduction programmes and margin improvement plans were implemented, such as transferring work to cost competitive countries, furloughs at specific factories and headcount reductions, and these helped to partly offset the decline in margin, but could not mitigate it fully.

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

10.6% DECREASE

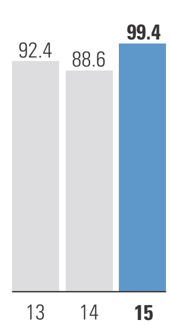
Senior implemented new safety initiatives throughout 2015 and this has contributed to a decrease in the lost time injury frequency by 10.6%. The Group continues to take a proactive approach to the health and safety of all employees, and is pleased to have achieved the stretching targets set in 2010. This target has now been reset for the five-year period to 2020.



NET CASH FROM OPERATING ACTIVITIES (£M)

+12.2%

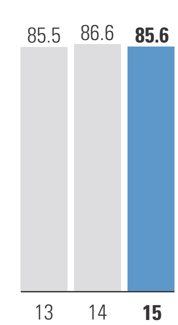
The Group's cash conversion remains strong, despite challenging trading conditions. The Group has been able to fund an increased level of capital expenditure of 1.8 times depreciation, continue to make strategic acquisitions and propose a 10% increase in the annual dividend.



CARBON DIOXIDE EMISSIONS (TONNES/£M REVENUE)

1.2% DECREASE

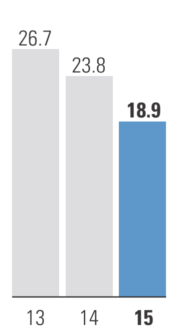
The Group has achieved its published five-year target of improving energy efficiency by 10% between 2010 and 2015. When adjusting for acquisitions, the Group has reduced its underlying environmental impact in each of the past 10 years. The Group has set a new target to reduce this level by a further 10% in the five-year period to 2020.



RETURN ON CAPITAL EMPLOYED (%)

-4.9PPTS

The Group's return on capital employed reduced in 2015, following the acquisitions of LPE (March 2015) and Steico (December 2015). Furthermore, the impact of lower earnings was compounded by increased capital expenditure and additional working capital requirements due to production ramp-up in large commercial aerospace. The overall return on capital employed remains above the target of 15%.



Approval

The Strategic Report from pages 1 to 37 was approved by the Board of Directors on 26 February 2016 and signed on its behalf by

David Squires
Group Chief Executive

BOARD OF DIRECTORS

BOARD AND COMMITTEE MEMBERSHIP

Membership and the attendance record of the full Board Meetings and its full Committee Meetings are shown in the table below:

	Main Board	Audit Committee	Nominations Committee	Remuneration Committee
Chair	Charles Berry	Giles Kerr	Charles Berry	Celia Baxter
Total number of meetings	**9**	**3**	**3**	**4**
Charles Berry	9/9	–	3/3	4/4
Celia Baxter	9/9	3/3	3/3	4/4
Andy Hamment	9/9	3/3	3/3	4/4
Derek Harding	9/9	–	–	–
Giles Kerr	9/9	3/3	3/3	4/4
Mark Rollins[(1)]	4/4	–	–	–
David Squires[(2)]	6/6	–	–	–
Mark E. Vernon	9/9	–	3/3	4/4

[(1)] Mark Rollins – Group Chief Executive until he retired from the Board on 31 May 2015.
[(2)] David Squires – Appointed to the Board on 1 May 2015 and became Group Chief Executive on 1 June 2015.

1. 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 The Weir Group PLC. He retired from the board of Drax Group plc in April 2015.

PREVIOUS EXPERIENCE
He was an executive director of Scottish Power plc from 1999 to 2005 and Chief Executive of its 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.

2. CELIA BAXTER
Independent Non-executive Director

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

EXTERNAL APPOINTMENTS
She is 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.

3. ANDY HAMMENT
Senior Independent Non-executive Director

APPOINTMENT TO THE BOARD
Andy Hamment joined the Board in April 2011 and became the Senior Independent Director in December 2013. He is to retire from the Board following the conclusion of the AGM 2016.

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.

4. 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.

5. GILES KERR
Independent Non-executive Director

APPOINTMENT TO THE BOARD
Giles Kerr joined the Board on 2 September 2013. Giles became Chairman of the Audit Committee in April 2014.

EXTERNAL APPOINTMENTS
He is Director of Finance of Oxford University and is a non-executive director of BTG plc, Victrex plc and PayPoint plc; he was appointed to the board of PayPoint in November 2015.

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.

MARK ROLLINS
Mark Rollins became Group Finance Director in 2000, when he joined the Board. He was Group Chief Executive from March 2008 until he retired from the Board on 31 May 2015.

6. DAVID SQUIRES
Group Chief Executive

APPOINTMENT TO THE BOARD
David Squires was appointed to the Board on 1 May 2015 and became Group Chief Executive on 1 June 2015.

PREVIOUS EXPERIENCE
He has spent most of his working life in the Aerospace Industry, initially with Hughes Aircraft Company, then Marconi Electronic Systems, BAE Systems plc and Eaton Corporation. He worked for Cobham plc in 2004 and rejoined in 2009; he was Cobham's Chief Operating Officer and President of its Missile Systems division prior to taking up his appointment with Senior plc in 2015.

QUALIFICATIONS
BA in Business Management Studies and a Member of the Chartered Institute of Purchasing and Supply.

7. MARK E. VERNON
Independent Non-executive Director

APPOINTMENT TO THE BOARD
Mark E. Vernon joined the Board in April 2011. He will become the Senior Independent Non-executive Director when Andy Hamment steps down from the Board in April 2016.

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.

8. 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 Executive and Treasury Committees.

QUALIFICATIONS
LLB (Hons) and a Chartered Secretary.

SUSAN BRENNAN
Independent Non-executive Director

On 1 January 2016, Susan Brennan was appointed to the Board as an Independent Non-executive Director. She is the Chief Operations Officer of Bloom Energy. Susan holds an MBA and a BSc in Microbiology.

EXECUTIVE AND HSE COMMITTEES

EXECUTIVE COMMITTEE

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

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

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

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

The Committee is comprised of two members of the Board, David Squires* and 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), David Beavan (Group Head of Business Development) and Bindi Foyle (Head of Investor Relations & Leadership Development). Bindi Foyle also acted as Secretary to the Committee until Andrew Bodenham (Group Company Secretary) was appointed to the Committee and became its Secretary on 1 January 2016.

* Mark Rollins sat on the Executive Committee until his retirement from the Board on 31 May 2015, when he was succeeded by David Squires.

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 2015, the members of this committee were: Mark Rollins (Chairman until his retirement on 31 May 2015), David Squires (Chairman from 1 June 2015), 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). James Pomeroy left the Group on 31 December 2015 and the recruitment process to find his successor is underway. The Committee met three times during the year.

1. DAVID SQUIRES

See biography on page 39.

2. DEREK HARDING

See biography on page 39.

3. LAUNIE FLEMING

A US citizen, he has worked for the Group for around 18 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 over 30 years and is the Chief Executive of Flexonics. A qualified engineer, Mike's previous positions within the Group included operational roles at the two largest Flexonics businesses, Pathway and Bartlett.

6. BINDI FOYLE

A Chartered Accountant, she joined the Group in 2006 as the Group Financial Controller. In August 2014 she was appointed Head of Investor Relations & Leadership Development. Prior to joining Senior, she held a number of finance positions at Amersham plc and GE Healthcare.

7. DAVID BEAVAN

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

8. ANDREW BODENHAM

See biography on page 39.

REPORT OF THE DIRECTORS

The Directors present their Report and supplementary reports, together with the audited Financial Statements for the year ended 31 December 2015.

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 21. Its Group Undertakings are shown on pages 122 and 123. The Strategic Report includes details of the market overview; key growth drivers; Senior's business model; strategic objectives; risks and uncertainties; key performance indicators and a summary of 2015 performance.

ACQUISITIONS AND DISPOSALS

On 31 March 2015, Senior acquired 100% of the issued share capital of Lymington Precision Engineering (LPE) Limited and on 17 December 2015 acquired 100% of the issued share capital of Steico Industries, Inc. Further details of the businesses are given in Note 31. On 21 December 2015, the Group entered into a Sale agreement to dispose of its Senior Aerospace Composites business, which is based in Wichita, Kansas. The sale was completed on 16 February 2016.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Income Statement on page 74.

An interim dividend of 1.84 pence per share (2014 – 1.67 pence) has already been paid and the Directors recommend a final dividend of 4.36 pence per share (2014 – 3.96 pence). The final dividend, if approved, will be payable on 31 May 2016 to shareholders on the register at the close of business on 29 April 2016. This would bring the total dividend for the year to 6.20 pence per share (2014 – 5.63 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 to the Company's issued share capital during 2015 were:

Shares in issue at 1 January 2015	418,079,790
Senior plc Long-Term Incentive Plan	1,332,508
Senior plc Savings-Related Share Option Plan	3,952
Shares in issue at 31 December 2015	419,416,250

Further share capital details are given in Note 25.

Details of employee share plans are set out on pages 108 and 109.

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 Senior plc Board, which may be found on the Company's website. Each year, shareholder approval is sought to renew the Board's authority to allot relevant securities.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements, and 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 20 contains disclosures on Financial Instruments.

DIRECTORS

Details of the Directors who served throughout the year can be found on pages 38 and 39. The Directors' interests in the shares of the Company are included in the Directors' Remuneration Report on page 66. No Director 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. David Squires was appointed to the Board on 1 May 2015 and Susan Brennan was appointed to the Board on 1 January 2016; David and Susan will both stand for election at the Annual General Meeting (the "AGM") in April 2016. Celia Baxter, Charles Berry, Derek Harding, Giles Kerr and Mark E. Vernon will all stand for re-election at the AGM in April 2016. Mark Rollins retired from the Board on 31 May 2015 and Andy Hamment is to retire from the Board following the conclusion of the AGM in April 2016.

BOARD DIVERSITY

The Board remains committed to diversity, previously having an aspirational goal of 15% female Board representation by the end of 2013. The appointments of Celia Baxter to the Board in 2013, and of Susan Brennan in 2016, mean that Senior now has improved female representation on its Board. Senior recognises the importance of all aspects of Board diversity including experience, background and personal attributes and will keep under review its balance and composition.

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 2015, the Group incurred £16.3m (2014 – £11.5m) on research and development. 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 by the Group during the year.

EMPLOYEES

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

GREENHOUSE GAS EMISSIONS

The Group has followed the reporting requirements on greenhouse gas emissions, contained in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013; details of the Group's greenhouse gas emissions can be found on page 34.

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:

	09.02.16 %
Standard Life Investments	9.26
BlackRock	7.44
Henderson Global Investors	6.55
Legal & General Investment Management	4.42
Schroder Investment Management	3.20

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

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The statement of compliance with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council are set out on page 44.

REMUNERATION REPORT AND POLICY

The Directors' Remuneration Policy was approved by shareholders at the 2014 AGM; the Remuneration Policy is set out on pages 54 to 68.

The Annual Report on Remuneration is to be put to shareholder vote at the forthcoming AGM.

ANNUAL GENERAL MEETING

The Notice of Meeting describes the business to be considered at the AGM to be held at 11.30 am on Friday 22 April 2016 at Glazier's Hall, 9 Montague Close, London Bridge, London SE1 9DD.

ACQUISITION OF THE COMPANY'S OWN SHARES

The Company purchased no ordinary shares of 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 24 April 2015, to make market purchases of the Company's shares up to an aggregate nominal amount of £42m, which represented approximately 10% of the issued share capital of the Company. A resolution to renew this authority will be proposed at the forthcoming AGM.

AUDITOR

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

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

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
26 February 2016

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S LETTER

I am pleased to present the Group's Corporate Governance Report for 2015 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 2015 and I confirm that the Company complies, and will continue to do so.

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 six independent Non-executive Directors, who were selected for appointment because of their wide industrial and commercial experience. In addition, the Company has an Executive Committee, chaired by the Group Chief Executive, comprising the Executive Directors and other key executives within the Group. Details of the members of the Board and of the Executive Committee are summarised on pages 38 and 41.

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 a certain number 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 2015); in addition there were three meetings of the Audit Committee in 2015, together with four meetings of the Remuneration Committee and three meetings of the Nominations Committee. There was full attendance at every full Board meeting and Committee of the Board during the year. 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, up-to-date, available information. The Non-executive Directors are encouraged to visit the Group's operations to meet the local management teams and discuss any issues that they may 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 47. The Committee, which consists entirely of Non-executive Directors, is chaired by Charles Berry, its composition is shown on page 38, and 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 47.

During 2015, the Board undertook a recruitment process to select a new Non-executive Director and Susan Brennan was appointed to the Board on 1 January 2016. Details of the appointment are included in the Nominations Committee Report on page 47. Korn Ferry was the consultancy firm appointed to support the recruitment process for the new Non-executive Director, which was led by the Chairman. Korn Ferry has no other connection with the Company. A summary of the Directors' biographies appears on page 39. 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.

In 2015, an external evaluation of the Board and its Committees was commissioned; the formal review was undertaken by Equity Communications 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. Equity Communications Limited has no other connection with the Company.

In addition, in 2015 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. Andy Hamment, 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 2015, with the exception of Mark Rollins, who retired from the Board on 31 May 2015. At the AGM 2016, all Directors will again offer themselves for election or re-election with the exception of Andy Hamment, who is to retire from the Board following the conclusion of the AGM 2016.

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 48 to 52 describes the role and activities of the Audit Committee, together with the significant issues that it considered in relation to the 2015 Financial Statements and its relationship with the internal and external Auditors.

An explanation of how the Board assessed the effectiveness of the external audit process, the approach taken to re-appoint the external Auditor and the Company's policy on the tendering of the external audit are to be found on page 51.

Communicating the Code of Conduct and operating with integrity

Senior trains its employees on the requirements of its Code of Conduct (the"Code") upon induction, educating them on what they can and cannot do, and how to address any ethical dilemmas they may face. The Code is reissued periodically to remind employees of the required level of conduct. The Group's ethical procedures and 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. An enhanced training programme will be rolled out across the Group in 2016.

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 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. Senior monitors the ages of its 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.

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

Andy Hamment is currently the Company's Senior Independent Director. Mark Vernon is to become the Senior Independent Director, when Andy retires from the Board in April 2016. This position provides employees and third parties with an alternative channel of communication to resolve issues if they have a concern that the Chairman, Group Chief Executive or Group Finance Director have failed to resolve, or where such contact with them is not appropriate.

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 and representatives working on behalf of Senior across the world are required to operate in compliance with the Code of 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

CORPORATE GOVERNANCE REPORT CONTINUED

the Code of 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. A further update will be issued during 2016.

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

Improvements for 2016

In 2016, a new Code of Conduct is to be adopted and issued to the Group's operations, representatives and agents. The Board will continue with the measures already established, to ensure that all employees and sales agents understand the Code of Conduct, as appropriate, and comply with them; it will continue to ensure 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 the Code, 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 Remuneration Report on pages 53 to 68 describes the Board's approach to remuneration matters. The Directors' Remuneration Policy was approved by shareholders at the Company's AGM 2014 and became effective on 25 April 2014.

Section E: Relations with shareholders

The Company maintains regular contact with its institutional shareholders and continued to consult with its major shareholders during 2015. Twice a year, the Group Chief Executive, Group Finance Director and Head of Investor Relations and Leadership Development undertake a series of meetings with the Company's major shareholders, following the announcement of the full-year and interim results, to discuss both the Board's strategic objectives and the detailed performance of the business. During 2015, the Company's Non-executive Chairman also attended the full-year and interim results announcements made to analysts, in March and July 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 was given following completion of the formal business at the AGM 2015, 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 3 March 2015 (the date of the Notice of Meeting for the AGM 2015), was 418.1 million ordinary shares of 10p each. The total number of proxy votes received for the AGM 2015 represented approximately 77.36% (2014 – 71.70%) of the issued share capital of the Company. All resolutions put to shareholders at the AGM 2015 were passed on a poll.

Details of the electronic poll voting received by the Company for the AGM 2015 resolutions are set out in the table below.

Details of the votes to be received by the Company for the AGM 2016 resolutions will be made available on the Company's website following the close of the meeting.

Charles Berry
Chairman
26 February 2016

Details of the electronic poll voting for the AGM 2015 are set out in the table below:

Resolution		For and Discretion (votes)	Against (votes)	Abstentions (votes)	Total (votes)
1	To receive Report and Financial Statements	323,469,370	1,690,160	183,924	325,159,530
2	To approve Remuneration Report	304,861,428	2,272,947	18,209,079	307,134,375
3	To declare a Final Dividend	325,163,244	0	180,210	325,163,244
4	To re-elect Charles Berry	309,102,663	9,404,920	6,835,871	318,507,583
5	To re-elect Celia Baxter	324,474,092	711,193	158,169	325,185,285
6	To re-elect Andy Hamment	324,739,442	445,843	158,169	325,185,285
7	To re-elect Derek Harding	323,638,767	1,520,518	184,169	325,159,285
8	To re-elect Giles Kerr	324,552,692	632,593	158,169	325,185,285
9	To re-elect Mark E. Vernon	324,739,442	419,843	184,169	325,159,285
10	To re-appoint Deloitte LLP	306,394,136	18,386,054	563,264	324,780,190
11	To determine Auditor's remuneration	324,880,418	144,643	318,393	325,025,061
12	General power to allot shares	315,868,127	9,272,182	203,145	325,140,309
13	Disapplication of pre-emption rights	318,263,950	837,741	6,241,763	319,101,691
14	General power to allot shares	325,030,069	157,687	155,698	325,187,756
15	To retain 14-day notice period	315,139,552	10,032,737	171,165	325,172,289

NOMINATIONS COMMITTEE REPORT

OVERVIEW

The Nominations Committee is chaired by myself, and comprised of all Non-executive Directors. The Group Company Secretary acts as Secretary to the Committee. Senior managers and advisers are invited to attend a meeting when deemed appropriate. There were three scheduled meetings of the Committee in 2015. Two members constitute a quorum for the Nominations Committee. There was full attendance at each of the three meetings of the Nominations Committee held in 2015. All of the Committee's attendance records are shown on page 38.

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, together with 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 subsequently 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 and comprehensive 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). The Board is dedicated to promoting diversity and equality of all kinds throughout the Group, regardless of geography or position. The Committee regularly discusses the benefits of diversification with regard to the Board and its Committees.

In 2015, the Nominations Committee sought to bring additional skills and experience to the Board through the recruitment of a new Non-executive Director or Directors. By the end of 2015, Susan Brennan had accepted the position of Non-executive Director and her appointment to the Board became effective on 1 January 2016.

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

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

The Committee, after taking into account all relevant factors, recommended to the Board that Susan Brennan be appointed a Non-executive Director of the Company.

The Board agreed the Committee's recommendation and Susan Brennan accepted the appointment in December 2015, commencing on 1 January 2016.

SUCCESSION PLANNING

In 2015 the Committee increased its focus on the potential of internal employees and succession planning within the Group. The Head of Leadership Development is currently conducting a review of senior executive succession planning, containing details of proposed talent development, the methods for identifying and developing potential internal candidates, ensuring that there is an appropriate balance of internal and external recruitment for the most senior positions. The Committee also spends time discussing the issue of succession planning for the various Board level roles.

NON-EXECUTIVE DIRECTOR CHANGES

Following the conclusion of the AGM to be held on 22 April 2016, Andy Hamment is to retire as a Non-executive Director of the Company and Senior Independent Director; Mark E. Vernon will become the Senior Independent Director on that date.

INDEPENDENCE

The Nominations Committee and the Board still consider all of the Non-executive Directors to be fully independent and free from conflicting interests which may cause difficulties whilst carrying out their duties. Senior considers the current Non-executive Directors to be proactive in contributing their respective experiences and skills gained from various industries.

Conflicts of interests are fully disclosed by Directors upon appointment and are reviewed on an annual basis.

Following the changes made in 2015, I am confident that we have the desired diversity of skills, people, experience and a positive attitude that will guide us in delivering shareholder value and forging a positive direction for the year ahead.

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

Charles Berry
Chairman of the Nominations Committee
26 February 2016

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 internal audit function and the external auditor and ensuring that the former is adequately resourced and has appropriate standing within the Group;
- reviewing the effectiveness of the Group's internal controls and risk management systems ensuring that the process is active and dynamic;
- understanding the strategy at both Group and operational levels to ensure that business risks and other relevant issues are effectively identified and communicated to the Board;
- ensuring the Company's corporate ethics, anti-bribery and compliance procedures are up to date in terms of addressing the potential risks of fraud and misconduct;
- assessing the Audit Committee's capabilities in relation to diversity, risk experience and the financial expertise of its members;
- understanding the implications of forthcoming changes to accounting standards, including the new revenue recognition standard to be implemented from 2018;
- assessing potential IT, cyber security and social media issues in order to manage the Company's reputational and business continuity risks;
- reviewing the Group's Whistle-blowing Policy, to ensure that appropriate procedures are in place for employees to raise, in confidence, any concerns that they may have relating to suspected malpractice, illegal acts, omissions or other unethical corporate conduct, regarding financial or other matters; and ensuring that arrangements are in place for investigation of such matters and follow-up action; and
- considering any other topics specifically delegated to the Committee by the Board from time to time.

