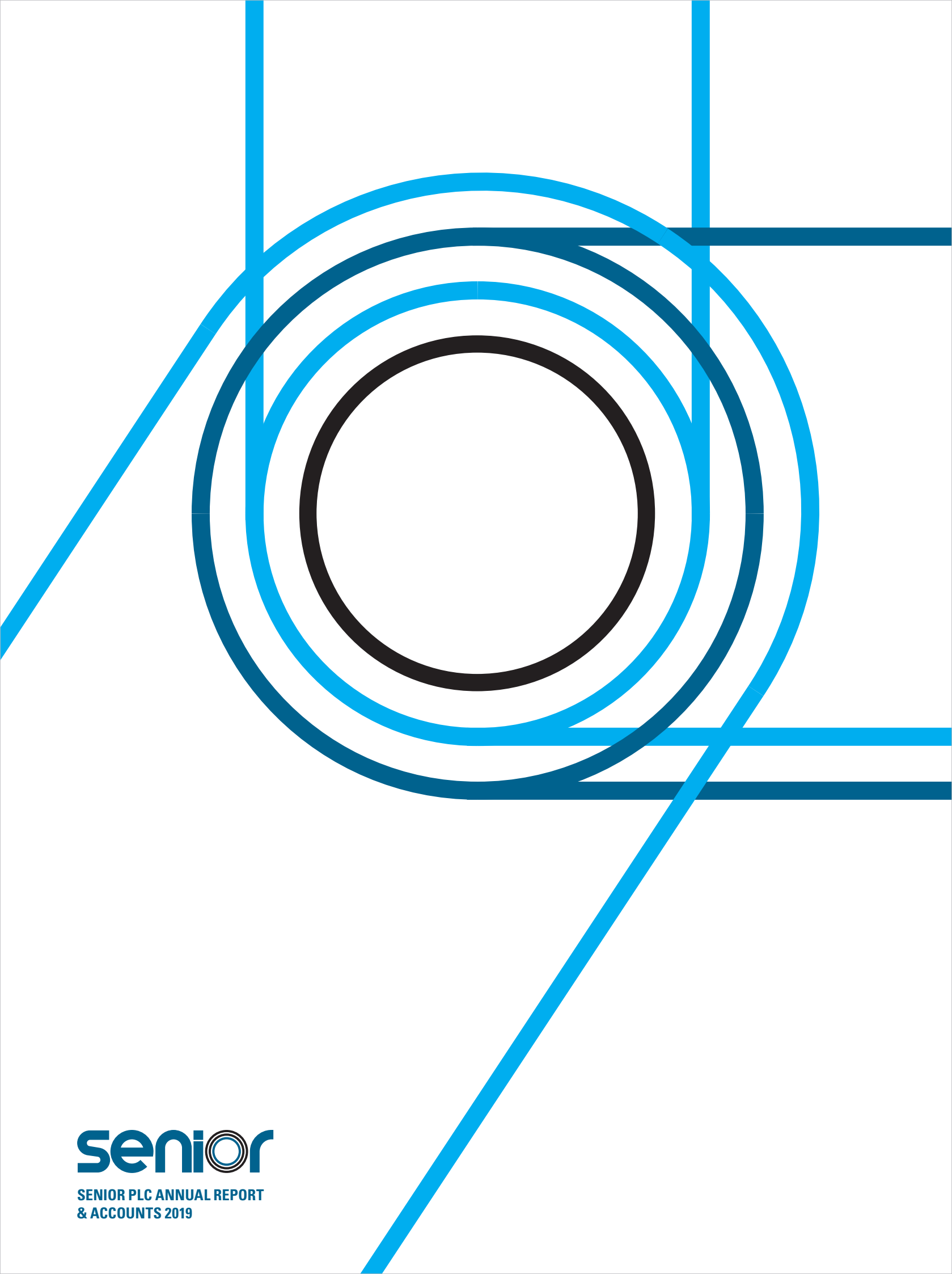
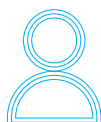




SENIOR PLC ANNUAL REPORT
& ACCOUNTS 2019

OUR PURPOSE IS TO
PROVIDE SAFE AND
INNOVATIVE PRODUCTS
FOR DEMANDING
THERMAL MANAGEMENT
AND FLUID CONVEYANCE
APPLICATIONS