The Audit Committee is required to report its findings to the Board, identifying any matters 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
Giles Kerr (Committee Chair)	2 September 2013
Celia Baxter	2 September 2013
Andy Hamment	8 April 2011

Susan Brennan was appointed to the Committee on 1 January 2016.

There was full attendance at each of the three meetings of the Audit Committee held in 2015.

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

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

AUDIT COMMITTEE'S TERMS OF REFERENCE

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

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

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

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met on 19 February 2015 to consider the 2014 year-end report and during the subsequent 12 months conducted the following business on the meeting dates indicated below:

Meeting date	20 July 2015	22 October 2015	22 February 2016
Standing items	• Considered the external auditor's Interim Review for the half-year ended 30 June 2015. • Reviewed and approved the terms of the management representation letter addressed to the external auditor. • Reviewed key accounting judgements. • Discussed the Group's Announcement of the 2015 Interim Results together with the slides for the analysts' presentation. • Reviewed and agreed the basis for going concern to be adopted for the 2015 Interim Results. • Received and considered an internal audit activity report, which provided an update on ongoing matters under review by Internal Audit and the Audit Committee. • Reviewed the Group's Treasury policies and approved an updated policy document. • Discussed the Group's Tax policy as set out on page 23. • Appointed PwC to perform an external review of the Group's Internal Audit function.	• Discussed and approved the external auditor's audit planning report, including the scope of work, audit approach and fees for the 2015 audit. • Considered potential areas requiring key accounting judgements. • Considered the appropriate level of materiality and noted the implication of applying different levels of materiality; the Audit Committee agreed to reduce the level to 7.3% of profit before tax excluding goodwill impairment and impairment of assets held for sale. • Received an update from the external auditor on accounting, reporting and governance developments. • Received and considered a report from PwC on the provision of Internal Audit within the Group and agreed a number of follow up audits to be undertaken. • 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. • Reviewed the Group Whistle-blowing Policy and agreed no changes were required. • Discussed the new viability statement and agreed the process to comply with the new requirements. • Considered the retendering of external audit services, which is discussed in detail on page 51.	• Reviewed and accepted the Report to the Audit Committee on the 2015 audit made by the external auditor. • Reviewed key accounting judgements, including consideration of those significant issues outlined on page 50. • Considered the materiality of any unadjusted audit findings. • Reviewed and discussed the Group's Preliminary Announcement and the Annual Report & Accounts 2015. • Reviewed and agreed the viability statement on page 25. • Reviewed and agreed the going concern basis to be adopted for the 2015 Accounts. • Approved the Audit Committee Report for 2015. • Reviewed the effectiveness of the Group's risk management and internal control systems and disclosures made in the Annual Report & Accounts 2015. • Reviewed the Notice of Meeting for the AGM 2016 and the Proxy Form for the AGM 2016. • Received and considered a report presented by the Group Finance Director, which included the proposed 2016 internal audit plan, and approved the Group Internal Audit Charter. • Held separate private meetings with the external auditor and Internal Audit[1], without executive management being present.

The Audit Committee normally invites the Non-executive Chairman, Group Chief Executive, Group Finance Director, Group Financial Controller and senior representatives of the internal audit function[1] and the external audit firm to attend its meetings, although it reserves the right to request any of these individuals to withdraw from any meeting.

The Audit Committee also holds separate discussions with the internal audit function[1] and the external auditor without executive management being present. In addition, the Chairman of the Audit Committee holds separate meetings with the internal and external auditors during the course of the year to discuss both routine and business-relevant matters.

Periodically, the Audit Committee's Terms of Reference are reviewed to take into account current views on good practice and any recent amendments to the UK Corporate Governance Code. In October 2015, the Audit Committee adopted its Terms of Reference, following their approval by the Board of Directors.

[1] As set out on page 52, the Group engaged the services of PwC to perform certain Internal Audit procedures during 2015.

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. Management performed an annual impairment assessment at 31 December 2015 for all Cash Generating Units ("CGUs") to which goodwill is allocated.	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. An impairment loss of £18.8m has been recognised in relation to the full carrying value of goodwill allocated to the GA CGU, the Group's high precision machined component operation based in Wisconsin, USA. As noted in the Annual Report & Accounts 2014, visibility of "off-highway" land vehicles for use in agricultural markets and mining operations was less clear as the slowing GDP growth rate in China impacted commodity prices. During 2015 this has led to lower activity levels than had previously been anticipated at GA which intensified in the second half of the year and significantly reduced visibility of a possible reversal to the current cyclical down trend. Hence, the value in use assessment indicated that, as at 31 December 2015, the GA CGU no longer had sufficient headroom over its carrying value of goodwill. In the case of the Thermal CGU, its recoverable amount exceeded its carrying value by £9.5m. However, whilst the business has been trading in line with the expectation set out in the Senior plc Annual Report & Accounts 2014, the Directors acknowledge that a reasonable possible change in the current assumptions of a further 24% reduction in the risk adjusted cash flow projections would result in the recoverable amount of this CGU reducing to a level comparable with its carrying value. Factors that could lead to lower cash flows than currently estimated over the initial five-year period include: not meeting customers' expectations for quality and on-time delivery performance which would result in additional rework and inspection costs to be incurred; not securing sufficient new business with existing customers; and not introducing sufficient new growth customers. In the case of the LPE and Senior Flexonics Upeca CGUs, their respective recoverable amounts exceed their carrying values by £15.9m and £16.0m. However, during the year and in particular in the second half of 2015, lower activity levels than previously anticipated have been experienced in the Industrial Process Control market due to the down-trend in oil and commodity prices. While this has adversely affected trading levels for LPE and Senior Flexonics Upeca in 2015, their mid-term expectations over the initial five-year period indicate a reversal to the current cyclical slow-down for their markets and prospects. The Directors acknowledge that a reasonable possible change in the current assumptions of a further 27% and 32% reduction in their respective risk adjusted cash flow projections would result in the recoverable amounts of these CGUs to reduce to a level comparable with their carrying values. Following the annual impairment assessment of all other CGUs, the Audit Committee was satisfied that no additional charge for impairment of goodwill was required.
Acquisition accounting The Group acquired 100% of the issued share capital of Lymington Engineering (LPE) Limited on 31 March 2015 for a total consideration of £44.6m and Steico Industries, Inc. and its trading facility on 17 December 2015 for a total consideration of £60.3m. There is judgement in determining the valuation of the intangible assets and associated goodwill with the acquisitions.	The Group recognised goodwill of £17.1m and intangible assets of £27.9m on the acquisition of LPE. The Group recognised goodwill of £21.2m and intangible assets of £28.4m on the acquisition of Steico. The Audit Committee held discussions with executive management regarding the procedures performed to fair value the assets and liabilities acquired. The Committee noted the use of external valuation experts in order to form the necessary judgements. The external auditor provided the Audit Committee with details of the audit work performed to assess that the assets and liabilities 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; and • central UK and US tax provisions.	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 fulfil its responsibility regarding the independence of the external auditor, the Audit Committee reviewed:

- a report from the external auditor describing the arrangements that had been made to identify, report and manage any conflicts of interest and to maintain its independence;
- 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. In all material cases such work is put out to tender; and
- other services may not be provided where precluded by ethical standards or where the Audit Committee believes that it would compromise audit independence and objectivity.

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

In 2015, the level of non-audit work undertaken by Deloitte slightly decreased, as the Group reviewed fewer of its tax arrangements and undertook fewer projects which required advice and assistance from professional advisers. Fees for each category of non-audit work undertaken in the year are shown in the table below:

	Fees £m
Other tax advisory services	0.2
Total non-audit fees	0.2
Non-audit fees as a % of total audit fees	25%

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 the transitional guidance on audit tendering issued by the FRC indicated 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 final Order from the Competition & Markets Authority (which applied for financial periods beginning on or after 1 January 2015) and the new EU Regulation under which it is likely that audit firms in the UK will need to rotate every 20 years with a tender after 10 years. The transition rules set out in the Order and the EU Regulation mean Senior is required to rotate auditors by 2023. During 2015 further EU guidance became available detailing the prohibited non-audit services such as tax services, which Deloitte will be unable to perform after 31 December 2016. In light of this new guidance and the current market practice to tender audit services before the FRC deadline, the Board has decided to put the audit out to tender in the second quarter of 2016.

Deloitte will continue to be the Group's auditor, subject to shareholder approval, for the year ending 31 December 2016, but due to the longevity of Deloitte's appointment they will not be invited to tender and therefore new auditors will be identified for the year ending 31 December 2017. A hand over process will take place around the 2016 year-end.

The Audit Committee will be responsible for the tender process which will begin in March 2016, with a selected number of audit firms receiving a formal invitation to tender. These audit firms will be selected on the basis of their appropriate experience, expertise and resources to perform the audit to a high standard.

The tender process will involve access to a data room, detailed meetings with management and selected site visits. The Audit Committee will then conduct final interviews and selection with the shortlisted firms and select the firm to be recommended to shareholders at the 2017 AGM.

Assessment of external audit effectiveness

As in prior years, the Audit Committee reviewed the effectiveness of the external auditor process, by assessing a range of key areas. In 2015, 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 for 2016.

AUDIT COMMITTEE REPORT CONTINUED

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.

2015 was a transitional year for the Group's Internal Audit function. In January 2015, the Group's Head of Internal Audit gave notice of his decision to leave the Group, to pursue a new opportunity, and then left the Group at the end of March. Rather than immediately replacing this role, the Audit Committee, along with the Group Finance Director decided to take the opportunity to undertake a benchmarking review of Internal Audit within Senior and engaged PwC to perform this review. The scope of the review covered the following areas:

- Organisational strategy
- Human resources
- Working practices
- Communication and reporting
- Knowledge management
- Performance management
- Use of technology

The review concluded that the Group's approach to Internal Audit was fit for purpose and in line with that to be expected of similar sized companies within the FTSE 250, but that it would benefit from a targeted 'back to basics' refresh, with particular focus on financial controls.

Following the review, the Audit Committee and Group Finance Director decided to pursue a 'co-source' model of Internal Audit and engaged PwC to undertake a number of specific targeted financial control reviews during the second half of 2015.

The Audit Committee and Group Finance Director also considered the increased requirements for listed companies around risk management and continuous assessment of risk. In light of a future "co-source" model and increased regulatory requirements it was decided to create a new role for the Group of Head of Risk and Assurance. This person would report to the Group Finance Director with a dotted line to the Chair of the Audit Committee and be responsible for overseeing the risk management activities of the Group and Internal Audit. This role has now been filled.

As set out on pages 26 to 31, the Group has also significantly improved its risk management procedures during the year and these have been reviewed by the Audit Committee.

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 2015, a total of 18 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.

CONCLUSION

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its Terms of Reference. At its meeting held on 22 February 2016, the Audit Committee considered each section of and the Annual Report & Accounts 2015 as a whole, as proposed by the Company; it reached a conclusion and advised the Board that it considered the Annual Report and Accounts 2015 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 AGM 2016 to answer any questions about the work of the Committee.

APPROVAL

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

Giles Kerr
Chairman of the Audit Committee
26 February 2016

REMUNERATION REPORT: ANNUAL STATEMENT

DEAR SHAREHOLDER

Senior's primary strategic objective of creating long-term sustainable growth in shareholder value has remained constant during 2015. Senior's culture of empowerment of autonomous, but collaborative, operations working within a well-defined control framework is a key element to realising its strategic goals. Senior's variable remuneration arrangements for the executive Directors are in our view aligned with those of our shareholders, whereby executives are incentivised to meet both long- and short-term earnings growth, as well as cash flow targets.

The Committee is satisfied that the remuneration framework reinforces the link between pay and performance and rewards senior executives appropriately. No changes to the Policy are being proposed for 2016, however for ease of reference we have included the Policy once again in the 2015 Annual Report, although we will only be inviting shareholders to approve the Annual Report on Remuneration, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the 2013 Regulations"), at the AGM 2016.

The Terms of Reference ("TOR") of the Committee had not been subject to a full review for a number of years and following the change of Group Chief Executive it was felt appropriate to revisit them to ensure that they were still appropriate and unambiguous. The amended TOR of the Committee can be found in the Corporate Governance area of the Senior plc website (www.seniorplc.com) within the Committees of the Board section.

In January 2015, the Committee reviewed the appropriateness of the performance conditions relating to the performance shares granted under the Senior plc 2014 Long-term Incentive Plan (the "2014 Plan"). Taking due consideration of the prevailing economic and market conditions, the Committee decided that the performance conditions used for the grant in 2014 were still suitably stretching for the 2015 award of performance shares. However, having reviewed and considered the out turn of 2015, the Company's strategic goals and the current uncertainty in the markets, the Committee has decided to amend the EPS performance condition for the performance shares to be granted in 2016 under the 2014 Plan; details which can be seen on page 68. In making this amendment, the Committee considers the new targets are no less challenging in the light of current circumstances and within the approved Remuneration Policy.

Furthermore, the Committee reviewed the key performance indicators ("KPIs") for the 2015 annual bonus and it was agreed that the earnings per share and cash flow targets were still appropriate and that the target levels were stretching without encouraging inappropriate levels of risk. The outturn of the 2015 annual bonus for the executive Directors was 15% of annual salary which is considerably lower than 2014, which reflects the difficult trading conditions experienced throughout the year. The vesting of long-term incentives has also reduced, based on the Company's 2015 financial performance. The Committee has not exercised any discretion to adjust performance targets as a result of events that have taken place during the year. The Committee will be reviewing the structure of the annual bonus during 2016 to ensure that the performance indicators remain appropriate. Any potential changes would be proposed and implemented in 2017.

During the year, the Committee reviewed its stance with regard to the disclosure of annual bonus targets for Senior's executive Directors. The policy of the Committee is 'not to disclose specific targets while still commercially sensitive'. Taking into consideration comments received from some shareholder bodies, as well as the commercial issues, the Committee agreed that they would continue not to disclose the specific targets for the year in which they operate. However, from now on the specific bonus for the year being reported on will be fully disclosed retrospectively; this information can be seen on page 63.

Having taken due consideration of the development and performance of the Finance Director since his recruitment in 2013, the Committee in line with the approved policy has decided in 2016 to regularise the quantum of the long term incentive grant and the pension allowance with the other executive Director, to 150% and 20% of basic salary respectively. The Committee believes these changes will aid the retention of a key executive.

We have retained the same structure as last year's Remuneration Report, whereby it 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 and is unchanged from that which was approved by shareholders for three years at the 2014 Annual General Meeting and which is not subject to audit; and
3. the Annual Report on Remuneration on pages 60 to 68, produced in accordance with the 2013 Regulations and the relevant provisions of the Listing Rules of the Financial Conduct Authority. Parts of the Annual Report on Remuneration are subject to audit, which provides details of the Directors' emoluments, shareholdings, long-term incentive awards and pensions for the year ended 31 December 2015 and intentions for 2016.

Celia Baxter
Chair of the Remuneration Committee

REMUNERATION REPORT: POLICY

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

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

POLICY FOR EXECUTIVE DIRECTORS

The table below summarises the Committee's policy for the remuneration of executive Directors which was approved by shareholders at the 2015 AGM and became binding from that date.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary	• 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	• Will normally be reviewed annually with effect from 1 January • Benchmarked periodically against companies with similar characteristics and sector companies • Normally positioned within a range around the mid-market level taking into account the experience and performance in the role of the individual, complexity of the role, market competitiveness and the impact of salary increases on total remuneration	• Other than to reflect change in the size and complexity of the role/ Company, the Committee will have regard to the basic salary percentage increases taking place across the Company more generally when determining salary increases for the executive Directors • No maximum salary cap	• Individual performance in the role and Group performance are among the factors taken into consideration when awarding increases
Bonus	• Incentivises annual delivery of corporate financial and non-financial goals • Delivery of a proportion of bonus in deferred shares provides alignment with shareholders and assists with retention	• Up to 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	• Overall maximum of 105% of salary	• The Committee determines performance conditions and weightings at the start of each year • For 2015, the financial metrics included 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

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Long-Term Incentive Plan ("LTIP")	• Incentivises sustained performance over the longer term • The use of longer-term performance targets and delivery of awards in shares rewards the achievement of the Company's strategic goals and increases in shareholder value	• Annual grants of performance shares which vest subject to performance measured over three years and continued service • Executives are entitled to receive the value of dividend payments that would have otherwise been paid in respect of vested deferred shares • All awards are subject to the discretions contained in the plan rules • Committee may review the performance conditions from time to time	• 150% of salary for LTIPs awarded in 2015 • 200% of salary in exceptional circumstances, such as upon recruitment	• The Committee determines performance conditions and weightings at the start of each year providing that the targets are not materially less challenging • For 2015, the awards were based on a mix of: – 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 clawback at the Committee's discretion during the period of three years following the date of vesting
All-Employee Share Schemes	• Employees including executive Directors are encouraged to become shareholders through the operation of the Sharesave Plan, the HMRC-approved all-employee share plans	• 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 and updated rules are to be put to the 2016 AGM for shareholder approval	• Employees can normally elect for a three-year savings contract under standard terms and within HMRC limits • The option price for Sharesave awards can be set at a discount of up to 20% to the market value of the shares at the start of the savings contract, although no awards granted under the 2006 Sharesave Plan have been set at a discount	• N/A
Pension	• Provides competitive retirement benefits for the Group's employees	• The Group's UK final salary pension plan closed 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	• 20% of basic salary either as Company contribution to Senior GFRP or as salary in lieu of pension	• N/A
Other Benefits	• Provides a competitive package of benefits that assists with recruitment and retention	• Benefits include provision of a fully expensed car or car allowance, private medical insurance, life insurance and income protection, tax equalisation and relocation benefits	• The value of benefits is based on the cost to the Company and is not predetermined • There is no monetary cap on Other Benefits	• N/A
Shareholder Guidelines	• Aligns executive Directors' interests with that of other shareholders in the Company	• Executive Directors to retain at least 50% of the shares that vest under the LTIP and Deferred Bonus Award, after allowing for tax liabilities, until a shareholding equivalent in value to 100% of base salary is built up	• N/A	• N/A

REMUNERATION REPORT: POLICY CONTINUED

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 54 and 55. 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).

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 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 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 employees in the UK, North America and continental Europe, including executive Directors, may participate.

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

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

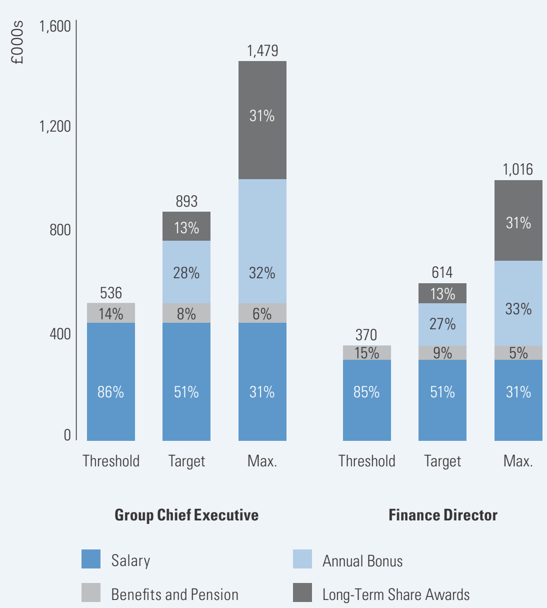
In addition, the Committee's policy is that salary increases for the executive Directors and senior executives should not normally be greater than the general level of increases awarded to other senior managers in Europe and North America, other than when an executive changes role or when it is necessary in order to ensure levels of remuneration remain market competitive. Increases for the general workforce in Europe and North America for 2016 were approximately 2.4% (2015 – approximately 2.7%).

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

OVERALL BALANCE OF MEASURES FOR VARIABLE PAY

Remuneration scenarios for executive Directors

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



This chart is based on the following assumptions

	Threshold	Target	Maximum
Fixed pay	Salary is the basic salary as at 1 January 2016 The value of Benefits and Pension is taken from the single total figure of remuneration for 2015		
Annual bonus	Nil	Approximately 52% of the maximum payout	100% of the maximum payout
Long-term share awards	Nil	25% vesting under the LTIP (i.e. 25% of 2016 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 2016 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
Employment contract dates	David Squires – 5 January 2015 Derek Harding – 27 March 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 There are no provisions in the agreements, or otherwise, for additional termination payments Payments may be made in monthly instalments and, in these circumstances, there is a requirement for the Director to mitigate loss
Change of control	There are no enhanced provisions in relation to a change of control

Copies of the executive Directors' service contracts are available from the Group Company Secretary at the Company's Registered Office during normal business hours. The Committee's policy in the event of early termination of employment is set out on page 58.

REMUNERATION REPORT: POLICY CONTINUED

POLICY ON PAYMENT FOR DEPARTURE FROM OFFICE

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

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

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

POLICY FOR NON-EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

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

NON-EXECUTIVE DIRECTORS' TERMS OF APPOINTMENT

Name	Date of original term commenced	Date current term commenced	Expected expiry date of current term
Charles Berry (Chairman)	Joined the Board March 2012 and became Chairman in April 2012	–	–
Celia Baxter	September 2013	New term to[1] commence September 2016	September 2019
Susan Brennan	1 January 2016	–	December 2018
Andy Hamment	April 2011	April 2014	April 2016
Giles Kerr	September 2013	New term to[1] commence September 2016	September 2019
Mark E. Vernon	April 2011	April 2014	April 2017

(1) The initial three-year terms of appointment of Celia Baxter and Giles Kerr had been due to expire in September 2016. In February 2016, the Nominations Committee agreed to extend their appointments, in accordance with their original letters of appointment, for a further three-year term expiring in September 2019.

HOW SHAREHOLDER VIEWS ARE TAKEN INTO ACCOUNT

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. Shareholders were consulted in 2013 when formulating the Remuneration Policy. Consultation with shareholders was constructive and did not result in any significant changes being made to the Remuneration Policy or to the 2014 LTIP.

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

LEGACY ARRANGEMENTS

For the avoidance of doubt, having received shareholder approval at the 2014 AGM of 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 on page 55);
- 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 – Chair	4	4
Charles Berry	4	4
Andy Hamment	4	4
Giles Kerr	4	4
Mark E. Vernon	4	4

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 ad hoc remuneration matters, Slaughter & May in relation to the updating of the Senior plc 2006 Savings-Related Share Option Scheme rules, and Towers Watson in relation to the review of the remuneration packages of the executive Directors and senior managers. New Bridge Street, Slaughter & May and Towers Watson have no other connection with the Company. During 2015, the Company incurred fees of £9,883 from New Bridge Street, £14,400 from Towers Watson and £1,750 from Slaughter & May and these costs were based on a combination of hourly rates and fixed fees for specific items of work.

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 2015 has been objective and independent.

PRINCIPAL ACTIVITIES AND MATTERS ADDRESSED DURING 2015

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 four times in 2015. 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. Review of Remuneration report.	
April	Confirmation of LTIP and Deferred Bonus Awards.	
May		Granting of LTIP and a one-off share award upon appointment of David Squires.
September		Vesting of second tranche of a conditional share award for Derek Harding.
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 participants for the next financial year. Review of the Chairman's fee.	Review Directors' Remuneration Policy.

STATEMENT OF VOTING AT GENERAL MEETING

At last year's AGM, held on 24 April 2015, votes on the Directors' remuneration report were cast as follows:

	Voting	For	Against	Total	Withheld[1]	Reason for vote against, if known	Action taken by Committee
Remuneration report	Votes	304,001,684	2,246,947	306,248,631	18,209,079	N/A	N/A
	%	99.27%	0.73%	100.0%	N/A		

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

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2015

There were no differences between the Remuneration policy for 2015 and the policy which shareholders approved at the 2014 AGM.

Details of performance targets are provided on pages 54 and 55.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

The following table shows a single total figure of remuneration in respect of qualifying services for the 2015 financial year for each executive Director, together with comparative figures for 2014. Aggregate Directors' emoluments are shown at the end of the Single Total Figure of Remuneration section.

	Salaries and fees £000s		Taxable benefits and allowances[3] £000s		Bonus[4] £000s		Recruitment award £000s		Long-term incentives[5] £000s		Pension benefits including cash in lieu of pension £000s		Total £000s	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Executives														
Mark Rollins[1]	**174**	410	**38**	20	**–**	263	**–**	–	**75**	663	**–**	55	**287**	1,411
David Squires[2]	**307**	–	**16**	–	**46**	–	**302**	–	**16**	–	**61**	–	**748**	–
Derek Harding	**315**	308	**15**	15	**47**	174	**–**	–	**–**	–	**55**	54	**432**	551
Total remuneration	**796**	718	**69**	35	**93**	437	**302**	–	**91**	663	**116**	109	**1,467**	1,962
Non-executives														
Charles Berry (Chairman)	**151**	148	**2**	1	**–**	–	**–**	–	**–**	–	**–**	–	**153**	149
Celia Baxter	**50**	48	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	48
Andy Hamment	**47**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	45
Giles Kerr	**50**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	46
Mark E. Vernon	**42**	41	**4**	34	**–**	–	**–**	–	**–**	–	**–**	–	**46**	75
Total remuneration	**340**	328	**6**	35	**–**	–	**–**	–	**–**	–	**–**	–	**346**	363

(1) Mark Rollins' 2015 total reflects him leaving part way through the year, on 31 May 2015. No compensatory payment was made. His 2015 base salary was £472,000 (2014 – £463,000) although he elected to waive £54,000 (2014 – £53,000) of his salary and therefore received a pro-rata salary of £418,000 (2014 – £410,000), representing an increase of 1.9%. 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) David Squires' 2015 total reflects him joining part way through the year, on 1 May 2015. His single figure remuneration total includes his One-off Award consisting of 4,770 shares with a value of £14,906 and long-term incentive awards with a face a value of £287,500. Further information on his One-off Award can be found on page 65.

(3) Taxable benefits include the provision of a fully expensed company car or car allowance and private medical insurance. The amount in respect of Mark Vernon, a US-based Director, relates to the cost of travel to Board Meetings in the UK. Until April 2015, HMRC regulations required Mark Vernon's flights to attend Board Meetings to be treated by the Company as home-to-office travel, which meant these air travel costs were treated as taxable benefits. From April 2015 air travel was no longer deemed to be home-to-office travel and therefore from that date the only costs recognised in the table included accommodation and travel costs incurred within the UK.

(4) Awards under the deferred bonus award, the Enhanced SMIS, in respect of 2015 performance will be granted in March 2016. The deferred bonus element that is to be granted in the form of shares to David Squires and Derek Harding in March 2016 is included in the cash bonus figure and will be equivalent in value to 5% of 2015 base salary, namely £15,350 and £15,750 respectively.

(5) 20.6% of the 2013 LTIP Award is due to vest in March 2016 for David Squires and Mark Rollins and in September 2016 for Derek Harding. Mark Rollins' 2015 LTIP award shall be prorated to reflect the period of time served during the relevant LTIP performance period, namely, 29/36ths. As the LTIP awards had not vested at the date this report was signed, the average market value of the shares over the last three months of 2015 of 240.8p has been used to determine the value for the purposes of the single total figure. Mark Rollins' 2014 comparator LTIP figure has been re-stated from the figure shown in the Annual Report and Accounts 2014 to reflect the difference in value of the 2012 LTIP award on the actual date of vesting on 1 April 2015 of £3.21p and the estimated value of the LTIP award having used the average market value of the shares over the last three months of 2014 of 275.0p. Consequently, his 2014 total figure has also been restated to reflect changes in the LTIP valuation. Further details on the performance conditions can be found on page 63.

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 £18,000 during the year until his retirement from the Board of Senior plc on 31 May 2015 (2014 – £41,000). He was also appointed a non-executive director of Tyman plc on 1 April 2015 and received total fees of £7,700 during the period until his retirement from the Board of Senior plc.

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 2015 and are shown below:

Fees	**2015 £**	2014 £	Percentage change
Chairman	**150,600**	147,600	2.0%
Non-executive Director	**42,250**	41,400	2.1%
Chair of Audit Committee	**8,000**	6,500	23.1%
Chair of Remuneration Committee	**8,000**	6,500	23.1%
Senior Independent Director	**5,000**	3,250	53.8%

SENIOR MANAGERS' EMOLUMENTS

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

	2015 Total £000s	2014 Total £000s
Short-term employee benefits	**2,175**	2,310
Post-employment benefits	**195**	195
Share-based payments	**682**	818
Total	**3,052**	3,323

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 2015 have been determined by adjusted EPS and cash flow performance as set out in the table below.

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

	2015						2014			
	Target	**Actual Achieved**	**Maximum bonus achievable**	**Percentage of maximum achieved**	**Cash bonus payable (% of 2015 salary)**	**Bonus payable in deferred shares (% of 2015 salary)**	Maximum bonus achievable	Percentage of maximum achieved	Cash bonus payable (% of 2014 salary)	Bonus payable in deferred shares (% of 2014 salary)
Free Cash flow targets										
Interim	**£11.82m**	**£24.7m**	**15.0%**	**100.0%**	**10.0%**	**5.0%**	15.0%	100.0%	10.0%	5.0%
Full year	**£59.57m**	**£51.7m**	**22.5%**	**0.0%**	**0.0%**	**0.0%**	22.5%	91.3%	13.7%	6.8%
Adjusted EPS targets										
Internal target	**21.05p**	**18.98p**	**22.5%**	**0.0%**	**0.0%**	**0.0%**	22.5%	24.0%	3.6%	1.8%
Year-on-year growth	**21.05p**	**18.98p**	**45.0%**	**0.0%**	**0.0%**	**0.0%**	45.0%	35.0%	10.5%	5.3%
Totals			**105.0%**	**14.3%**	**10.0%**	**5.0%**	105.0%	54.0%	37.8%	18.9%

No 2015 bonus was payable to Mark Rollins as he retired from the Board on 31 May 2015. David Squires joined the Board on 1 May 2015 and received a prorated 2015 bonus to reflect the time served during the year.

For the Free Cash Flow targets and Internal Adjusted EPS target, bonus becomes payable at 90% of the targets and the maximum bonus is achieved at 115% of these targets. For the Year-on-year growth EPS target, bonus becomes payable at 94% of target and the maximum bonus is achieved at 108% of the target.

TOTAL PENSION ENTITLEMENTS (AUDITED INFORMATION)

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

Derek Harding joined the Senior GFRP on 2 September 2013. His single figure remuneration for pension benefits in 2015 of £54,750 (2014 – £53,625) consisted of: a contribution of £30,000 (2014 – £30,000) made to the Senior GFRP on his behalf, being 20% on £150,000 of his salary received; and a cash allowance of £24,750 (2014 – £23,625), being 15% of the remainder 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.

David Squires' single figure remuneration for pension benefits in 2015 consisted of a cash allowance of £61,333 (2014 – N/A) this being 20% of his salary received.

PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

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

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

PERFORMANCE AGAINST PERFORMANCE CONDITIONS FOR LTIP VESTING

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

2013 Award, vesting March 2016

Performance measure	Target (25% vesting)	Maximum (100% vesting)	Actual	Percentage of total award achieved
Total shareholder return ranking	16	6.7	14	20.6%
Annual average growth above RPI in earnings per share	3%	8%	0.7%	0%

The following awards vest in 2016:

	Number of shares awarded	Pro rata fraction applied	Percentage vesting	Number of shares vesting	Value of shares vesting[1] £000s
Mark Rollins[2]	188,044	29/36ths	20.6%	31,204	75
Derek Harding	215,749	N/A	20.6%	44,444	107
David Squires[3]	32,000	N/A	20.6%	6,592	16

[1]As the 2013 LTIP awards had not vested at the date this report was signed, the average market value of the shares over the last three months of 2015 of 240.8p has been used to determine the value for the purposes of the single total figure of remuneration on page 62.

[2]Mark Rollins retired from the Board on 31 May 2015. The Remuneration Committee determined that Mark Rollins' LTIP awards granted in March 2013 and March 2014 shall vest in March 2016 and March 2017 respectively, subject to satisfying the attached performance conditions, and shall be prorated to reflect the period of time served during the relevant LTIP performance period, namely 29/36ths and 17/36ths respectively.

[3]David Squires' sign on award included a long-term incentive award over 32,000 shares which mirror the rules and performance conditions attaching to the LTIP award made to other Senior executives on 21 March 2013.

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED INFORMATION)

Directors	Scheme	Basis of award	Face value £000s	Percentage vesting at threshold performance	Number of shares	Performance period end date
David Squires	LTIP	Annual Award	690	25%	219,326	31 December 2017
Derek Harding	LTIP	Annual Award	315	25%	96,212	31 December 2017

The face value of Derek Harding's award was calculated using the closing share price on 1 April 2015 of 327.4p and the face value of David Squires' award was calculated using the closing share price on 30 April 2015 of 314.6p, being the trading days immediately prior to the date of their respective awards.

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

The following tables show the current position against performance targets for LTIP awards outstanding from 2014 and 2015.

	Conditional share awards in 2015			Conditional share awards in 2014		
Performance measure	**Target (25% vesting)**	**Maximum (100% vesting)**	**Actual to date**	Target (25% vesting)	Maximum (100% vesting)	Actual to date
Total shareholder return ranking	**15.5**	**6.5**	**20**	15.5	6.7	17
Annual average growth above RPI in adjusted earnings per share	**4%**	**10%**	**-5.54%**	4%	10%	-2.95%

The TSR comparator group applicable to the 2015 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 2015 award, broadly similar to those used for each year of award from 2009 onwards, are listed below:

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

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

SIGN-ON AWARDS

David Squires

David Squires was appointed as a Director on 1 May 2015. In structuring his recruitment package, the Committee sought as much as possible to partly compensate him for the loss of certain benefits and share awards with and without performance conditions with his previous employer as a result of joining Senior. The basis and terms of his sign-on awards were fully disclosed in the 2014 Remuneration Report. By way of compensation, the Company provided him the following awards upon his appointment:

i) a one-off award of 4,770 Senior shares;

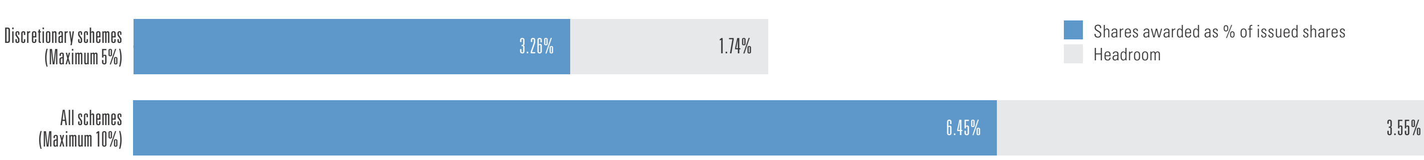
ii) a long-term incentive award over 32,000 Senior's shares. The terms of this share award shall mirror the rules and performance conditions attaching to the LTIP award made to other Senior executives on 25 March 2013 under the Senior plc 2005 Long-Term Incentive Plan. This award will ordinarily vest, subject to the achievement of the associated performance conditions, on or after 25 March 2016; and

iii) a long-term incentive award over 60,000 Senior's shares. The terms of this share award shall mirror the rules and performance conditions attaching to the LTIP award made to other Senior executives on 21 March 2014 under the Senior plc 2005 Long-Term Incentive Plan. This award will ordinarily vest, subject to the achievement of the associated performance conditions, on or after 21 March 2017.

The value of the vested shares described in paragraph i) above, based on the closing mid-market share price on 1 May 2015 of 312.5p was £14,906 and the combined value of the long-term incentive awards described in paragraphs ii) and iii) above was £287,500. The long-term incentive awards described in paragraphs ii) and iii) above were in addition to the LTIP award described on page 64 above. The long-term incentive award of 32,000 shares is due to vest on 1 May 2016. 20.6% of this award is due to vest, equivalent to 6,592 shares. The value of this award, based on the average market value of the shares over the last three months of 2015 of 240.8p, is £15,874.

SHAREHOLDER DILUTION

Percentage of issued shares



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

At 31 December 2015, awards outstanding and shares issued in the previous 10 years under all share plans (the Senior plc 2005 Long-Term Incentive Plan ("the 2005 LTIP"), the Senior plc 2014 Long-Term Incentive Plan ("the 2014 LTIP"), and the 2006 Savings-Related Share Option Plan (the "Sharesave Plan")) amounted to 6.45% of the issued ordinary share capital of the Company. At 31 December 2015, awards outstanding and shares issued in the previous 10 years under executive (discretionary) plans (the LTIP) amounted to 3.26% 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 award, Derek Harding's Share Award and David Squires' one-off award and long-term incentive awards granted on his appointment 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 Investment Association dilution guidelines.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

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' 2015 base salaries, David Squires had a holding of 7.4% of base salary and Derek Harding had a holding of 63.1% 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 2015 of 229.7p.

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

Directors	Share ownership requirements (% of 2015 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%	137,136	86,520	No – 63.1%	43,786	1.41 years
David Squires	100%	200,262	14,770	No – 7.4%	0	N/A

	Legally owned (no. of shares)	
	31 December 2015	31 December 2014
Executive Directors		
David Squires	**14,770**	–
Derek Harding	**86,520**	67,405
Non-executive Directors		
Charles Berry	**10,000**	10,000
Celia Baxter	**10,000**	10,000
Andy Hamment	**19,877**	19,877
Giles Kerr	**10,000**	10,000
Mark E. Vernon	**18,200**	18,200

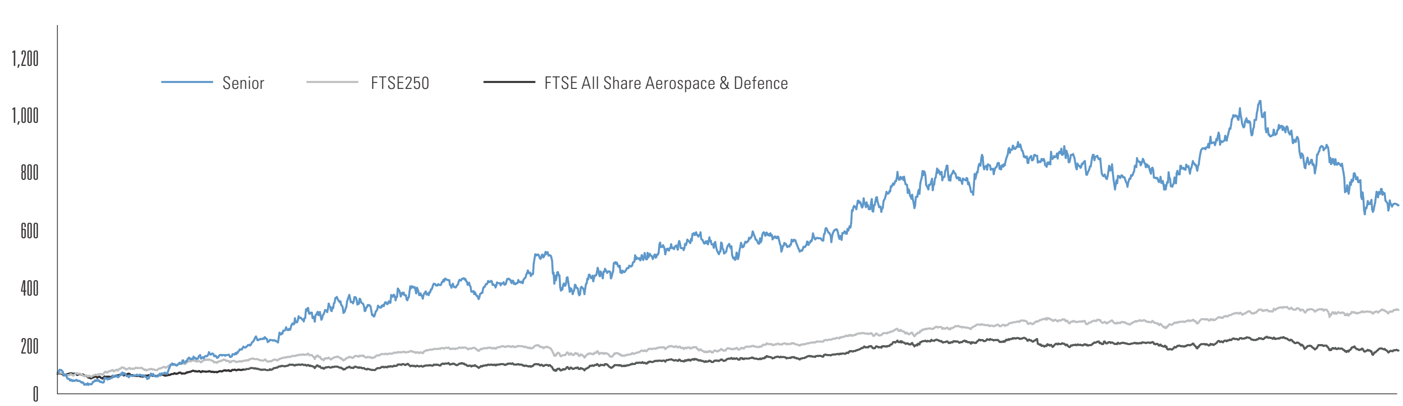
PERFORMANCE GRAPH

Share price performance

The closing middle market price of the shares at 31 December 2015 was 229.7p (2014 – 303.2p). During 2015, the shares traded in the range of 219.2p to 358.5p.

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 seven-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[2]	2014	**2015[3]**
CEO single figure of total remuneration (£000s)	578	899	1,805	1,529	1,726	1,316	**1,020**
Annual variable element award rates against maximum opportunity (%)	38[1]	100	100	92	65	54	**14**
Long-term incentive vesting rates against maximum opportunity (%)	100	82	100	100	100	91.8	**21**

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

(2) The single total figure of remuneration in relation to 2013 has been restated from the figure shown in 2013 Annual Report & Accounts to reflect the difference in the value of the 2011 LTIP award on the actual date of vesting as detailed in Note 7 on page 86 of those Accounts.

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

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 2014 and 2015 compares with the percentage change in the average of each of those components of pay for a group of employees. The Committee has selected the Group's senior managers in Europe and North America, as the operations in these territories deliver approximately 90% of the Group's revenue, and these senior managers have broadly similar structured remuneration packages. Businesses acquired by Senior during the year and leavers and joiners in either year have been excluded to prevent distortion.