**READ MORE ABOUT
OUR PEOPLE AND
CULTURE ON
PAGE 17**



**READ MORE ABOUT
OUR INVESTMENT
CASE ON
PAGE 21**



**READ MORE ABOUT
OUR STRATEGIC
PRIORITIES ON
PAGE 18**



**READ MORE
ABOUT HOW WE
ARE PERFORMING
IN AEROSPACE ON
PAGE 32**



**READ MORE
ABOUT HOW WE
ARE PERFORMING
IN FLEXONICS ON
PAGE 34**

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For more information
please visit senior.com

FINANCIAL HIGHLIGHTS⁽¹⁾

REVENUE

+3%

£1,110.7m

2018 – £1,082.1m

ADJUSTED OPERATING

MARGIN⁽⁵⁾ -50BPS

8.0%

2018 – 8.5%

ADJUSTED PROFIT

BEFORE TAX⁽²⁾ -5%

£78.5m

2018 – £83.0m

PROFIT BEFORE TAX

-53%

£28.7m

2018 – £61.3m

ADJUSTED EARNINGS

PER SHARE⁽³⁾ +1%

16.17p

2018 – 16.08p

BASIC EARNINGS PER SHARE

-45%

7.04p

2018 restated – 12.81p

DIVIDEND PER SHARE

+1%

7.51p

2018 – 7.42p

RETURN ON CAPITAL

EMPLOYED⁽⁶⁾ -50BPS

11.1%

2018 post IFRS 16⁽⁷⁾ – 11.6%FREE CASH FLOW⁽⁴⁾

+29%

£58.3m

2018 – £45.3m

NET DEBT⁽⁴⁾

£229.6m

1 January 2019 post IFRS 16 – £249.1m
31 December 2018 – £153.0m

Adjusted operating profit and adjusted profit before tax are stated before £13.1m amortisation of intangible assets from acquisitions (2018 – £15.4m), £12.1m restructuring (2018 – £nil), £nil charge for UK Guaranteed Minimum Pensions (2018 – £2.4m) and £2.6m costs associated with US class action lawsuits (2018 – £3.9m). Adjusted profit before tax is also stated before loss on disposal of businesses of £22.0m (2018 – £nil). Adjusted earnings per share is also stated before exceptional non-cash tax credit of £3.6m (2018 restated – £3.4m).

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

- (1) The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice – see (Note 2, 10 and 21). The Group has also adopted IFRS 16 Leases in 2019 and as permitted the comparative figures have not been restated for this standard (see Note 2 and 22) except for net debt⁽⁴⁾ and return on capital employed⁽⁶⁾⁽⁷⁾ shown in the Financial Highlights above.
- (2) A reconciliation of adjusted profit before tax to profit before tax is shown in Note 9.

NON-FINANCIAL HIGHLIGHTS

CDP (CLIMATE DISCLOSURE PROJECT)

A-

Leadership rating
Climate change

A-

Leadership rating
Supplier engagement

WOMEN IN LEADERSHIP

38%

Board of Directors
2018 – 43%

33%

Executive Committee
2018 – 33%

CARBON DIOXIDE INTENSITY

(TONNES/£M REVENUE) -3%

58 tonnes

2018 – 60 tonnes/£m revenue

LOST TIME INJURY ILLNESS RATE

(PER 100 EMPLOYEES P.A.) -12%

0.44 incidents

2018 – 0.50 incidents

WATER CONSUMPTION

(MEGALITRE/£M TURNOVER) – NO CHANGE

0.31

2018 – 0.31

WASTE RECYCLED

NO CHANGE

92%

2018 – 92%

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

- (4) See Notes 32b and 32c for the derivation of free cash flow and of net debt respectively. From 2019 net debt includes IFRS 16 lease liabilities.

- (5) Adjusted operating margin is the ratio of adjusted operating profit to revenue.

- (6) A reconciliation of adjusted operating profit to operating profit is shown in Note 9.

- (7) See page 22 for the derivation of return on capital employed.

- (7) 2018 return on capital employed post IFRS 16 is shown for comparative purposes. It has been derived by applying the 2019 transitional and annual impact of IFRS 16 on the 2018 figures.

The US Dollar exchange rate applied in the translation of revenue, profit and cash flow items at average rates for 2019 was \$1.28 (2018 – \$1.34). The US Dollar exchange rate applied to the balance sheet at 31 December 2019 was \$1.33 (2018 – \$1.28).

Cautionary statement

The Annual Report & Accounts 2019 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.

GROUP AT A GLANCE

The Group aims to create long-term sustainable growth in shareholder value through a culture that empowers operations to work autonomously and collaboratively within an effective control framework.

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

Our purpose is to provide safe and innovative products for demanding thermal management and fluid conveyance applications.