	Salary	Taxable benefit[2]	Bonus
	Percentage change	Percentage change	Percentage change
Group Chief Executive[1]	1.9%	21.6%	-88.2%[3]
Pay of senior managers in Europe and the USA	2.8%	4.2%[2]	-37.7%

(1) Mark Rollins retired on 31 May 2015, and David Squires joined the Board 1 May 2015. For the purpose of making a valid comparison, the salary increase is based on the change in full basic salary of Mark Rollins from £463,000 in 2014 to £472,000 in 2015. In 2014, Mark Rollins waived £53,000 of his salary and received £410,000; he waived £54,000 of his salary in 2015 and received a prorated salary of £418,000.

(2) For the purposes of making a more valid comparison, the comparator group for the Taxable benefit figure consisted of 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. The percentage change of the Group Chief Executive is based on Mark Rollins' five months of benefits in 2015 plus David Squires' eight months of 2015 benefits.

(3) The Group Chief Executive bonus compares Mark Rollins' 2014 bonus of £263,000 and David Squires' 2015 bonus of £31,000.

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 2015 compared to the financial year ended 31 December 2014.

	2015 £m	2014 £m	Percentage change
Employee remuneration costs (excluding social security)	**211.0**	204.8	3.0%
Adjusted profit before tax	**99.3**	102.6	-3.2%
Dividends paid	**24.3**	21.9	11.0%

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

2016 REMUNERATION (AUDITED INFORMATION)

The Remuneration Policy was implemented at the AGM in 2014 and continues to apply in 2016 as set out below:

Salaries and fees for 2016

Increases in the salaries and fees for the Directors for 2016 are broadly in line with the general level of increases across the Group at the time they were approved in early December 2015. No additional fees are payable for Committee membership.

	2016 £	**2015 £**	Percentage change
Executives			
David Squires	475,000	**460,000**	3.3%
Derek Harding	325,000	**315,000**	3.2%
Non-executives			
Chairman	155,000	**150,600**	2.9%
Non-executive Directors	43,250	**42,250**	2.4%
Chair of Audit Committee[1]	9,000	**8,000**	12.5%
Chair of Remuneration Committee[1]	9,000	**8,000**	12.5%
Senior Independent Director[1]	6,250	**5,000**	25.0%

[1] A benchmarking exercise found the fees paid for the Chairs of Audit and Remuneration and for the role of the Senior Independent Director were 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 around lower quartile.

Weighting of annual bonus KPIs for 2016

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

	2016		**2015**	
	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	30.0%	15.0%	**15.0%**	**7.5%**
Year-on-year growth	15.0%	7.5%	**30.0%**	**15.0%**
Totals	70.0%	35.0%	**70.0%**	**35.0%**

The actual targets are currently considered commercially sensitive because of the information that this provides to the Company's competitors. Full disclosure of the 2016 targets will be disclosed in the Annual Report 2016.

PERFORMANCE CONDITIONS FOR 2016 AWARDS

Conditional share awards to be granted in 2016.

The performance conditions for awards which will be made in 2016 will again be based on growth in EPS (50% weighting) and relative TSR measured against a peer group (50% weighting). The EPS performance scale for 2016 differs from that applied for 2015 awards, as set in the table below:

	2016			**2015**	
	Weighting	Target (25% vesting)	Maximum (100% vesting)	**Target (25% vesting)**	**Maximum (100% vesting)**
Total Shareholder Return ranking	50%	Median or higher	Upper quintile or higher	**Median or higher**	**Upper quintile or higher**
Earnings per share	50%	10% growth over 3-year performance period	25% growth over 3-year performance period	**Annual average growth of 4% over RPI over 3-year performance period**	**Annual average growth of 10% over RPI over 3-year performance period**

The TSR group applicable to the 2016 LTIP awards will broadly reflect the list of the 2015 LTIP award constituent comparator companies shown on page 64.

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report was approved by the Board on 26 February 2016.

Signed on behalf of the Board

Celia Baxter
Chair of the Remuneration Committee
26 February 2016

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 elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group 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 IFRSs 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 Group'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:

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

By Order of the Board

David Squires
Group Chief Executive
26 February 2016

Derek Harding
Group Finance Director
26 February 2016

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 2015 and of the Group's and the Parent Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group and Parent Company Statements of Changes in Equity and the related Notes 1 to 55. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 2 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the strategic report on page 25.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 25 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 30 and 31 describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page 25 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- the Directors' explanation on page 25 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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.

The risks are consistent with the risks identified in the prior year. We have also focused our tax risk solely on the provision for uncertain matters rather than also considering the recognition of deferred tax assets.

The Audit Committee has requested that while not currently required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

The description of risks opposite should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 50.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 £6.1m (2014: £6.8m), which is 7.3% (2014: 7.4%) of profit before tax excluding goodwill impairment and impairment of assets held for sale. We have determined profit before tax excluding exceptional and non-recurring items as our benchmark for determining materiality on the basis that profit before tax is a key performance indicator used by the market and is comparable with the Group's peers.

Profit before tax has been adjusted to exclude the impact of the impairment of goodwill relating to GA CGU and the impairment of assets held for sale relating to the Composites business in the current year. In the prior year profit before tax excluded the impact of an impairment of goodwill relating to the Composites CGU and the write down of L85 inventory. These items have been excluded in our determination of materiality as they are considered by management to be exceptional and non-recurring in nature and not reflective of the Group's underlying performance.

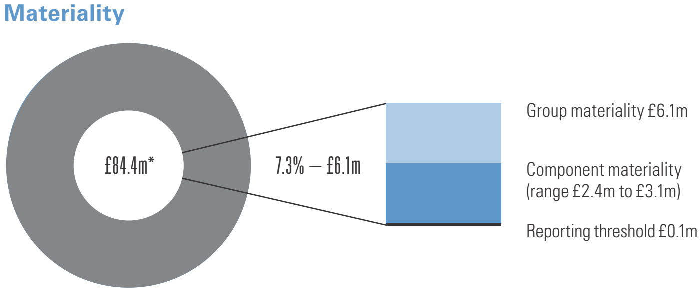
We agreed with the Audit Committee and reported to the Committee all audit differences in excess of £120,000 (2014: £136,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	KEY OBSERVATIONS
GOODWILL IMPAIRMENT		
The Group has a material goodwill balance with a carrying value of £284.5m which has arisen through past acquisitions. In the current year an impairment charge of £18.8m was recognised in respect of the GA cash generating unit ("CGU") as a result of adverse market circumstances brought on by the slowing GDP growth rate in China impacted by commodity prices. On an annual basis the Directors assess the valuation of goodwill which relies on key assumptions and judgements made by them concerning the estimated value of future cash flows, associated discount rates, and growth rates based on their view of future business prospects. The extent of the judgement involved presents the risk that the carrying value has not been adjusted appropriately for underperforming components or components that have been impacted by adverse market and/or trading circumstances. Further details are disclosed in Note 2, where goodwill is disclosed as a critical judgement and Note 13 of the financial statements.	We challenged management's key assumptions used in the impairment model for goodwill focussing on those CGUs with lower headroom and operating in challenging markets by, but not limited to: • considering the cash flow projections through assessing the accuracy of historical budgeting process by comparing them with historically achieved results and benchmarking the consistency of the cash flow projections with industry data and trends; • engaging our internal valuation specialists to review the inputs used to determine the discount rates by comparing them against available external market data; • benchmarking the perpetuity rates against industry and GDP growth rates; and • reviewing their adopted sensitivities to assess whether it reflects a reasonable possible change.	Based on our procedures we agreed with the Directors that the goodwill allocated to GA should be fully impaired and that no other goodwill impairment should be recognised as at 31 December 2015.
TAX PROVISIONS		
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. As set out in Note 21 to the financial statements the Group is carrying a tax provision of £17.7m. The increase of £1.3m in the current year reflects the increased uncertainty as a result of the OECD's BEPS project.	We assessed the tax provisions in conjunction with our internal tax experts. Our assessment included a review of prior year open computations and the Group's transfer pricing and financing arrangements, correspondence with tax authorities and consideration of the general tax environment and attitude of tax authorities. We considered whether the additional provisions recognised during the year are appropriate in light of developments in the OECD's BEPS project.	Based on our procedures we concur that the overall provision recognised by management is appropriate given the tax risks faced by the Group.
INVENTORY NET REALISABLE VALUE AND PROVISION FOR OBSOLESCENCE		
The Group held an inventory balance at the year end of £126.9m, as disclosed in Note 17 which relates to the Aerospace and Flexonics businesses. It is a material balance for the Group which requires 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 excess and obsolescence provisions as these are based on forecast inventory usage and assessing if the provision level is adequate.	We have tested a sample of inventory items at significant components to assess the cost basis and net realisable value of inventory. We compared the inventory excess and obsolescence provision to the Group's policy and challenged management's judgement of the adequacy of this by performing a review of the overall level of provisions on an aggregate and by unit basis as well as understanding the levels of demand for significant items. We investigated manual adjustments made to the mechanical application of the inventory obsolescence provisioning policy, and assessed whether they were valid and the appropriateness of the final excess and obsolescence provision.	Based on our procedures, no issues were identified which raised concerns over the valuation of inventory.

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

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	KEY OBSERVATIONS
ACQUISITION ACCOUNTING		
Group management exercised judgement in determining their provisional valuation of the intangible assets and goodwill of two acquisitions made during the year. Lymington Precision Engineering ("LPE"), a UK based company, was acquired on 31 March 2015 for net consideration of £43.6m. Management recognised intangible assets valued at £27.9m and goodwill of £17.1m. On 17 December 2015 the Group acquired Steico Industries ("Steico"), based in the United States, for net consideration £60.3m. At the acquisition date management recognised intangible assets valued at £28.4m and goodwill of £21.2m. The judgements made in recognising the intangible assets could have a material impact on the financial statements and as such, this is a key audit risk. Further details of the above noted acquisitions can be found at Note 31 and Note 2 where fair value of intangible assets acquired on acquisition is disclosed as a critical judgement of the financial statements.	We evaluated and tested the acquisition accounting for both acquisitions, which included using valuation experts in the consideration of the recognition and valuation of intangible assets. Our audit procedures included, but were not limited to: agreeing the cash flow projections to supporting audit evidence on a sample basis; and assessing the appropriateness of the valuation methodology and discount rate applied by consulting with our internal valuations experts who performed benchmarking against the Group's competitors and challenged the sources of its inputs along with assessing the fair value attributed to the deferred contingent consideration.	Based on our testing, the key judgements applied by management in identifying and recognising intangible assets and recognition of goodwill for acquisitions made during the year were appropriate.

Materiality



*PBT excluding goodwill impairment and impairment of assets held for sale

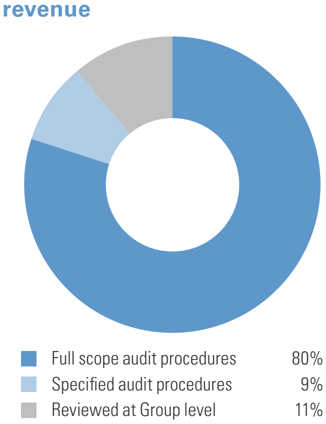
AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped based on our understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We have considered components on the basis of their contribution to Group sales and profitability, as well as those that require local statutory audits in their jurisdiction. Based on that assessment, we focused our Group audit scope primarily on the audit work at 24 locations. 22 of these were subject to a full scope or statutory audit, whilst the remaining two were subject to an audit of specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

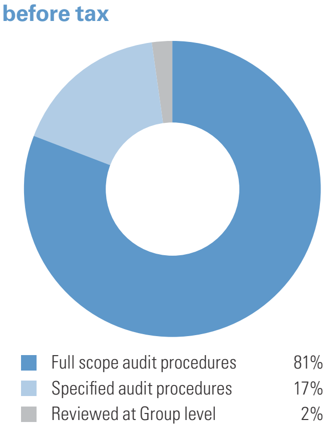
These 24 locations represent the principal business units and account for 89% (2014: 90%) of the Group's revenue and 98% (2014: 92%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 24 locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £2.4m to £3.1m (2014: £2.0m to £3.4m).

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 audit or audit of specified account balances.

Audit coverage by site as a proportion of FY15 revenue



Audit coverage by site as a proportion of FY15 profit before tax



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 the Group's components on a rotation basis. In the current year we visited a total of 12 locations.

In years when we do not visit a significant component we 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, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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 part of the Corporate Governance Statement relating to the Company's compliance with certain 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 Directors' Responsibilities Statement, 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). 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 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.

Mark Mullins FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 February 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	**Year ended 2015 £m**	Year ended 2014 £m
Revenue	3	**849.5**	820.8
Trading profit before one-off items		**94.0**	102.6
Goodwill impairment	13	**(18.8)**	(9.4)
Impairment of assets held for sale	36	**(1.8)**	–
Write-down of L85 inventory		**–**	(1.8)
Restructuring costs		**–**	(1.5)
Trading profit	5	**73.4**	89.9
Loss on sale and write-down of fixed assets		**(1.5)**	–
Share of joint venture profit/(loss)	15	**0.4**	(0.3)
Operating profit(1)		**72.3**	89.6
Investment income	7	**0.3**	0.1
Finance costs	8	**(8.8)**	(9.1)
Profit before tax(2)		**63.8**	80.6
Tax	10	**(15.3)**	(17.1)
Profit for the period	5	**48.5**	63.5
Attributable to:			
Equity holders of the parent		**48.5**	63.5
Earnings per share			
Basic(3)	12	**11.59p**	15.25p
Diluted(4)	12	**11.47p**	15.06p
(1) Adjusted operating profit	9	**107.8**	111.6
(2) Adjusted profit before tax	9	**99.3**	102.6
(3) Adjusted earnings per share	12	**18.98p**	19.84p
(4) Adjusted and diluted earnings per share	12	**18.78p**	19.59p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**Year ended 2015 £m**	Year ended 2014 £m
Profit for the period		**48.5**	63.5
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Losses on cash flow hedges during the period		**(5.6)**	(2.3)
Reclassification adjustments for losses included in profit		**3.8**	0.6
Losses on cash flow hedges	28	**(1.8)**	(1.7)
Exchange differences on translation of foreign operations	28	**(4.3)**	7.9
Tax relating to items that may be reclassified	10	**0.4**	0.2
		(5.7)	6.4
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined benefit pension schemes	35	**(1.1)**	(0.9)
Tax relating to items that will not be reclassified	10	**0.8**	0.4
		(0.3)	(0.5)
Other comprehensive (expense)/income for the period, net of tax		**(6.0)**	5.9
Total comprehensive income for the period		**42.5**	69.4
Attributable to:			
Equity holders of the parent		**42.5**	69.4

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Notes	Year ended 2015 £m	Year ended 2014 £m
Non-current assets			
Goodwill	13	**284.5**	262.5
Other intangible assets	14	**72.1**	28.3
Investment in joint venture	15	**1.1**	0.7
Property, plant and equipment	16	**206.6**	167.6
Deferred tax assets	21	**6.7**	6.5
Loan to joint venture	15	**1.1**	0.4
Trade and other receivables	18	**0.3**	0.4
Total non-current assets		**572.4**	466.4
Current assets			
Inventories	17	**126.9**	119.3
Loan to joint venture	15	**0.1**	0.7
Current tax receivables	21	**5.1**	0.6
Trade and other receivables	18	**140.6**	137.1
Cash and bank balances	32c	**14.4**	13.2
Assets classified as held for sale	36	**1.8**	–
Total current assets		**288.9**	270.9
Total assets		**861.3**	737.3
Current liabilities			
Trade and other payables	23	**138.2**	146.8
Current tax liabilities	21	**20.5**	13.3
Obligations under finance leases	22	**0.8**	0.3
Bank overdrafts and loans	19	**28.6**	24.1
Provisions	24	**1.4**	2.0
Liabilities classified as held for sale	36	**1.1**	–
Total current liabilities		**190.6**	186.5
Non-current liabilities			
Bank and other loans	19	**178.6**	93.4
Retirement benefit obligations	35	**12.6**	19.8
Deferred tax liabilities	21	**46.9**	24.8
Obligations under finance leases	22	**1.0**	0.4
Others		**0.7**	0.8
Total non-current liabilities		**239.8**	139.2
Total liabilities		**430.4**	325.7
Net assets		**430.9**	411.6
Equity			
Issued share capital	25	**41.9**	41.8
Share premium account	26	**14.8**	14.8
Equity reserve	27	**4.5**	5.7
Hedging and translation reserve	28	**(12.9)**	(7.2)
Retained earnings	29	**384.7**	359.0
Own shares	30	**(2.1)**	(2.5)
Equity attributable to equity holders of the parent		**430.9**	411.6
Total equity		**430.9**	411.6

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 26 February 2016. They were signed on its behalf by:

David Squires
Director

Derek Harding
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

		All equity is attributable to equity holders of the parent						
	Notes	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Retained earnings £m	Own shares £m	Total equity £m
Balance at 1 January 2014		41.6	13.8	5.2	(13.6)	316.4	(1.9)	361.5
Profit for the year 2014		–	–	–	–	63.5	–	63.5
Losses on cash flow hedges	28	–	–	–	(1.7)	–	–	(1.7)
Exchange differences on translation of foreign operations	28	–	–	–	7.9	–	–	7.9
Actuarial losses on defined benefit pension schemes	35	–	–	–	–	(0.9)	–	(0.9)
Tax relating to components of other comprehensive income	10	–	–	–	0.2	0.4	–	0.6
Total comprehensive income for the period		–	–	–	6.4	63.0	–	69.4
Issue of share capital		0.2	1.0	(0.1)	–	–	–	1.1
Share-based payment charge	33	–	–	2.3	–	–	–	2.3
Tax relating to share-based payments	10	–	–	–	–	(0.1)	–	(0.1)
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	(0.7)	(0.7)
Use of shares held by employee benefit trust	30	–	–	–	–	(0.1)	0.1	–
Transfer to retained earnings	29	–	–	(1.7)	–	1.7	–	–
Dividends paid	11	–	–	–	–	(21.9)	–	(21.9)
Balance at 31 December 2014		41.8	14.8	5.7	(7.2)	359.0	(2.5)	411.6
Profit for the year 2015		–	–	–	–	48.5	–	48.5
Losses on cash flow hedges	28	–	–	–	(1.8)	–	–	(1.8)
Exchange differences on translation of foreign operations	28	–	–	–	(4.3)	–	–	(4.3)
Actuarial losses on defined benefit pension schemes	35	–	–	–	–	(1.1)	–	(1.1)
Tax relating to components of other comprehensive income	10	–	–	–	0.4	0.8	–	1.2
Total comprehensive income for the period		**–**	**–**	**–**	**(5.7)**	**48.2**	**–**	**42.5**
Issue of share capital		0.1	–	(0.1)	–	–	–	–
Share-based payment charge	33	–	–	2.2	–	–	–	2.2
Tax relating to share-based payments	10	–	–	–	–	(0.2)	–	(0.2)
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	(0.9)	(0.9)
Use of shares held by employee benefit trust	30	–	–	–	–	(1.3)	1.3	–
Transfer to retained earnings	29	–	–	(3.3)	–	3.3	–	–
Dividends paid	11	–	–	–	–	(24.3)	–	(24.3)
Balance at 31 December 2015		**41.9**	**14.8**	**4.5**	**(12.9)**	**384.7**	**(2.1)**	**430.9**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Notes	**Year ended 2015 £m**	Year ended 2014 £m
Net cash from operating activities	32a	**99.4**	88.6
Investing activities			
Interest received		**0.2**	0.1
Proceeds on disposal of property, plant and equipment		**0.7**	0.2
Purchases of property, plant and equipment	16	**(46.4)**	(29.6)
Purchases of intangible assets	14	**(2.2)**	(1.5)
Acquisition of Steico	31	**(60.3)**	–
Acquisition of LPE	31	**(43.6)**	–
Acquisition of Upeca		**–**	(60.1)
Loan to joint venture		**(0.1)**	(1.1)
Net cash used in investing activities		**(151.7)**	(92.0)
Financing activities			
Dividends paid	11	**(24.3)**	(21.9)
Repayment of borrowings		**(98.2)**	(34.5)
Repayments of obligations under finance leases		**(0.6)**	(1.4)
Share issues		**–**	1.1
Purchase of shares held by employee benefit trust		**(0.9)**	(0.7)
New loans raised		**179.9**	16.1
Net cash from/(used in) financing activities		**55.9**	(41.3)
Net increase/(decrease) in cash and cash equivalents		**3.6**	(44.7)
Cash and cash equivalents at beginning of period		**8.5**	53.1
Effect of foreign exchange rate changes		**(0.5)**	0.1
Cash and cash equivalents at end of period	32c	**11.6**	8.5

NOTES TO THE CONSOLIDATED 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 1 to 37.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and they therefore comply with Article 4 of the EU IAS Regulation. They have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. They have also been prepared on the going concern basis as set out on page 25. 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.

Changes in accounting policies

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

- IFRS 9 Financial instruments. Effective for annual periods beginning 1 January 2018, subject to EU endorsement.
- IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning 1 January 2018, subject to EU endorsement.
- IFRS 16 Leases. Effective for annual periods beginning 1 January 2019, subject to EU endorsement.

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

The principal accounting polices 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 2015	Average rates 2014	**Year-end rates 2015**	Year-end rates 2014
US dollar	**1.53**	1.65	**1.47**	1.56
Euro	**1.37**	1.24	**1.36**	1.29

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

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 to Other Comprehensive Income or directly to equity, in which case the deferred tax is also dealt with in Other Comprehensive Income or equity.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Balance Sheet at their historical cost, or at modified historical cost, being a revaluation undertaken in 1988 which has been taken as the effective cost on transition to IFRS. Land and buildings were revalued to fair value at the date of revaluation.

The Group does not intend to conduct annual revaluations.

Fixtures, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to write off the cost of an asset on a straight-line basis over the estimated useful life of the asset, and is charged from the time an asset becomes available for its intended use. Annual rates are as follows:

Freehold land	Nil
Freehold buildings	2%
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 intangible assets acquired as part of a business combination.

The cost of acquiring computer software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Capitalised computer software is amortised over its estimated useful life of between three and five years on a straight-line basis, and is stated at cost less accumulated amortisation and impairment losses.

Intangible assets acquired as part of a business combination principally comprise customer relationships, contracts and trade names. They are shown at fair value at the date of acquisition less accumulated amortisation at the rates of between three and five years on a straight-line basis.

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:

i. an asset is created that can be separately identified;

ii. it is probable that the asset created will generate future economic benefits; and

iii. 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 cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less the costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and an appropriate allocation of production overheads. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 financial liability and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

Equity instruments

Equity instruments issued by the Company are recorded at the value of the proceeds received, net of direct 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 provide 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 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.

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.

Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months. Assets that are classified as held for sale are not depreciated. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 and 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 2015 was £284.5m (2014 – £262.5m). 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, contracts, trade names acquired, order backlog and non-compete agreements. 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 2015 from acquisitions was £67.9m (2014 – £25.1m).

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 2015 was £15.4m (2014 – £12.7m) and £40.2m (2014 – £18.3m), respectively. Further details on these estimates are set out in Notes 10 and 21.

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, expected return on plan assets 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 2015 was a liability of £12.6m (2014 – £19.8m). Further details on these estimates are set out in Note 35.

3. REVENUE

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

	Year ended 2015 £m	Year ended 2014 £m
Sale of goods	**849.5**	820.8
	849.5	820.8

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 as they service similar markets and customers 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 the sales between segments are carried out at arm's length. Adjusted operating profit, as described in Note 9, is the key measure reported to the Group's Executive Committee for the purpose of resource allocation and assessment of segment performance. Investment income, finance costs and tax are not allocated to segments, as this type of activity is driven by the central tax and treasury function.

Segment assets include directly attributable computer software assets, property, plant and equipment, and working capital assets. Goodwill, intangible assets from acquisitions, cash, deferred and current tax and other financial assets (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Group's Executive Committee.

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.

4. SEGMENT INFORMATION CONTINUED

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

	Aerospace Year ended 2015 £m	**Flexonics Year ended 2015 £m**	**Eliminations/ central costs Year ended 2015 £m**	**Total Year ended 2015 £m**	Aerospace Year ended 2014 £m	Flexonics Year ended 2014 £m	Eliminations/ central costs Year ended 2014 £m	Total Year ended 2014 £m
External revenue	**574.9**	**274.6**	**–**	**849.5**	536.5	284.3	–	820.8
Inter-segment revenue	**0.1**	**0.3**	**(0.4)**	**–**	0.1	0.3	(0.4)	–
Total revenue	**575.0**	**274.9**	**(0.4)**	**849.5**	536.6	284.6	(0.4)	820.8
Adjusted trading profit	**76.8**	**39.4**	**(8.8)**	**107.4**	77.9	43.5	(9.5)	111.9
Share of joint venture profit/(loss)	**–**	**0.4**	**–**	**0.4**	–	(0.3)	–	(0.3)
Adjusted operating profit	**76.8**	**39.8**	**(8.8)**	**107.8**	77.9	43.2	(9.5)	111.6
Exceptional pension charge	**–**	**–**	**–**	**–**	–	–	(1.5)	(1.5)
Loss on sale and write-down of fixed assets	**(1.1)**	**(0.4)**	**–**	**(1.5)**	–	–	–	–
Goodwill impairment	**–**	**(18.8)**	**–**	**(18.8)**	(9.4)	–	–	(9.4)
Restructuring costs	**–**	**–**	**–**	**–**	(1.5)	–	–	(1.5)
Amortisation of intangible assets from acquisitions	**(5.3)**	**(6.9)**	**–**	**(12.2)**	(4.8)	(2.4)	–	(7.2)
Impairment of assets held for sale	**(1.8)**	**–**	**–**	**(1.8)**	–	–	–	–
Write-down of L85 inventory	**–**	**–**	**–**	**–**	(1.8)	–	–	(1.8)
Acquisition costs	**(0.4)**	**(0.8)**	**–**	**(1.2)**	(0.3)	(0.3)	–	(0.6)
Operating profit	**68.2**	**12.9**	**(8.8)**	**72.3**	60.1	40.5	(11.0)	89.6
Investment income				**0.3**				0.1
Finance costs				**(8.8)**				(9.1)
Profit before tax				**63.8**				80.6
Tax				**(15.3)**				(17.1)
Profit after tax				**48.5**				63.5
Adjusted operating profit (Note 9)				**107.8**				111.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. SEGMENT INFORMATION CONTINUED

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

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

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

	Additions to non-current assets Year ended 2015 £m	Additions to non-current assets Year ended 2014 £m	**Depreciation and amortisation Year ended 2015 £m**	Depreciation and amortisation Year ended 2014 £m
Aerospace	**38.2**	22.5	**23.5**	20.9
Flexonics	**9.7**	8.3	**16.3**	11.0
Sub total	**47.9**	30.8	**39.8**	31.9
Unallocated corporate amounts	**0.7**	0.3	**0.2**	0.2
Total	**48.6**	31.1	**40.0**	32.1

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

	Year ended 2015 £m	Year ended 2014 £m
Aerospace – Structures	**340.6**	319.2
Aerospace – Fluid Systems	**234.3**	217.3
Aerospace total	**574.9**	536.5
Land vehicles	**138.6**	156.2
Industrial and others	**136.0**	128.1
Flexonics total	**274.6**	284.3
Group total	**849.5**	820.8

Revenue of approximately £99.2m (2014 – £89.0m) arose from sales to the Group's largest customer and revenue of approximately £86.7m (2014 – £90.8m) arose from sales to the Group's second largest customer.

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

	Sales revenue Year ended 2015 £m	Sales revenue Year ended 2015 £m	**Segment non-current assets Year ended 2015 £m**	Segment non-current assets Year ended 2014 £m
USA	**416.7**	405.5	**309.9**	240.5
UK	**160.9**	150.1	**145.1**	110.5
Rest of the World	**271.9**	265.2	**110.7**	108.9
Sub total	**849.5**	820.8	**565.7**	459.9
Unallocated amounts	**–**	–	**6.7**	6.5
Total	**849.5**	820.8	**572.4**	466.4

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

5. TRADING PROFIT AND PROFIT FOR THE PERIOD

Trading profit can be analysed as follows:

	Year ended 2015 £m	Year ended 2014 £m
Revenue	**849.5**	820.8
Cost of sales	**(643.9)**	(618.6)
Gross profit	**205.6**	202.2
Distribution costs	**(4.2)**	(5.1)
Administrative expenses	**(128.0)**	(107.2)
Trading profit	**73.4**	89.9

Trading profit for the period has been arrived at after charging:

	Year ended 2015 £m	Year ended 2014 £m
Net foreign exchange losses	**2.6**	2.0
Research and development costs	**16.3**	11.5
Depreciation of property, plant and equipment	**26.5**	24.1
Amortisation of intangible assets included in administration expenses	**13.5**	8.0
Cost of inventories recognised as expense	**643.9**	618.6
Provision for impairment for doubtful receivables	**0.3**	0.6
Staff costs (see Note 6)	**247.5**	242.2

All research and development costs were expensed during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. TRADING PROFIT AND PROFIT FOR THE PERIOD CONTINUED

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

	Year ended 2015 £m	Year ended 2014 £m
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	**0.2**	0.2
Fees payable to the Company's Auditor and their associates for other services to the Group		
– The audit of the Company's subsidiaries	**0.6**	0.5
Total audit fees	**0.8**	0.7
– Other taxation advisory services	**0.2**	0.2
Total non-audit fees	**0.2**	0.2

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.

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 was safeguarded are set out in the Audit Committee Report on pages 48 to 52. No services were provided pursuant to contingent fee arrangements.

6. STAFF COSTS

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

	Year ended 2015 Number	Year ended 2014 Number
Production	**6,471**	6,248
Distribution	**45**	51
Sales	**297**	302
Administration	**634**	654
Total	**7,447**	7,255

	Year ended 2015 £m	Year ended 2014 £m
Their aggregate remuneration comprised:		
Wages and salaries	**211.0**	204.8
Social security costs	**24.8**	25.2
Other pension costs – defined contribution (see Note 35a)	**8.7**	7.4
Other pension costs – defined benefit (see Note 35e)	**0.7**	0.8
Share based payments (see Note 34)	**2.3**	2.5
Aggregate remuneration	**247.5**	240.7
Exceptional pension charge (see Note 35)	**–**	1.5
Total	**247.5**	242.2

7. INVESTMENT INCOME

	Year ended 2015 £m	Year ended 2014 £m
Interest on bank deposits	**0.2**	0.1
Other interest income	**0.1**	–
Total income	**0.3**	0.1

8. FINANCE COSTS

	Year ended 2015 £m	Year ended 2014 £m
Interest on bank overdrafts and loans	**1.3**	0.8
Interest on other loans	**6.9**	7.4
Interest on finance leases	**0.1**	–
Net finance cost of retirement benefit obligations (Note 35e)	**0.5**	0.9
Total finance costs	**8.8**	9.1

9. ADJUSTED OPERATING PROFIT AND ADJUSTED PROFIT BEFORE TAX

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

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

10. TAXATION

	Year ended 2015 £m	Year ended 2014 £m
Current tax:		
Current year	**11.3**	12.4
Adjustments in respect of prior periods	**(1.0)**	(0.5)
	10.3	11.9
Deferred tax (Note 21):		
Current year	**5.4**	6.2
Adjustments in respect of prior periods	**(0.4)**	(1.0)
	5.0	5.2
Total tax charge	**15.3**	17.1

The Finance (No. 2) Act, which provides for reductions in the main rate of Corporation Tax from 20% to 19% for the financial year beginning 1 April 2017 and to 18% for the financial year beginning 1 April 2020, was substantively enacted on 26 October 2015. UK deferred tax at the balance sheet date has been calculated at enacted tax rates that are expected to apply to the period when assets are realised or liabilities are settled.

UK Corporation Tax is calculated at an effective rate of 20.25% (2014 – 21.5%) of the estimated assessable profit for the year. Included within the current year tax charge is £0.1m (2014 – £0.1m) in respect of UK Corporation Tax. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. TAXATION CONTINUED

The total charge for the year can be reconciled to the profit per the Consolidated Income Statement as follows:

	Year ended 2015 £m	**Year ended 2015 %**	Year ended[1] 2014 £m	Year ended 2014 %
Profit before tax	**63.8**		80.6	
Expected tax at the UK standard Corporation Tax rate 20.25%/21.5%	**12.9**		17.3	
Goodwill impairment with no associated tax effect	**6.6**		2.0	
Effect of different statutory rates of overseas jurisdictions	**2.3**		6.5	
Tax incentives and credits	**(2.2)**		(2.0)	
Non tax deductible expenses including acquisition costs	**0.8**		0.5	
Deferred tax impact of previously unrecognised timing differences including losses	**–**		(0.2)	
Impact of share options	**0.5**		0.1	
Effect of difference in treatment of financing activities between jurisdictions	**(7.1)**		(6.9)	
Other permanent differences	**2.5**		1.1	
Effect of changes in statutory tax rates on deferred tax assets and liabilities	**0.2**		–	
Withholding taxes	**0.3**		0.1	
Effect of taxation of associates and joint ventures reported within operating profit	**(0.1)**		0.1	
Adjustments in respect of prior periods	**(1.4)**		(1.5)	
Tax charge and effective tax rate for the year	**15.3**	24.0%	17.1	21.2%

[1] Represented

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 2015 £m	Year ended 2014 £m
Current tax:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**–**	0.6
Deferred tax:		
Items that will not be reclassified subsequently to profit and loss		
Tax on actuarial losses	**0.8**	0.4
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**0.4**	(0.4)
Total tax credit recognised directly in other comprehensive income	**1.2**	0.6
Current tax	**–**	0.6
Deferred tax (Note 21)	**1.2**	–
	1.2	0.6

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 2015 £m	Year ended 2014 £m
Current tax:		
Excess tax deductions related to share-based payments in exercised options	**0.4**	0.7
Deferred tax:		
Excess tax deductions related to share-based payments in exercised options	**0.3**	0.3
Change in estimated excess tax deductions related to share-based payments	**(0.9)**	(1.1)
Total tax charge recognised directly in equity	**(0.2)**	(0.1)

11. DIVIDENDS

	Year ended 2015 £m	Year ended 2014 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014 of 3.96p (2013 – 3.60p) per share	**16.6**	15.0
Interim dividend for the year ended 31 December 2015 of 1.84p (2014 – 1.67p) per share	**7.7**	6.9
	24.3	21.9
Proposed final dividend for the year ended 31 December 2015 of 4.36p (2014 – 3.96p) per share	**18.3**	16.6

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting 2016 and has not been included as a liability in these Financial Statements.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Number of shares	Year ended 2015 Million	Year ended 2014 Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**418.3**	416.3
Effect of dilutive potential ordinary shares:		
Share options	**4.4**	5.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**422.7**	421.6

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. GOODWILL

	Year ended 2015 £m	Year ended 2014 £m
Cost		
At 1 January	**293.4**	246.1
Exchange differences	**4.6**	9.5
Increases	**–**	1.3
Recognised on acquisition of subsidiaries (See Note 31)	**38.3**	36.5
At 31 December	**336.3**	293.4
Accumulated impairment losses		
At 1 January	**30.9**	20.2
Impairment charge in the year	**18.8**	9.4
Exchange differences	**2.1**	1.3
At 31 December	**51.8**	30.9
Carrying amount at 31 December	**284.5**	262.5

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 1 to 37 the Aerospace Division consists of 19 operations and the Flexonics Division consists of 14 operations. Each of these operations is considered to be a separate CGU. Goodwill had been allocated to 21 of these individual CGUs – 14 in Aerospace and 7 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.

	Year ended 2015 £m	Year ended 2014 £m
Aerospace		
– Ketema	**17.3**	16.3
– AMT	**36.6**	34.5
– Weston	**27.6**	27.6
– Jet Products	**17.5**	16.5
– Connecticut	**14.2**	13.4
– BWT and Atlas	**16.7**	16.7
– Bird Bellows	**12.0**	12.0
– Thermal	**20.3**	20.3
– Steico	**21.4**	–
– Senior Aerospace Upeca	**12.2**	14.2
– Other Aerospace CGUs	**19.4**	18.3
	215.2	189.8
Flexonics		
– Pathway	**24.2**	22.8
– GA	**–**	18.5
– Lymington	**17.1**	–
– Senior Flexonics Upeca	**18.9**	22.0
– Other Flexonics CGUs	**9.1**	9.4
	69.3	72.7
Total	**284.5**	262.5

13. GOODWILL CONTINUED

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The 2015 goodwill impairment review was undertaken on 31 December 2015. The recoverable amounts of each individual CGU are determined from value in use calculations. The key assumptions on which the value in use calculations are based relate to business performance over the next five years, long-term growth rates beyond 2020 and the discount rates applied. The key judgements for each individual CGU are the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flow in each year. The forecast compound annual growth rate in revenue to 2020 for significant CGUs excluding those businesses that have been recently acquired, is in the range from 0% to 8%.

Forecasts are based on the most recent financial budgets and visions per individual unit, as approved by management for the next three years and supplemented by forecasts of performance for a further two years. These estimates, where appropriate, take account of the current economic environment as set out in the Strategic Report on pages 1 to 37. Cash flows thereafter have been extrapolated based on estimated long term growth rates. For CGUs in the Aerospace segment, cash flows extrapolated beyond 2020 are based on growth rates of 3.0% per annum which do not exceed the long-term average growth rate forecasts for the aerospace market as included in market outlooks from Boeing, Airbus and Bombardier. For CGUs in the Flexonics segment, cash flows extrapolated beyond 2020 are based on geographical long term forecast GDP growth of around 2.0% per annum, except for Malaysia and India where 5.0% and 7.7% per annum have been respectively assumed.

The cash flow forecasts for each CGU have also been adjusted to reflect risks specific to each CGU and discounted to present value using the Group's pre-tax weighted average cost of capital of 9.7% (2014 – 10.1%) which is the measurement used by management in assessing investment appraisals. Sensitivities of possible change have also been considered for each CGU in relation to the value in use calculations: the long-term growth rate assumption was reduced to 1% point and the discount rate was increased by 1% point.

In the case of the Thermal CGU, its recoverable amount exceeded its carrying value by £9.5m. However, whilst the business has been trading in line with the expectation set out in the Senior plc Annual Report & Accounts 2014, the Directors acknowledge that a reasonable possible change in the current assumptions of a further 24% reduction in the risk adjusted cash flow projections would result in the recoverable amount of this CGU reducing to a level comparable with its carrying value. Factors that could lead to lower cash flows than currently estimated over the initial five-year period include: not meeting customers' expectations for quality and on-time delivery performance which would result in additional rework and inspection costs to be incurred; not securing sufficient new business with existing customers; and not introducing sufficient new growth customers.

In the case of the LPE and Senior Flexonics Upeca CGUs, their respective recoverable amounts exceeded their carrying values by £15.9m and £16.0m. However, during the year and in particular in the second half of 2015, lower activity levels than previously anticipated have been experienced in the Industrial Process Control market due to the down-trend in oil and commodity prices. While this has adversely affected trading levels for LPE and Senior Flexonics Upeca in 2015, their mid-term expectations over the initial five-year period indicate a reversal to the current cyclical slow-down for their markets and prospects. The Directors acknowledge that a reasonable possible change in the current assumptions of a further 27% and 32% reduction in their respective risk adjusted cash flow projections would result in the recoverable amounts of these CGUs to reduce to a level comparable with their carrying values.

The Directors believe that any reasonable possible change in the key assumptions would not cause the carrying amount of all other significant CGUs shown in the table above to exceed their recoverable amount.

An impairment loss of £18.8m has been recognised in relation to the full carrying value of goodwill allocated to the GA CGU, the Group's high precision machined component operation based in Wisconsin, USA. As noted in the Annual Report & Accounts 2014, visibility of "off-highway" land vehicles for use in agricultural markets and mining operations was less clear as the slowing GDP growth rate in China impacted commodity prices. During 2015 this has led to lower activity levels than had previously been anticipated at GA which intensified in the second half of the year and significantly reduced visibility of a possible reversal to the current cyclical down trend. Hence, the value in use assessment indicated that, as at 31 December 2015, the GA CGU no longer had sufficient headroom over its carrying value of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. OTHER INTANGIBLE ASSETS

	Year ended 2015 Intangible assets from acquisitions £m	Year ended 2015 Computer software and others £m	Year ended 2015 Total £m	Year ended 2014 Intangible assets from acquisitions £m	Year ended 2014 Computer software and others £m	Year ended 2014 Total £m
Cost						
At 1 January	**65.9**	**11.1**	**77.0**	46.2	10.0	56.2
Additions	**–**	**2.2**	**2.2**	–	1.5	1.5
Disposals	**–**	**(0.2)**	**(0.2)**	–	(0.7)	(0.7)
Acquired on acquisition of subsidiaries	**56.3**	**–**	**56.3**	17.8	0.2	18.0
Exchange differences	**(0.1)**	**0.3**	**0.2**	1.9	0.1	2.0
At 31 December	**122.1**	**13.4**	**135.5**	65.9	11.1	77.0
Amortisation						
At 1 January	**40.8**	**7.9**	**48.7**	31.9	7.7	39.6
Charge for the year	**12.2**	**1.3**	**13.5**	7.2	0.8	8.0
Disposals	**–**	**(0.2)**	**(0.2)**	–	(0.7)	(0.7)
Exchange differences	**1.2**	**0.2**	**1.4**	1.7	0.1	1.8
At 31 December	**54.2**	**9.2**	**63.4**	40.8	7.9	48.7
Carrying amount at 31 December	**67.9**	**4.2**	**72.1**	25.1	3.2	28.3

15. INVESTMENT IN JOINT VENTURE

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China, which was set up in 2012.