30
WORLDWIDE
OPERATING
BUSINESSES

13
COUNTRIES

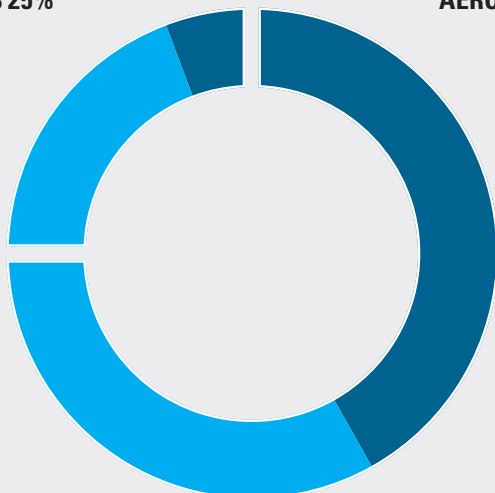
7,605
EMPLOYEES

OUR BUSINESS DIVISIONS

OUR TECHNOLOGY THEMES

FLEXONICS 25%

AEROSPACE 75%



FLUID CONVEYANCE

Product and System Design & Manufacturing IP

STRUCTURES

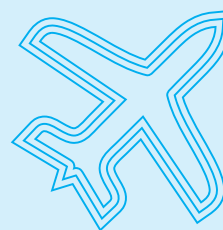
Complex Machining and Manufacturing Know-How: Process IP

Intellectual property (IP) is inherent in both design and manufacturing

Senior's businesses operate within its two technology themes: fluid conveyance (product and system design & manufacturing intellectual property) and structures (complex machining and manufacturing know-how: process intellectual

property) in four market sectors: civil aerospace, military aerospace, land vehicle and power & energy, with each offering deliverable growth opportunities.

AEROSPACE



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

Read more about Aerospace on [page 32](#)

1. CIVIL AIRCRAFT

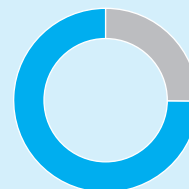
56%

2. MILITARY/DEFENCE AEROSPACE

13%

3. OTHER AEROSPACE DIVISION

6%



75%
AEROSPACE DIVISION

OUR PEOPLE WORLDWIDE

1. NORTH AMERICA

44%

2. UK AND EUROPE

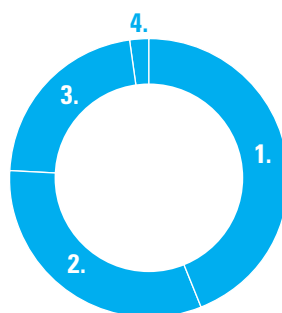
32%

3. ASIA

22%

4. REST OF THE WORLD

2%



Read more about our people and culture on [page 17](#)

OUR CUSTOMERS

Boeing	11%
Spirit	10%
Rolls-Royce	9%
UTC	5%
Lockheed	4%
Safran	4%
Airbus	4%
GE	2%
MTU	2%
Bombardier	2%
GKN	2%
Other Aerospace Division	20%



FLUID CONVEYANCE SYSTEMS

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



GAS TURBINE ENGINES

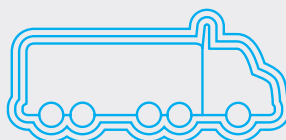
- Precision-machined and fabricated engine components (rotating and structural)
- Fluid systems ducting and control products



STRUCTURES

- Precision-machined airframe components and assemblies

FLEXONICS



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

Read more about Flexonics on [page 34](#)

1. LAND VEHICLES

11%

2. POWER AND ENERGY

14%

OUR CUSTOMERS

Cummins	3%
Caterpillar	2%
Other Land Vehicle	2%
Daimler	1%
Ford	1%
Faurecia	1%
Renault	1%
Schlumberger	2%
Emerson	1%
Other Industrial & Aerospace	11%



LAND VEHICLE EMISSION CONTROL

- Exhaust gas recycling coolers
- Fuel mixing and distribution systems
- Flexible couplings



INDUSTRIAL PROCESS CONTROL

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



CHAIRMAN'S STATEMENT



A year of focus on mitigating external challenges and positioning the business for the future.

IAN KING
CHAIRMAN

STRATEGY

The purpose of our Company is to provide safe and innovative products for demanding thermal management and fluid conveyance applications.

We work in a dynamic industry and there is no let up in the pace of change. This was never more apparent than when the tragic 737 MAX accidents happened, the implications of which are still being felt across the sector.

Key in those circumstances are to stress test your strategy and articulate a clear direction of travel. Companies must always move forward, there is not an option of standing still.