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

The Group's investment of £1.1m represents the Group's share of the joint venture's net assets as at 31 December 2015.

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 2015 and December 2014.

	2015 £m	2014 £m
Revenue	**5.3**	0.9
Expenses	**(4.5)**	(1.6)
Profit/(Loss)	**0.8**	(0.7)
Total assets	**5.6**	4.1
Total liabilities	**(3.4)**	(2.7)
Net assets	**2.2**	1.4
Group's share of profit/(loss)	**0.4**	(0.3)
Group's share of net assets	**1.1**	0.7

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

16. PROPERTY, PLANT AND EQUIPMENT

	Year ended 2015 Freehold land and buildings £m	Year ended 2015 Leasehold land and buildings £m	Year ended 2015 Plant and equipment £m	Year ended 2015 Total £m	Year ended 2014 Freehold land and buildings £m	Year ended 2014 Leasehold land and buildings £m	Year ended 2014 Plant and equipment £m	Year ended 2014 Total £m
Cost or valuation								
At 1 January	**73.3**	**2.3**	**320.8**	**396.4**	65.7	1.7	285.5	352.9
Additions	**6.4**	**0.5**	**39.5**	**46.4**	3.1	0.5	26.0	29.6
Acquired on acquisition of subsidiaries	**10.1**	**0.5**	**9.8**	**20.4**	4.1	–	10.8	14.9
Exchange differences	**1.0**	**0.4**	**4.4**	**5.8**	1.0	0.1	7.7	8.8
Disposals	**(0.7)**	**(0.1)**	**(8.3)**	**(9.1)**	(0.6)	–	(9.2)	(9.8)
Reclassified as held for sale	**(2.5)**	**–**	**(2.8)**	**(5.3)**	–	–	–	–
Fully depreciated assets	**–**	**–**	**(7.0)**	**(7.0)**	–	–	–	–
At 31 December	**87.6**	**3.6**	**356.4**	**447.6**	73.3	2.3	320.8	396.4
Accumulated depreciation and impairment								
At 1 January	**22.5**	**1.5**	**204.8**	**228.8**	21.5	1.4	187.4	210.3
Charge for the year	**1.8**	**0.2**	**24.5**	**26.5**	1.5	0.1	22.5	24.1
Impairment loss	**0.2**	**–**	**0.4**	**0.6**	–	–	–	–
Exchange differences	**0.5**	**0.4**	**2.8**	**3.7**	0.1	–	3.9	4.0
Eliminated on disposals	**(0.6)**	**(0.1)**	**(6.2)**	**(6.9)**	(0.6)	–	(9.0)	(9.6)
On assets reclassified as held for sale	**(2.0)**	**–**	**(2.7)**	**(4.7)**	–	–	–	–
Fully depreciated assets	**–**	**–**	**(7.0)**	**(7.0)**	–	–	–	–
At 31 December	**22.4**	**2.0**	**216.6**	**241.0**	22.5	1.5	204.8	228.8
Carrying amount at 31 December	**65.2**	**1.6**	**139.8**	**206.6**	50.8	0.8	116.0	167.6

The carrying amount of the Group's land and buildings and plant and equipment includes an amount of £2.5m (2014 – £0.8m) in respect of assets held under finance leases.

At 31 December 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £11.5m (2014 – £9.3m).

17. INVENTORIES

	Year ended 2015 £m	Year ended 2014 £m
Raw materials	**35.5**	34.8
Work-in-progress	**62.8**	59.6
Finished goods	**28.6**	24.9
	126.9	119.3
Add: Inventories classified as held for sale	**0.6**	–
Total	**127.5**	119.3

Inventory write-downs and provisions, excluding acquisitions, increased by £0.5m in the year (2014 – increased by £1.6m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. TRADE AND OTHER RECEIVABLES

Trade and other receivables at 31 December comprise the following:

	Year ended 2015 £m	Year ended 2014 £m
Non-current assets		
Other receivables	**0.3**	0.4
	0.3	0.4
Current assets		
Trade receivables	**126.6**	123.4
Value added tax	**1.2**	3.3
Currency derivatives	**1.1**	0.8
Prepayments	**8.7**	7.1
Other receivables	**3.0**	2.5
	140.6	137.1
Total trade and other receivables	**140.9**	137.5
Add: trade receivables classified as held for sale	**0.6**	–
Total	**141.5**	137.5

Current tax receivables was previously included within trade and other receivables but has now been presented separately on the face of the Consolidated Balance Sheet. The balance at 31 December 2015 was £5.1m (2014 – £0.6m).

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 20.

The average credit period taken on sales of goods is 58 days (2014 – 60 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.4m (2014 – £1.4m). 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, £8.7m (2014 – £6.0m) is due from the Group's largest customer and £15.2m (2014 – £15.5m) 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.

	Year ended 2015 £m	Year ended 2014 £m
Movements in allowance for doubtful receivables:		
At 1 January	**1.4**	1.0
Provision for impairment	**0.3**	0.6
Amounts written off as uncollectible	**(0.2)**	–
Amounts recovered	**(0.1)**	(0.2)
At 31 December	**1.4**	1.4
Ageing analysis of past due but not impaired trade receivables:		
Up to 30 days past due	**17.7**	15.6
31 to 60 days past due	**4.4**	1.7
61 to 90 days past due	**0.9**	1.3
91 to 180 days past due	**1.2**	0.5
Total past due but not impaired	**24.2**	19.1
Not past due	**103.0**	104.3
Total current trade receivables	**127.2**	123.4
Less: Reclassified as held for sale	**(0.6)**	–
Total	**126.6**	123.4

There are no items past due in any other class of financial assets except for trade receivables.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above. The Group does not hold any collateral as security.

19. BANK OVERDRAFTS AND LOANS

	Year ended 2015 £m	Year ended 2014 £m
Bank overdrafts	**2.8**	4.7
Bank loans	**65.0**	16.7
Other loans	**139.4**	96.1
	207.2	117.5
The borrowings are repayable as follows:		
On demand or within one year	**28.6**	24.1
In the second year	**56.6**	–
In the third to fifth years inclusive	**67.6**	80.6
After five years	**54.4**	12.8
	207.2	117.5
Less: amount due for settlement within 12 months (shown under current liabilities)	**(28.6)**	(24.1)
Amount due for settlement after 12 months	**178.6**	93.4

Analysis of borrowings by currency

31 December 2015

	Total £m	**Pound Sterling £m**	**Euros £m**	**US dollars £m**	**Others £m**
Bank overdrafts	**2.8**	**3.4**	**(0.5)**	**(0.6)**	**0.5**
Bank loans	**65.0**	**48.3**	**–**	**16.7**	**–**
Other loans	**139.4**	**–**	**–**	**139.4**	**–**
	207.2	**51.7**	**(0.5)**	**155.5**	**0.5**

31 December 2014

	Total £m	Pound Sterling £m	Euros £m	US dollars £m	Others £m
Bank overdrafts	4.7	6.1	–	(1.9)	0.5
Bank loans	16.7	8.0	–	8.5	0.2
Other loans	96.1	–	–	96.1	–
	117.5	14.1	–	102.7	0.7

The weighted average interest rates paid were as follows:

	Year ended 2015 %	Year ended 2014 %
Bank loans and overdrafts	**1.00**	1.60
Other loans	**5.47**	6.58

Bank loans and overdrafts of £67.8m (2014 – £21.4m) 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 2014 or 2015.

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

	Year ended 2015 £m	Year ended 2014 £m
Bank loans and overdrafts	**67.8**	21.4
Other loans	**150.0**	106.3
	217.8	127.7

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 main loans are unsecured guaranteed loan notes in the US private placement market, revolving credit facilities and term loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. BANK OVERDRAFTS AND LOANS CONTINUED

a) Loan notes of $95m, 2015 £64.6m (2014 – $120m, £76.9m) were taken out in October 2008. 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. Notes of $25m which carried interest at a rate of 6.42% were repaid in October 2015.

b) Loan notes of $30m, 2015 £20.4m (2014 – £19.2m) 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 $20m, 2015 £13.6m (2014 – £nil) were taken out in October 2015 and are due for repayment in October 2022. The loan notes carry interest at the rate of 3.42% per annum.

d) Loan notes of $60m, 2015 £40.8m (2014 – £nil) were taken out in October 2015 and are due for repayment in October 2025. The loan notes carry interest at the rate of 3.75% per annum.

The Group also has three revolving credit facilities.

A committed £60m five-year syndicated multi-currency facility was entered into in November 2014, which amended and restated a facility of the same amount which was entered into during 2011. As at 31 December 2015, £3m was drawn under the facility. At 31 December 2014, £8m was drawn under this facility.

A committed $40m single bank (£27.2m) loans and letter of credit facility was amended in April 2015 and matures in June 2017. This facility was increased from $25m to $40m in April 2015. There were $23.8m (£16.2m) loans drawn under the facility on 31 December 2015 and $8.2m (£5.3m) loans drawn on 31 December 2014 and there were letters of outstanding credit of $4.7m (£3.2m) (2014 – £6.6m).

A committed £20m two year syndicated sterling facility was entered into in March 2015. As at 31 December 2015, £20m was drawn under this facility.

The Group also has two term loans which were taken out in March 2015, a £20m one year term loan and a £5m one year term loan. Both these term loans have an option to extend the maturity of the loans to March 2017.

As at 31 December 2015, the Group had available £64.8m (2014 – £56.2m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

20. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital structure to safeguard its ability to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the balance between debt and equity. In considering the appropriate level of net debt the Group pays close attention to its level as compared to the cash generation potential of the Group, 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 be between 0.5x and 1.5x. At 31 December 2015 net debt was 1.4x the Group's level of EBITDA (31 December 2014 – 0.8x). 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 2015 EBITDA was 16.7x the level of net interest (31 December 2014 – 16.2x). 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 50% to 70%. Ratios outside this range may still be considered to be acceptable, in certain circumstances. The gearing ratio for the Group at the end of 2015 was 45% (2014 – 26%). The increase in 2015 is attributable mainly to the acquisitions in the period. 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 exposure 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.

20. FINANCIAL INSTRUMENTS CONTINUED

Translation risk

The Group derived 84% of its revenue from businesses outside the United Kingdom, with 63% 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) 2015 Group operating profit by £9.5m (£7.1m of which would have been due to the US dollar movement) and would have increased (or decreased) net equity by £34.6m (£20.7m 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 mainly on a rolling 15- to 18-month forward basis, but in some cases for periods of up to 60 months and applies hedge accounting where the forwards can be designated in a qualifying cash flow hedge relationship. Based on the net of the annual sales and purchase-related exposures, all transaction-related foreign currency exposures to Group profit after hedging in existence at 31 December 2015 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 £0.4m and £1.5m, respectively.

Interest rate risk management

The Group has a policy of maintaining approximately 60% of its borrowing costs at fixed interest rates. The Group generally borrows long term in fixed rates but at times may borrow at floating rates and swap into fixed depending on credit market conditions. Occasionally a portion of fixed debt interest is swapped into floating rates. The combination of maintaining an acceptable balance of fixed and floating rate debt, and the Group's policy of borrowing in foreign currency in proportion to its generation of foreign currency earnings, provides an effective hedge against the impact of interest rate and foreign currency volatility on total interest costs. As at year end 2015 the percentage of debt at fixed interest was 68% (2014 – 75%).

The following sensitivity analysis of the Group'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 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 borrowings by £3.3m. The Group's sensitivity to interest rates has remained broadly consistent with prior period due to the high 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 18. 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 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 22 to 25, the Group is currently in a well-funded position, with significant headroom under its committed borrowing facilities. It is considered unlikely that the Group will face any significant funding issues in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS CONTINUED

Categories of financial instruments

	Year ended 2015 £m	Year ended 2014 £m
Carrying value of financial assets:		
Cash and cash equivalents	**14.4**	13.2
Trade receivables	**126.6**	123.4
Other receivables	**3.3**	2.9
Loans and receivables at amortised cost	**144.3**	139.5
Currency derivatives used for hedging	**1.1**	0.8
Total financial assets	**145.4**	140.3
Carrying value of financial liabilities:		
Bank overdrafts and loans	**207.2**	117.5
Obligations under finance leases	**1.8**	0.7
Trade payables	**81.4**	82.4
Other payables	**44.3**	53.2
Other financial liabilities at amortised cost	**334.7**	253.8
Currency derivatives used for hedging	**5.6**	3.0
Total financial liabilities	**340.3**	256.8
Undiscounted contractual maturity of other financial liabilities:		
Amounts payable:		
On demand or within one year	**163.3**	166.4
In the second to fifth years inclusive	**144.6**	96.1
After five years	**63.0**	13.7
	370.9	276.2
Less: future finance charges	**(36.2)**	(22.4)
Other financial liabilities at amortised cost	**334.7**	253.8

The carrying amount is a reasonable approximation of fair value for the financial assets and liabilities noted above except for bank overdrafts and loans, disclosure of which are included within Note 19.

An ageing analysis of trade receivables is disclosed within Note 18.

20. FINANCIAL INSTRUMENTS CONTINUED

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on the operation's trading activities in foreign currencies. At the balance sheet date, total notional amounts and fair values of outstanding forward foreign exchange contracts that the Group have committed are given below:

	Year ended 2015 £m	Year ended 2014 £m
Notional amounts:		
Foreign exchange contracts – cash flow hedges	**80.5**	67.4
Total	**80.5**	67.4
Less: amounts maturing within 12 months	**(49.0)**	(55.4)
Amounts maturing after 12 months	**31.5**	12.0
Contractual maturity:		
Cash flow hedges balances due within one year:		
Outflow	**71.2**	68.7
Inflow	**67.6**	67.1
Cash flow hedges balances due between one and two years:		
Outflow	**5.6**	12.0
Inflow	**5.9**	11.9
Cash flow hedges balances due between two and three years:		
Outflow	**13.4**	–
Inflow	**12.8**	–
Fair values:		
Foreign exchange contracts – cash flow hedges	**(4.5)**	(2.2)
Total liability	**(4.5)**	(2.2)

These fair values are based on market values of equivalent instruments at the balance sheet date, comprising £1.1m (2014 – £0.8m) included in trade and other receivables and £5.6m (2014 – £3.0m) included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to £3.8m loss (2014 – £1.9m loss) has been deferred in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS CONTINUED

Fair values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1–3 based on the degree to which the fair value is observable:

Level 1 those fair values derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 those fair values derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements. Level 2 fair values are derived from future cash flows, of open forward contracts at 31 December, translated by the difference between contractual rates and observable forward exchange rates.

31 December 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Foreign exchange contracts – cash flow hedges	–	1.1	–	1.1
Total assets	–	1.1	–	1.1
Liabilities				
Foreign exchange contracts – cash flow hedges	–	5.6	–	5.6
Total liabilities	–	5.6	–	5.6

31 December 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Foreign exchange contracts – cash flow hedges	–	0.8	–	0.8
Total assets	–	0.8	–	0.8
Liabilities				
Foreign exchange contracts – cash flow hedges	–	3.0	–	3.0
Total liabilities	–	3.0	–	3.0

An amount of £3.8m loss (2014 – £0.6m 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 (2014 – £nil) has been recognised in the Consolidated 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 36 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.

21. TAX BALANCE SHEET

Current tax

The current tax receivable of £5.1m (2014 – £0.6m) includes excess tax paid to tax authorities that is expected to be recovered within 12 months by way of offset against future tax liabilities or refund as well as research and development tax credits receivable.

The majority of the Group's taxable profits arise in countries, including the US, where the estimated tax liabilities are paid in on account instalments during the year to which they relate and are largely paid at the balance sheet date. The current tax liability of £20.5m (2014 – £13.3m) represents £2.8m (2014 – £0.5m) tax due on profits of the current and prior years as well as £17.7m (2014 – £16.4m) provisions for tax uncertainties that could by their nature fall due within twelve months. The current tax liability for the prior year also included a receivable of £3.6m relating to overpayments in the US.

The Group recognises provisions in respect of tax for items which are considered to have a range of possible tax outcomes. These uncertainties exist due to a number of factors including differing interpretations of local tax laws, uncertainties arising from the OECD's BEPS project actions and the determination of appropriate arm's length pricing in accordance with OECD transfer pricing principles on internal transactions and financing arrangements. The nature of the assumptions made by management when calculating the carrying amounts relate to the estimated tax which could be payable as a result of differing interpretations and decisions by tax authorities in respect of transactions and events whose treatment for tax purposes is uncertain. Provisions at the balance sheet date are held in respect of multiple years.

Deferred tax

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 2014	20.0	0.8	15.0	(5.9)	(15.3)	(5.1)	9.5
Charge/(credit) to income	(1.7)	(0.4)	2.7	0.1	1.8	2.7	5.2
Charge/(credit) to other comprehensive income	–	0.4	–	0.8	–	(1.2)	–
Charge/(credit) directly to equity	–	–	–	–	1.1	(0.3)	0.8
Amounts arising on acquistions	0.5	–	0.9	–	–	–	1.4
Exchange differences	0.9	–	1.0	–	(0.6)	0.1	1.4
At 1 January 2015	19.7	0.8	19.6	(5.0)	(13.0)	(3.8)	18.3
(Credit)/charge to income	(1.5)	0.5	0.6	0.7	1.3	3.2	4.8
Charge/(credit) to other comprehensive income	–	(0.4)	–	0.4	–	(1.2)	(1.2)
Charge/(credit) directly to equity	–	–	–	–	0.9	(0.3)	0.6
Amounts arising on acquistions	1.7	–	17.1	–	(1.2)	(1.4)	16.2
Effect of change in tax rates	0.2	–	–	–	–	–	0.2
Exchange differences	0.9	(0.3)	1.2	(0.1)	(0.4)	–	1.3
As at 31 December 2015	**21.0**	**0.6**	**38.5**	**(4.0)**	**(12.4)**	**(3.5)**	**40.2**

Other temporary differences include balances arising from temporary differences in relation to provisions, accruals, deferred compensation and share-based payments.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Year ended 2015	Year ended 2014
Deferred tax liabilities	**46.9**	24.8
Deferred tax assets	**(6.7)**	(6.5)
	40.2	18.3

At the balance sheet date, the Group had unused tax losses of £18.1m (2014 – £18.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £11.6m (2014 – £15.7m) of such losses. The deferred tax asset includes £2.3m of previously unrecognised tax losses in The Netherlands and £1.4m of tax losses recognised on the acquisition of Steico Industries Inc. Due to the unpredictability of future taxable profit streams, no deferred tax asset has been recognised in respect of the remaining tax losses £6.5m (2014 – £2.7m), that 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 £18.6m (2014 – £15.9m). No liability has been recognised in respect of this difference 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.

In addition, at the balance sheet date the Group has deductible temporary differences in respect of share-based payments of £0.2m (2014 – £1.0m) for which no deferred tax asset has been recognised. Deferred tax assets have not been recognised in respect of these differences due to the unpredictability of future profit streams in the entities concerned.

At the balance sheet date, the Group has £5.0m (2014 – £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 £16.1m (2014 – £15.9m) of unused capital losses, as reduced by gains rolled over, available to offset future capital gains for which no deferred tax asset has been recognised as no such capital gains are anticipated to arise in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	Year ended 2015 £m	Year ended 2014 £m	**Year ended 2015 £m**	Year ended 2014 £m
Amounts payable under finance leases:				
Within one year	**0.8**	0.3	**0.8**	0.3
In the second to fifth years inclusive	**1.1**	0.4	**1.0**	0.4
After five years	**–**	–	**–**	–
	1.9	0.7	**1.8**	0.7
Less: Future finance charges	**(0.1)**	–	**–**	–
Present value of lease obligations	**1.8**	0.7	**1.8**	0.7
Less: amount due for settlement within 12 months (shown under current liabilities)			**(0.8)**	(0.3)
Amount due for settlement after 12 months			**1.0**	0.4

It is the Group's policy to lease certain of its buildings and fixtures and equipment under finance leases. Approximately 78% of the outstanding obligations represent leases which were acquired as part of the acquisition of Lymington, which expire between 2017 and 2020. The most significant lease, representing approximately 26% (2014 – 23%) of the Group's obligations, expires in 2020. For the year ended 31 December 2015, the average effective borrowing rate was 3.8% (2014 – 3.7%). 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 £1.4m (2014 – £nil), US dollars £0.2m (2014 – £0.2m) and Others £0.2m (2014 – £0.5m).