The Board has been very active and engaged and we feel that the Group has a robust strategy with a vision to be a trusted and collaborative high value-added engineering and manufacturing company delivering sustainable growth in operating profit, cash flow and shareholder value.

It is Senior's policy to review its portfolio on an ongoing basis and evaluate all of its operating businesses in terms of their strategic fit within the Group. In December 2019, Senior confirmed that it has been reviewing all strategic options for its Aerostructures business which includes an early stage assessment of a potential divestment of the division. That review continues and there can be no certainty that it will lead to a transaction.

We work within an effective control framework and achieve this through a culture driven by our values. We encourage openness, transparency and empower our operations to be autonomous and collaborative.

The Group benefits from its balance between Aerospace and Flexonics, drawing on shared technology and intellectual property in its fluid conveyance and thermal management businesses. We work in four key market sectors: civil aerospace, military aerospace, land vehicle and power & energy.

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

2019 PERFORMANCE AND DIVIDEND

The Group delivered a robust set of results in challenging market conditions. Recognising these challenges and the production decrease and subsequent temporary suspension of the 737 MAX production, management is driving hard mitigating actions. A Group-wide restructuring programme is underway which encompasses aligning direct headcount to match demand, overhead cost reductions through efficiency improvements, the transfer of work packages to South East Asia and closure of the South Caroline facility.

The Group has generated strong free cash flow of £58.3m. The Group balance sheet is robust with well structured financing arrangements in place.

The Board is proposing to maintain a final dividend of 5.23 pence per share which would bring total dividends, paid and proposed, for 2019 to 7.51 pence per share. The increase of 1.2% over 2018 reflects the Group's robust financial position and strong position in our core markets. Dividend cover is 2.2 times adjusted earnings per share.

THE BOARD

Senior has a strong and diversified Board. In April 2019, Mark Vernon stepped down as Senior Independent non-executive Director after serving from April 2016. He was succeeded by Celia Baxter, who joined the Board on 2 September 2013 and became Chair of the Remuneration Committee in December 2013. Celia also holds the responsibility of the Director designated to engage with the Group's employees.

The Board continues to recognise the importance of setting the right tone from the top of the organisation, in particular when it comes to Governance. The Corporate Governance Report (page 40 to page 81) examines our undertakings in 2019 in more detail. We also ensure that the health, well-being and safety of our employees is of critical importance and that our operations conduct themselves with integrity, in an ethical, sustainable and socially responsible manner.

The Group is focused on a set of non-financial metrics which range from diversity to carbon dioxide emissions to water consumed and how much waste is recycled in the businesses. The Environmental, Social and Governance Report on pages 12 to 17 looks at how Senior has achieved significant improvement against our non-financial targets in more detail.

Furthermore, in 2019, I continued my engagements with our stakeholders which included visits to Senior sites and meetings with our major shareholders. The Board as a whole also held two of the Board meetings on site in Malaysia and Seattle, engaging with local teams and executives.

SUMMARY AND OUTLOOK

Senior's continued strength is a reflection of the quality and diversity of the people within the global footprint of the Group. On behalf of the Board, I would like to thank all of the Group's employees for their substantial contribution to Senior in 2019.

2019 has been a challenging year; we have not stood still – mitigation plans are being implemented by the Executive teams led by David and Bindi. The strategy is robust, our Company purpose undiminished. Thank you, our customers, shareholders and stakeholders, for your support.

Having faced unprecedented challenges in 2019, and that although these challenges still persist in 2020, Senior is well positioned to deliver improved returns for our shareholders over the medium term.

IAN KING
CHAIRMAN

CHIEF EXECUTIVE'S STATEMENT



Senior delivered robust full year results and strong free cash flow performance.

DAVID SQUIRES
GROUP CHIEF EXECUTIVE

REVENUE

£1,110.7m

(2018 – £1,082.1m)

ADJUSTED PROFIT BEFORE TAX

£78.5m

(2018 – £83.0m)

ADJUSTED EARNINGS PER SHARE

16.17p

(2018 – 16.08p)

STRATEGIC PRIORITIES

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

02 **FOCUS ON GROWTH**

03 **INTRODUCE A HIGH
PERFORMANCE
OPERATING SYSTEM**

04 **COMPETITIVE COST
COUNTRY STRATEGY**

05 **CONSIDERED
AND EFFECTIVE
CAPITAL DEPLOYMENT**

06 **TALENT DEVELOPMENT**

Read more about our strategic priorities on [page 18 and 19](#)

OVERVIEW OF 2019 RESULTS

Senior has delivered robust full year results for 2019 with adjusted earnings per share growth and a strong free cash flow performance. This result has been delivered in a period where the business has faced challenges caused by the grounding of the Boeing 737 MAX fleet.