23. TRADE AND OTHER PAYABLES

Trade and other payables at 31 December comprise the following:

	Year ended 2015 £m	Year ended 2014 £m
Current liabilities		
Trade payables	**81.4**	82.4
Social security and PAYE	**5.9**	5.7
Value Added Tax	**1.0**	2.5
Currency derivatives	**5.6**	3.0
Other payables and accruals	**44.3**	53.2
Total trade and other payables	**138.2**	146.8
Add: trade and other payables classified as held for sale	**1.1**	–
Total	**139.3**	146.8

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

The average credit period taken for trade purchases is 57 days (2014 – 53 days).

24. PROVISIONS

	Warranties £m	Other £m	Total £m
At 1 January 2014	1.3	0.3	1.6
Additional provision in the year	1.7	–	1.7
Utilisation of provision	(1.0)	–	(1.0)
Release of unused amounts	(0.3)	–	(0.3)
At 1 January 2015	1.7	0.3	2.0
Additional provision in the year	1.0	–	1.0
Utilisation of provision	(0.9)	–	(0.9)
Release of unused amounts	(0.4)	(0.3)	(0.7)
At 31 December 2015	**1.4**	**–**	**1.4**
Included in current liabilities	1.4	–	1.4

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

25. SHARE CAPITAL

	Year ended 2015 £m	Year ended 2014 £m
Authorised:		
750 million ordinary shares of 10p each	**75.0**	75.0
Issued and fully paid:		
419.4 million ordinary shares of 10p each	**41.9**	41.8

At 31 December 2014, the issued and fully paid up share capital was 418.1 million ordinary shares of 10p each.

3,952 shares were issued during 2015 at an average price of 244.4p per share under share option plans. 1,332,508 shares were issued during 2015 under the 2005 Long Term Incentive Plan.

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

26. SHARE PREMIUM ACCOUNT

	Year ended 2015 £m	Year ended 2014 £m
Balance at 1 January	**14.8**	13.8
Movement in year	**–**	1.0
Balance at 31 December	**14.8**	14.8

27. EQUITY RESERVE

	Year ended 2015 £m	Year ended 2014 £m
Balance at 1 January	**5.7**	5.2
Transfer to retained earnings reserve	**(3.3)**	(1.7)
Movement in year	**2.1**	2.2
Balance at 31 December	**4.5**	5.7

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 £2.2m (2014 – £2.3m) in respect of the share-based payment charge for the year, and £0.1m (2014 – £0.1m) release in respect of the shares issued in the year under the 2005 Long Term Incentive Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. HEDGING AND TRANSLATION RESERVES

	Hedging reserve Year ended 2015 £m	Translation reserve Year ended 2015 £m	Total Year ended 2015 £m	Hedging reserve Year ended 2014 £m	Translation reserve Year ended 2014 £m	Total Year ended 2014 £m
Balance at 1 January	**(39.6)**	**32.4**	**(7.2)**	(37.9)	24.3	(13.6)
Exchange differences on translation of overseas operations	**–**	**(4.3)**	**(4.3)**	–	7.9	7.9
Change in fair value of hedging derivatives	**(1.8)**	**–**	**(1.8)**	(1.7)	–	(1.7)
Tax on items taken directly to equity	**–**	**0.4**	**0.4**	–	0.2	0.2
Balance at 31 December	**(41.4)**	**28.5**	**(12.9)**	(39.6)	32.4	(7.2)

29. RETAINED EARNINGS

	Year ended 2015 £m	Year ended 2014 £m
Balance at 1 January	**359.0**	316.4
Dividends paid	**(24.3)**	(21.9)
Net profit for the year	**48.5**	63.5
Pension actuarial loss	**(1.1)**	(0.9)
Transfer from equity reserve	**3.3**	1.7
Transfer from own share reserve	**(1.3)**	(0.1)
Tax on deductible temporary differences	**0.6**	0.3
Balance at 31 December	**384.7**	359.0

30. OWN SHARES

	Year ended 2015 £m	Year ended 2014 £m
Balance at 1 January	**(2.5)**	(1.9)
Transfer to retained earnings reserve	**1.3**	0.1
Purchase of new shares	**(0.9)**	(0.7)
Balance at 31 December	**(2.1)**	(2.5)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 34).

31. ACQUISITIONS

Lymington Precision Engineering (LPE) Limited

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

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

31. ACQUISITIONS CONTINUED

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. ACQUISITIONS CONTINUED

Steico Industries, Inc.

On 17 December 2015, the Group acquired 100% of the issued share capital of Steico Industries, Inc. and its trading facilities (collectively "Steico") through a business combination. Steico is a leading manufacturer of precision tube and duct assemblies for the commercial and defence aerospace industries, located in Oceanside, California, USA. Steico brings new and adjacent capabilities to the Group and enables Senior's Aerospace Fluid Systems Division to offer the full range of tube and duct assemblies covering a wider scope of aerospace fluid systems. The consideration was £50.2m, after taking account of £0.1m working capital adjustment, for the issued share capital and £10.1m for the trading facility. There is no contingent consideration related to the acquisition. The acquisition was funded using the Group's existing borrowing facilities and $80.0m private placements.

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

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

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

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

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

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

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

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

32. NOTES TO THE CASH FLOW STATEMENT

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

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

b) Free cash flow

Free cash flow, a non-statutory item, highlights the total net cash generated by the Group prior to corporate activity such as acquisitions, disposals, financing and transactions with shareholders. It is derived as follows:

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

c) Analysis of net debt

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Year ended 2015 £m	Year ended 2014 £m
Minimum lease payments under operating leases recognised in the Consolidated Income Statement for the year	**9.0**	7.8

The Group also received £0.7m under sub-leases recognised in the Consolidated Income Statement for the year (2014 – £0.6m).

At 31 December, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 2015 £m	Year ended 2014 £m
Within one year	**8.9**	7.6
In the second to fifth years inclusive	**25.8**	21.8
After five years	**18.5**	14.9
	53.2	44.3

The total of future minimum sub-lease payments expected to be received by the Group under non-cancellable sub-leases at the end of 2015 was £1.1m (2014 – £1.9m).

Operating lease payments principally represent rentals payable by the Group for certain of its manufacturing properties. The four most significant leases, representing 40% (2014 – 45%) of the Group's commitment, expire in 2024, 2027 and two in 2026.

34. SHARE-BASED PAYMENTS

The Group recognised total expenses of £2.3m (2014 – £2.5m) related to share-based payments, of which £2.2m (2014 – £2.3m) related to equity-settled share-based payments, and £0.1m (2014 – £0.2m) related to social security costs on share-based payments. As at 31 December 2015, the Group had a liability of £0.1m (2014 – £0.4m) arising from share-based payments relating to social security costs.

a) 2005 Long Term Incentive Plan

Equity-Settled Long Term Incentive Plans

On 2 April 2015 816,646 shares were awarded under the 2005 Long Term Incentive Plan. In addition, a further 241,576 shares were awarded on 1 May 2015. 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 4% per annum above RPI. The other half of the awards begin to vest if the Group's TSR falls in the top half of a comparator group at the end of the three-year performance period. Vesting levels increase with higher performance. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year with EPS conditions is 327.4p, which is the share price at the date of grant. The estimated fair value for the awards granted in the year with TSR conditions is 154.1p per share reflecting an adjustment of 53% 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 327.4p, expected volatility of 25% per annum, and the performance conditions as noted above. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

The following share awards were outstanding as at 31 December 2015 and 2014:

	Year ended 2015 Number of shares	Year ended 2014 Number of shares
Outstanding at 1 January	**3,696,602**	4,192,569
Granted	**1,058,222**	982,115
Exercised	**(1,332,508)**	(1,358,809)
Forfeited	**(316,605)**	(119,273)
Outstanding at 31 December	**3,105,711**	3,696,602

34. SHARE-BASED PAYMENTS CONTINUED

b) Enhanced SMIS Deferred Share Award

On 2 April 2015 217,839 shares were awarded under the Enhanced SMIS Deferred Share Award. Shares earned under this award have a three-year deferral period and would be subject to forfeiture by a "bad leaver" over that deferral period. There are no performance criteria for this award. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year is 327.4p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2015 and 2014:

	Year ended 2015 Number of shares	Year ended 2014 Number of shares
Outstanding at 1 January	**1,063,383**	820,307
Granted	**217,839**	243,076
Exercised	**(634,665)**	–
Forfeited	**(219)**	–
Outstanding at 31 December	**646,338**	1,063,383

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 2015.

The following options were outstanding as at 31 December 2015 and 2014:

	Year ended 2015		Year ended 2014	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**2,065,028**	**244.34p**	3,238,237	219.62p
Granted	**1,533,181**	**335.80p**	–	–
Exercised	**(3,952)**	**244.40p**	(786,950)	146.81p
Forfeited	**(493,144)**	**284.43p**	(386,259)	235.77p
Expired	**(1,250)**	**144.40p**	–	–
Outstanding at 31 December	**3,099,863**	**283.24p**	2,065,028	244.34p
Exercisable at 31 December	**–**	**–**	1,250	144.40p

The weighted average share price at the date of exercise for share options exercised during the period was 279.78p (2014 – 277.72p). The options outstanding at 31 December 2015 had an exercise price of 335.80p and 244.40p per share, and a weighted average remaining contractual life of 1.8 years. The options outstanding at 31 December 2014 had exercise prices of 244.40p and 144.40p per share, and a weighted average remaining contractual life of 2.0 years.

d) One-off Share Award

On 3 September 2013, a one-off award over 82,720 shares was granted under the terms of a share award agreement agreed in connection with Derek Harding's recruitment as Group Finance Director, in order to partly compensate him for foregoing entitlements from his previous employer. During the year 3/9ths of the one-off award vested, with 4/9ths having vested in 2014. In the normal course of events, the remaining 2/9ths will vest on 2 September 2016 subject to Derek Harding's continued service until the relevant vesting date.

The following share awards were outstanding as at 31 December 2015 and 2014:

	Year ended 2015 Number of shares	Year ended 2014 Number of shares
Outstanding at 1 January	**45,956**	82,720
Granted	**–**	–
Exercised	**(27,573)**	(36,764)
Forfeited	**–**	–
Outstanding at 31 December	**18,383**	45,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. SHARE-BASED PAYMENTS CONTINUED

e) Other Share Awards

On 1 May 2015, one-off awards over 96,770 shares were granted to David Squires in connection with his appointment as Group Chief Executive, comprising an award over 4,770 shares that was exercised on appointment and two long-term incentive awards over 32,000 and 60,000 shares that mirror the rules and performance conditions attaching to the LTIP awards made to other Senior executives on 25 March 2013 and 21 March 2014 respectively under the Senior plc 2005 Long-Term Incentive Plan. These awards will ordinarily vest, subject to the achievement of the associated performance conditions on or after 25 March 2016 and on or after 21 March 2017, respectively.

	Year ended 2015 Number of shares	Year ended 2014 Number of shares
Outstanding at 1 January	**–**	–
Granted	**96,770**	–
Exercised	**(4,770)**	–
Forfeited	**–**	–
Outstanding at 31 December	**92,000**	–

35. RETIREMENT BENEFIT SCHEMES

The Group operates a number of pension plans in the UK, North America and Europe. These include both defined contribution arrangements and defined benefit arrangements. The 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 future accrual at the end of 6 April 2014. 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 2015.

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 2016 to the UK plan is £8.7m (£8.1m 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.

Contributions payable to the Plan do not affect the measurement of the defined benefit liability or asset recognised on the Company balance sheet on the grounds that the Company has an unconditional right to a refund, assuming the gradual settlement of Plan liabilities over time until all members have left. In considering this the Company has taken into account that the trustees do not have unilateral powers to wind up the Plan or modify benefits. Amendments to the current version of IFRIC14 are currently being considered. At this stage, the Company believes that the above accounting treatment will not be affected by the current exposure draft of the revised IFRIC14.

35. RETIREMENT BENEFIT SCHEMES CONTINUED

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 £8.7m (2014 – £7.4m).

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.

	31 December 2015				31 December 2014			
	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	(256.0)	(48.5)	(5.5)	(310.0)	(267.3)	(46.6)	(5.7)	(319.6)
Fair value of plan assets	255.4	42.0	–	297.4	257.9	41.9	–	299.8
Plan deficit per balance sheet	(0.6)	(6.5)	(5.5)	(12.6)	(9.4)	(4.7)	(5.7)	(19.8)

c) Movements in the present value of defined benefit obligations were as follows:

	31 December 2015				31 December 2014			
	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	267.3	46.6	5.7	319.6	238.7	38.8	5.7	283.2
Current service costs	–	0.4	0.3	0.7	0.2	0.3	0.3	0.8
Interest cost	9.2	1.8	0.1	11.1	10.7	1.8	0.2	12.7
Contributions by plan participants	–	–	–	–	0.2	–	–	0.2
Experience on benefit obligations	(1.9)	(0.3)	–	(2.2)	(1.0)	(0.7)	0.5	(1.2)
Actuarial losses/(gains) – financial	(8.0)	(1.2)	(0.1)	(9.3)	25.3	4.9	(0.1)	30.1
Actuarial losses – demographic	–	0.1	–	0.1	1.7	0.1	–	1.8
Benefits paid	(10.6)	(1.7)	(0.2)	(12.5)	(10.0)	(1.5)	(0.5)	(12.0)
Curtailment charge	–	–	–	–	1.5	–	–	1.5
Exchange differences	–	2.8	(0.3)	2.5	–	2.9	(0.4)	2.5
At 31 December	256.0	48.5	5.5	310.0	267.3	46.6	5.7	319.6

d) Movements in the fair value of plan assets were as follows:

	31 December 2015				31 December 2014			
	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	257.9	41.9	–	299.8	223.1	34.5	–	257.6
Interest on plan assets	9.0	1.6	–	10.6	10.2	1.6	–	11.8
Actuarial return on plan assets less interest	(8.9)	(3.6)	–	(12.5)	26.5	3.3	–	29.8
Contributions from employer	8.7	1.3	–	10.0	8.8	1.5	–	10.3
Contributions by plan participants	–	–	–	–	0.2	–	–	0.2
Benefits paid	(10.6)	(1.7)	–	(12.3)	(10.0)	(1.5)	–	(11.5)
Running costs	(0.7)	–	–	(0.7)	(0.9)	–	–	(0.9)
Exchange differences	–	2.5	–	2.5	–	2.5	–	2.5
At 31 December	255.4	42.0	–	297.4	257.9	41.9	–	299.8

e) Amounts recognised in the Income Statement in respect of these defined benefit schemes are as follows:

	31 December 2015				31 December 2014			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Current service cost included within operating profit	–	0.4	0.3	0.7	0.2	0.3	0.3	0.8
Running costs	0.7	–	–	0.7	0.9	–	–	0.9
Curtailment charge	–	–	–	–	1.5	–	–	1.5
Charge included within operating profit	0.7	0.4	0.3	1.4	2.6	0.3	0.3	3.2
Included within finance costs	0.2	0.2	0.1	0.5	0.5	0.2	0.2	0.9
Amount recognised in the Income Statement	0.9	0.6	0.4	1.9	3.1	0.5	0.5	4.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. RETIREMENT BENEFIT SCHEMES CONTINUED

f) Amounts recognised in other comprehensive income are as follows:

	31 December 2015				31 December 2014			
	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	**8.0**	**1.1**	**0.1**	**9.2**	(25.3)	(4.9)	0.1	(30.1)
– Change in demographic assumptions	**–**	**–**	**–**	**–**	(1.7)	(0.1)	–	(1.8)
– Experience adjustments on benefit obligations	**1.9**	**0.3**	**–**	**2.2**	1.0	0.7	(0.5)	1.2
Actual return on plan assets less interest on benefit obligations	**(8.9)**	**(3.6)**	**–**	**(12.5)**	26.5	3.3	–	29.8
Gains/(losses) recognised in other comprehensive income	**1.0**	**(2.2)**	**0.1**	**(1.1)**	0.5	(1.0)	(0.4)	(0.9)

Actuarial losses of £1.1m (2014 – £0.9m 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 2015 is £48.3m (2014 – £47.2m).

g) Assets and assumptions in funded plans

	UK plans funded		US plans funded	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Fair value of plan assets				
Equities	**73.7**	74.8	**–**	–
Bonds	**85.8**	84.2	**42.0**	41.9
Gilts	**94.4**	96.9	**–**	–
Cash and net current assets	**1.5**	2.0	**–**	–
Total	**255.4**	257.9	**42.0**	41.9
Actual return on plan assets	**0.1**	36.7	**(2.0)**	4.9

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	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Major assumptions (per annum %)				
Inflation	**2.80%**	2.90%	**n/a**	n/a
Increase in salaries	**n/a**	n/a	**n/a**	n/a
Increase in pensions	**2.80%**	2.80%	**0.00%**	0.00%
Increase in deferred pensions	**2.80%**	2.90%	**0.00%**	0.00%
Rate used to discount plan liabilities	**3.70%**	3.50%	**4.10%**	3.90%
Life expectancy of a male aged 65 at the year-end	**22.1**	22.0	**19.3**	19.3
Life expectancy of a male aged 65, 20 years after the year-end	**23.8**	23.7	**20.5**	19.3

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 2015 for changes in assumptions is as follows:

	Increase in plan deficit £m
0.5% decrease in the discount rate	21.0
One-year increase in life expectancy	8.0
0.5% increase in inflation	13.0

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.

35. RETIREMENT BENEFIT SCHEMES CONTINUED

h) Other post-retirement liabilities

This balance comprises an unfunded German pension plan £3.0m (2014 – £3.3m), unfunded closed pension and post-retirement healthcare plans in the USA £0.4m (2014 – £0.4m) and provision for post-retirement payments in France of £2.1m (2014 – £2.0m).

The closed pension and post-retirement healthcare plans in the US have been valued on a Projected Unit Method using a discount rate of 4.1%. As at 31 December 2015 no more participants were eligible for medical benefits under the plan. The German plan has been subject to formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 2.1%, salary growth 0.0% and inflation 1.75%. 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.

36. ASSETS HELD FOR SALE

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

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

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

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

37. CONTINGENT LIABILITIES

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for product delivery, performance and reliability. Various Group undertakings are parties to legal actions or claims which arise in the ordinary course of business, some of which could be for substantial amounts. In May 2015 Senior Aerospace Ketema was named as co-defendant in a class action lawsuit filed against Ametek, Inc. in the US. The lawsuit claims that Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located. While the outcome of some of these matters cannot precisely be foreseen, based on the information currently held by the Directors, the Directors do not believe any of these arrangements, legal actions or claims, after allowing for provisions already made, are likely to result in significant loss to the Group.

COMPANY BALANCE SHEET

As at 31 December 2015

	Notes	**Year ended 2015 £m**	Year ended 2014 £m
Fixed assets			
Investment in subsidiaries	40	**259.9**	259.9
Property, plant and equipment	41	**0.4**	0.4
Other intangible assets	39	**0.2**	0.1
Total fixed assets		**260.5**	260.4
Current assets			
Debtors: amounts due within one year	42	**154.6**	144.8
Debtors: amounts due after more than one year	42	**3.2**	4.5
Cash at bank and in hand	51	**–**	0.5
Total current assets		**157.8**	149.8
Total assets		**418.3**	410.2
Creditors: amounts falling due within one year			
Trade and other creditors	44	**80.7**	113.8
Borrowings	43	**34.6**	24.1
Current tax		**0.2**	0.2
Total creditors: amounts falling due within one year		**115.5**	138.1
Creditors: amounts falling due after more than one year			
Borrowings	43	**162.4**	88.1
Retirement benefit obligations	54	**0.6**	9.4
Total creditors: amounts falling due after more than one year		**163.0**	97.5
Total liabilities		**278.5**	235.6
Net assets		**139.8**	174.6
Capital and reserves			
Called up share capital	45	**41.9**	41.8
Share premium account	46	**14.8**	14.8
Equity reserve	47	**4.5**	5.7
Hedging and translation reserve	48	**(0.3)**	(0.3)
Profit and loss account	49	**81.0**	115.1
Own shares	50	**(2.1)**	(2.5)
Total shareholders' funds		**139.8**	174.6

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 26 February 2016. They were signed on its behalf by:

David Squires
Director

Derek Harding
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	All equity is attributable to equity holders of the Company						
	Called up share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Profit and loss account £m	Own shares £m	Total equity £m
Balance at 1 January 2014	41.6	13.8	5.2	(0.3)	99.7	(1.9)	158.1
Profit for the year 2014	–	–	–	–	35.2	–	35.2
Actuarial gains on defined benefit pension schemes	–	–	–	–	0.5	–	0.5
Total comprehensive income for the period	–	–	–	–	35.7	–	35.7
Issue of share capital	0.2	1.0	(0.1)	–	–	–	1.1
Share-based payment charge	–	–	2.3	–	–	–	2.3
Purchase of shares held by employee benefit trust	–	–	–	–	–	(0.7)	(0.7)
Use of shares held by employee benefit trust	–	–	–	–	(0.1)	0.1	–
Transfer to profit and loss account	–	–	(1.7)	–	1.7	–	–
Dividends paid	–	–	–	–	(21.9)	–	(21.9)
Balance at 31 December 2014	41.8	14.8	5.7	(0.3)	115.1	(2.5)	174.6
Loss for the year 2015	–	–	–	–	(12.8)	–	(12.8)
Actuarial gains on defined benefit pension schemes	–	–	–	–	1.0	–	1.0
Total comprehensive income for the period	–	–	–	–	(11.8)	–	(11.8)
Issue of share capital	0.1	–	(0.1)	–	–	–	–
Share-based payment charge	–	–	2.2	–	–	–	2.2
Purchase of shares held by employee benefit trust	–	–	–	–	–	(0.9)	(0.9)
Use of shares held by employee benefit trust	–	–	–	–	(1.3)	1.3	–
Transfer to profit and loss account	–	–	(3.3)	–	3.3	–	–
Dividends paid	–	–	–	–	(24.3)	–	(24.3)
Balance at 31 December 2015	**41.9**	**14.8**	**4.5**	**(0.3)**	**81.0**	**(2.1)**	**139.8**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

38. ACCOUNTING POLICIES

Basis of accounting (Company only)

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has adopted FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurements, capital management, presentation of a cash flow statement and disclosure of related party transactions.

The financial statements have been prepared on the historical cost basis. They have also been prepared on the going concern basis. The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements, except in respect of investments in subsidiaries, which are stated at cost less, where appropriate, provisions for impairment.

39. OTHER INTANGIBLE ASSETS

	Year ended 2015 Computer software £m	Year ended 2014 Computer software £m
Cost		
At 1 January	**0.3**	0.3
Additions	**0.2**	–
At 31 December	**0.5**	0.3
Amortisation		
At 1 January	**0.2**	0.1
Charge for the year	**0.1**	0.1
At 31 December	**0.3**	0.2
Carrying amount at 31 December	**0.2**	0.1

40. INVESTMENTS IN SUBSIDIARIES

A list of the investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given on pages 122 and 123.

	Year ended 2015 £m	Year ended 2014 £m
At 1 January	**259.9**	259.9
Additional investment in subsidiaries	**–**	–
At 31 December	**259.9**	259.9

41. PROPERTY, PLANT AND EQUIPMENT

	Year ended 2015 Plant and equipment £m	Year ended 2014 Plant and equipment £m
Cost		
At 1 January	**0.7**	0.5
Additions	**0.2**	0.3
Disposals	**(0.2)**	(0.1)
At 31 December	**0.7**	0.7
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	**0.4**	0.4

42. DEBTORS

Trade and other debtors at 31 December comprise the following:

	Year ended 2015 £m	Year ended 2014 £m
Debtors: amounts due after more than one year		
Due from subsidiaries	**3.2**	4.5
	3.2	4.5
Debtors: amounts due within one year		
Value added tax	**0.1**	0.1
Prepayments and accrued income	**1.1**	0.8
Other receivables	**–**	0.1
Due from subsidiaries	**153.4**	143.8
	154.6	144.8
Total debtors	**157.8**	149.3

The Directors consider that the carrying amount of debtors approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor above. The Company does not hold any collateral as security.

The carrying amount of amounts due from subsidiaries approximates their fair value. There are no past due or impaired debtors balances (2014 – £nil).

43. BORROWINGS

	Year ended 2015 £m	Year ended 2014 £m
Bank overdrafts	**9.6**	8.1
Bank loans	**48.0**	8.0
Other loans	**139.4**	96.1
	197.0	112.2
The borrowings are repayable as follows:		
On demand or within one year	**34.6**	24.1
In the second year	**40.4**	–
In the third to fifth years inclusive	**67.6**	75.3
After five years	**54.4**	12.8
	197.0	112.2
Less: amount due for settlement within 12 months (shown under current liabilities)	**(34.6)**	(24.1)
Amount due for settlement after 12 months	**162.4**	88.1

Analysis of borrowings by currency

31 December 2015

	Total £m	**Pound Sterling £m**	**Euros £m**	**US dollars £m**	**Others £m**
Bank overdrafts	**9.6**	**7.9**	**–**	**1.7**	**–**
Bank loans	**48.0**	**48.0**	**–**	**–**	**–**
Other loans	**139.4**	**–**	**–**	**139.4**	**–**
	197.0	**55.9**	**–**	**141.1**	**–**

31 December 2014

	Total £m	Pound Sterling £m	Euros £m	US dollars £m	Others £m
Bank overdrafts	8.1	8.1	–	–	–
Bank loans	8.0	8.0	–	–	–
Other loans	96.1	–	–	96.1	–
	112.2	16.1	–	96.1	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

43. BORROWINGS CONTINUED

The weighted average interest rates paid were as follows:

	Year ended 2015 %	Year ended 2014 %
Bank loans and overdrafts	**1.00**	1.20
Other loans	**5.47**	6.58

Bank loans and overdrafts of £57.6m (2014 – £16.1m) are arranged at floating rates, thus exposing the Company to cash flow interest rate risk. Other borrowings are mainly arranged at fixed interest rates and expose the Company to fair value interest rate risk. No interest rate swaps were taken out in 2014 or 2015.

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

	Year ended 2015 £m	Year ended 2014 £m
Bank loans and overdrafts	**57.6**	16.1
Other loans	**150.0**	106.3
	207.6	122.4

44. TRADE AND OTHER CREDITORS

Trade and other creditors at 31 December comprise the following:

	Year ended 2015 £m	Year ended 2014 £m
Creditors: amounts falling due within one year		
Trade creditors	**0.6**	0.2
Social security and PAYE	**0.1**	0.1
Other creditors and accruals	**3.2**	3.6
Due to subsidiaries	**76.8**	109.9
Total trade and other creditors	**80.7**	113.8

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

45. CALLED UP SHARE CAPITAL

	Year ended 2015 £m	Year ended 2014 £m
Authorised:		
750 million ordinary shares of 10p each	**75.0**	75.0
Called up and fully paid:		
419.4 million ordinary shares of 10p each	**41.9**	41.8

At 31 December 2014, the called up and fully paid share capital was 418.1 million ordinary shares of 10p each.

3,952 shares were issued during 2015 at an average price of 244.4p per share under share option plans. 1,332,508 shares were issued during 2015 under the 2005 Long Term Incentive Plan.

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

46. SHARE PREMIUM ACCOUNT

	Year ended 2015 £m	Year ended 2014 £m
Balance at 1 January	**14.8**	13.8
Movement in year	**–**	1.0
Balance at 31 December	**14.8**	14.8

47. EQUITY RESERVE

	Year ended 2015 £m	Year ended 2014 £m
Balance at 1 January	**5.7**	5.2
Transfer to profit and loss account	**(3.3)**	(1.7)
Movement in year	**2.1**	2.2
Balance at 31 December	**4.5**	5.7

The transfer to profit and loss account is in respect of equity-settled share-based payments that vested during the year.

The movement in the year includes £2.2m (2014 – £2.3m) in respect of the share-based payment charge for the year, and £0.1m (2014 – £0.1m) release in respect of the shares issued in the year under the 2005 Long Term Incentive Plan.

48. HEDGING AND TRANSLATION RESERVES

	Hedging reserve Year ended 2015 £m	**Translation reserve Year ended 2015 £m**	**Total Year ended 2015 £m**	Hedging reserve Year ended 2014 £m	Translation reserve Year ended 2014 £m	Total Year ended 2014 £m
Balance at 1 January and 31 December	**–**	**(0.3)**	**(0.3)**	–	(0.3)	(0.3)

49. PROFIT AND LOSS ACCOUNT

	Year ended 2015 £m	Year ended 2014 £m
Balance at 1 January	**115.1**	99.7
Dividends paid	**(24.3)**	(21.9)
Net (loss)/profit for the year	**(12.8)**	35.2
Pension actuarial gain	**1.0**	0.5
Transfer from equity reserve	**3.3**	1.7
Transfer from own share reserve	**(1.3)**	(0.1)
Balance at 31 December	**81.0**	115.1

£7.5m (2014 – £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.

50. OWN SHARES

	Year ended 2015 £m	Year ended 2014 £m
Balance at 1 January	**(2.5)**	(1.9)
Transfer to profit and loss account	**1.3**	0.1
Purchase of new shares	**(0.9)**	(0.7)
Balance at 31 December	**(2.1)**	(2.5)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 34).

51. CASH AT BANK AND IN HAND

	Year ended 2015 £m	Year ended 2014 £m
Cash and cash equivalents comprise:		
Cash	**–**	0.5
Bank overdrafts	**(9.6)**	(8.1)
Total	**(9.6)**	(7.6)

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

52. OPERATING LEASE ARRANGEMENTS

The Company as lessee

	Year ended 2015 £m	Year ended 2014 £m
Minimum lease payments under operating leases recognised in the Income Statement for the year	**0.1**	0.1

At 31 December, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 2015 £m	Year ended 2014 £m
Within one year	**0.1**	0.1
In the second to fifth years inclusive	**0.5**	0.5
After five years	**0.9**	1.0
	1.5	1.6

As at the date of approving the accounts, the Company has guaranteed £1.0m (2014 – £1.0m) of annual lease commitments of certain current and previous subsidiary entities.

53. DEFERRED TAX

The Company has deductible temporary differences, for which no deferred tax asset has been recognised, in respect of retirement benefit obligations of £0.6m (2014 – £9.4m), share-based payments of £0.8m (2014 – £2.5m), accelerated book depreciation of £0.8m (2014 – £0.6m) and other temporary differences of £nil (2014 – £0.3m). 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 of the Company.

54. RETIREMENT BENEFIT SCHEMES

The Company's defined benefit scheme obligations are shown in Note 35 in the "UK plans funded" column.

55. RELATED PARTY TRANSACTIONS

The remuneration of the Directors and senior managers, who are the key management personnel of the Group, is set out in the Remuneration Report on pages 53 to 68.

FIVE-YEAR SUMMARY

Group income statement	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Revenue					
Continuing operations	**849.5**	820.8	775.1	712.0	622.3
Discontinued operations	**–**	–	–	17.8	18.4
	849.5	820.8	775.1	729.8	640.7
Adjusted operating profit					
Continuing operations	**107.8**	111.6	107.6	100.6	87.3
Discontinued operations	**–**	–	–	0.8	1.0
	107.8	111.6	107.6	101.4	88.3
(Loss)/profit on sale of fixed assets	**(1.5)**	–	–	(0.1)	(0.3)
Exceptional pension (charge)/credit	**–**	(1.5)	1.1	(1.9)	
Amortisation of intangible assets from acquisitions	**(12.2)**	(7.2)	(4.2)	(4.3)	(4.4)
Goodwill impairment	**(18.8)**	(9.4)	(12.7)	–	–
Impairment of assets held for sale	**(1.8)**	–	–	–	–
Restructuring costs	**–**	(1.5)	(1.9)	–	–
Reversal of contingent consideration payable	**–**	–	3.8	–	–
Write-down of L85 inventory	**–**	(1.8)	–	–	–
Acquisition costs	**(1.2)**	(0.6)	(0.4)	(0.6)	(0.6)
Operating profit	**72.3**	89.6	93.3	94.5	83.0
Investment income/finance costs, net	**(8.0)**	(8.1)	(8.1)	(7.7)	(7.9)
Net finance cost of retirement benefit obligations	**(0.5)**	(0.9)	(1.4)	(2.6)	(2.4)
Profit on disposal of discontinued operations	**–**	–	–	2.5	–
Profit before tax	**63.8**	80.6	83.8	86.7	72.7
Tax	**(15.3)**	(17.1)	(12.4)	(16.8)	(17.7)
Profit for the year	**48.5**	63.5	71.4	69.9	55.0
Depreciation and amortisation of intangibles	**40.0**	32.1	26.5	25.1	23.0
Gross capital expenditure (including finance lease assets)	**48.6**	31.1	29.7	26.1	22.3
Basic earnings per share	**11.59p**	15.25p	17.22p	17.11p	13.68p
Diluted earnings per share	**11.47p**	15.06p	17.00p	16.69p	13.21p
Adjusted earnings per share	**18.98p**	19.84p	19.00p	17.75p	14.55p
Dividends in respect of years – per share	**6.20p**	5.63p	5.12p	4.65p	3.80p
– value	**26.0**	23.5	21.3	19.3	15.3
Group balance sheets					
Non-current assets	**572.4**	466.4	393.6	387.4	362.9
Net current assets	**98.3**	84.4	101.1	94.8	75.0
Non-current liabilities	**(239.8)**	(139.2)	(133.2)	(169.3)	(161.6)
Net assets	**430.9**	411.6	361.5	312.9	276.3
Net borrowings	**(194.6)**	(105.0)	(59.2)	(70.0)	(93.0)
Group cash flow					
Net cash from operating activities	**99.4**	88.6	92.4	83.3	77.1
Interest received	**0.2**	0.1	0.2	0.3	0.3
Proceeds from disposal of property, plant and equipment	**0.7**	0.2	0.9	0.1	0.3
Purchase of property, plant and equipment	**(46.4)**	(29.6)	(28.7)	(25.3)	(21.1)
Purchase of intangible assets	**(2.2)**	(1.5)	(1.0)	(0.8)	(1.0)
Free cash flow	**51.7**	57.8	63.8	57.6	55.6
Dividends paid	**(24.3)**	(21.9)	(19.9)	(16.4)	(13.1)
Acquisitions less disposals	**(103.9)**	(60.1)	(30.5)	(23.6)	(68.6)
Investment in joint venture	**–**	–	(0.5)	(0.9)	–
Loan to joint venture	**(0.1)**	(1.1)	–	–	–
Share issues	**–**	1.1	0.1	2.3	–
Purchase of shares held by employee benefit trust	**(0.9)**	(0.7)	(0.9)	(1.0)	–
Increase/(decrease) in loans	**81.7**	(18.4)	(0.2)	(0.2)	(0.2)
Decrease in finance leases	**(0.6)**	(1.4)	(0.5)	(0.6)	(0.4)
Cash inflow on forward contracts	**–**	–	–	–	0.2
Increase/(decrease) in cash and cash equivalents	**3.6**	(44.7)	11.4	17.2	(26.5)

GROUP UNDERTAKINGS

Group Legal Entities (wholly-owned)	Country of Incorporation	Business Units	Locations
Senior UK Limited	England and Wales	Senior Aerospace Bird Bellows	Congleton
		Senior Aerospace BWT	Macclesfield
		Senior Flexonics Crumlin	Crumlin
		Senior Aerospace Thermal Engineering	Royston
		Senior Aerospace Weston	Colne
Lymington Precision Engineers Co. Limited(1)	England and Wales	Senior Flexonics Lymington	Lymington
Senior do Brasil Ltda	Brazil	Senior Flexonics São Paulo	São Paulo, Brazil
Senior Flexonics Czech s.r.o.	Czech Republic	Senior Flexonics Czech	Olomouc, Czech Republic
Senior Aerospace Ermeto SAS	France	Senior Aerospace Ermeto	Blois, France
Senior Calorstat SAS	France	Senior Aerospace Calorstat	Dourdan, France
Senior Flexonics Blois SAS	France	Senior Flexonics Blois	Blois, France
Senior Flexonics GmbH	Germany	Senior Flexonics Kassel	Kassel, Germany
Senior India Private Limited	India	Senior Flexonics New Delhi	New Delhi, India
Senior Aerospace Bosman B.V.	Netherlands	Senior Aerospace Bosman	Rotterdam, Netherlands
Senior Operations (Canada) Limited	Canada	Senior Flexonics Canada	Brampton, Ontario
Senior Flexonics SA (Pty) Limited	South Africa	Senior Flexonics Cape Town	Cape Town, South Africa
Senior Operations LLC	USA	Senior Aerospace Absolute Manufacturing	Arlington, Washington
		Senior Aerospace AMT	Arlington, Washington
		Senior Aerospace Composites(3)	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
Steico Industries, Inc.(2)	USA	Senior Aerospace Steico Industries	Oceanside, California
Senior Aerospace (Thailand) Limited	Thailand	Senior Aerospace Thailand	Chonburi, Thailand
Upeca Flowtech Sdn Bhd	Malaysia	Senior Flexonics Upeca	Selangor, Malaysia
Upeca Aerotech Sdn Bhd	Malaysia	Senior Aerospace Upeca	Selangor, Malaysia
Upeca Engineering (Tianjin) Co Ltd	China	Senior Flexonics Upeca (China)	Tianjin, China
Flexonics Limited	England and Wales		
Lymington Precision Engineering (LPE) Limited(1)	England and Wales		
Senior Aerospace Limited	England and Wales		
Senior Americas One Limited	England and Wales		
Senior Americas Two Limited	England and Wales		
Senior Automotive Limited	England and Wales		
Atlas Composites Limited	England and Wales		
Senior Engineering Investments Limited	England and Wales		
Senior Five Limited	England and Wales		
Senior Finance Four Limited	England and Wales		
Senior Finance Six Limited	England and Wales		
Senior Finance Seven Limited	England and Wales		
Senior Flexonics Limited	England and Wales		
Senior Trustee Limited	England and Wales		
Thermal Engineering Holding Limited	England and Wales		
Thermal Engineering Limited	England and Wales		
Senior France SAS	France		
Senior Investments Deutschland GmbH	Germany		
Senior Operations GmbH	Germany		

GROUP UNDERTAKINGS CONTINUED

Group Legal Entities (wholly-owned)	Country of Incorporation	Business Units	Locations
Senior Holdings LLC	USA		
Senior Aerospace GmbH	Switzerland		
Senior Investments GmbH	Switzerland		
Senior IP GmbH	Switzerland		
Flexonics, Inc.	USA		
Senior Investments LLC	USA		
Senior US Holdings Inc	USA		
Upeca Engineering Sdn Bhd	Malaysia		
Upeca Technologies Sdn Bhd	Malaysia		
Upeca Equipment Manufacturing Sdn Bhd	Malaysia		
Upeca Valve Automation Sdn Bhd	Malaysia		

(1) Lymington Precision Engineering (LPE) Limited, together with its subsidiary Lymington Precision Engineers Co. Limited, was acquired on 31 March 2015.
(2) Steico Industries, Inc. was acquired on 17 December 2015.
(3) Senior Aerospace Composites was sold on 16 February 2016.

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China.

Senior Aerospace and Flexonics Business Units in Mexico are operated by a third party under a contract manufacturing agreement.

ADDITIONAL SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2015

	Shareholders		Issued shares	
	Number	%	Millions	%
By category				
Corporate bodies	1,163	35.62	407.99	97.28
Other shareholders	2,102	64.38	11.43	2.72
	3,265	**100.00**	**419.42**	**100.00**
By range of holdings				
1 – 24,999	2,821	86.40	10.65	2.54
25,000 – 49,999	109	3.35	3.80	0.91
50,000 – 249,999	147	4.50	16.47	3.93
250,000 – 499,999	54	1.65	18.88	4.50
500,000 – 999,999	49	1.50	35.68	8.51
1,000,000 – and over	85	2.60	333.94	79.61
	3,265	**100.00**	**419.42**	**100.00**

The number of shares in issue at 31 December 2015 was 419,416,250.

Share Registrars
All shareholder records are maintained by Equinti and all correspondence should be addressed to the Registrar, Senior plc at the Equniti 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 22 April 2016 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 2016 AGM Notice of Meeting and Form of Proxy.

2016 FINANCIAL CALENDAR

THE KEY EVENTS FOR SENIOR IN 2016 ARE SET OUT BELOW
Some of the dates are indicative only and may be subject to change.

Monday 29 February
Announcement of the 2015 Final Results.

Publication of the Annual Report & Accounts 2015 at www.seniorplc.com

Friday 11 March
Publication of the Annual Report & Accounts 2015.

Friday 22 April
Annual General Meeting.

Thursday 28 April
Shares ex-dividend for the 2015 final dividend.

Friday 29 April
Record Date for shareholders on register to receive 2015 final dividend.

Tuesday 31 May
Payment of the 2015 final dividend.

Monday 1 August
Announcement of the 2016 Interim Results.

Thursday 20 October
Shares ex-dividend for the 2016 interim dividend.

Friday 21 October
Record Date for shareholders on register to receive 2016 interim dividend.

Wednesday 30 November
Payment of the 2016 interim dividend.

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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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