Group revenue was £1,110.7m (2018 – £1,082.1m). Excluding favourable exchange rate impact of £34.8m, and the year-on-year effect of disposals of £20.9m in constant currency, Group revenue increased by £14.7m (1.4%) with revenue growth in Aerospace and lower revenue from Flexonics year-on-year. Group order intake in 2019 was encouraging with a book-to-bill of 1.05x. The revenue increase in the Aerospace Division was driven by growth in both civil aerospace and defence markets. The Group was able to mitigate some of the 737 MAX revenue impact through stronger sales on other civil and military programmes. Flexonics revenue was lower as a result of disposals and softer end markets, particularly in land vehicles and upstream oil and gas markets, offset partly by improved repair and overhaul activity in the power & energy sector.

We measure Group performance on an adjusted basis, which excludes Group items that do not impact the underlying performance (see Note 9). References below therefore focus on these adjusted measures. Adjusted operating profit decreased by £2.2m (2.4%) to £89.4m (2018 – £91.6m). Excluding the favourable exchange rate impact of £3.8m, adjusted operating profit decreased by 6.3% on a constant currency basis.

The Group's adjusted operating margin decreased by 50 basis points, to 8.0% for the full year, with some improvement in Flexonics and, as anticipated, lower margins in the Aerospace Division. Margin improvement in the Flexonics Division reflected the benefits from our continued focus on cost management and efficiency initiatives, our Prune To Grow activity and favourable mix. The operating margin in the Aerospace Division was lower as increases from operational efficiencies and learning curve improvements were more than offset by the impact of the 737 MAX production rate decrease, start-up costs in our new Malaysia

facility and adverse mix between mature and new programmes. Central costs decreased by £2.0m to £13.5m (2018 – £15.5m) principally due to lower share-based payment charges, as well as our focus on cost management activities including lower consultancy costs.

Net finance costs increased by £2.3m to £10.9m (2018 – £8.6m) with an underlying decrease more than offset by a £3.5m increase related to the adoption of IFRS 16 Leases, which introduces a new accounting interest charge. Adjusted profit before tax decreased to £78.5m (2018 – £83.0m), down 5.4%, or 9.1% on a constant currency basis. The Group benefited from a one-off reduction in the effective tax rate for 2019, resulting in an adjusted tax rate of 14.5% for the year (2018 – 19.0%). Adjusted earnings per share increased by 0.6% to 16.17 pence (2018 – 16.08 pence).

Reported operating profit was £61.6m (2018 – £69.9m) and reported profit before tax was £28.7m (2018 – £61.3m). Basic earnings per share was 7.04 pence (2018 restated – 12.81 pence).

The Group has continued to focus on generating strong free cash flow and delivered free cash inflow of £58.3m (2018 – £45.3m) after gross investment in capital expenditure of £64.8m (representing 1.5x depreciation, prior to the impact of IFRS 16). Working capital as a percentage of sales was 13.3% at the end of 2019 (2018 – 14.4%), comfortably below our target ceiling of 15%.

Net debt during the course of the year reduced by £19.5m to £229.6m at the end of December 2019. The adoption of IFRS 16 from 1 January 2019 increased opening net debt by £96.1m, therefore net debt at the beginning of the year was £249.1m. The improvement in 2019 was principally due to free cash inflow of £58.3m and favourable currency movements of £7.3m with £31.2m dividend payments, £6.3m purchase of shares by the employee benefit trust, a £3.7m net outflow from disposal activity and £2.9m restructuring cash outflow. The adoption of IFRS 16 does not impact the Group's lending covenants as these are currently based on frozen GAAP and, on this basis, the ratio of net debt to EBITDA at 31 December 2019 was

CHIEF EXECUTIVE'S STATEMENT CONTINUED



We continue to invest in new technology and product developments which will support our higher medium-term return targets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) HIGHLIGHTS

CLIMATE

Senior achieved a "Leadership" rating of A- from the globally recognised CDP (Carbon Disclosure Project): the only UK Company in our sector to achieve a leadership rating. Furthermore, we achieved the same leadership rating from CDP for our work on supplier engagement.

We reduced our total carbon footprint by 3% from 60 to 58 tonnes per £m revenue in 2019.

In 2019 we recycled 92% of our waste, beating our 2020 goal of 90% two years early.

In 2019 we are working on new targets aligned with the Paris Agreement using the Science Based Targets methodology.

PEOPLE

We continue to prioritise Safety and Ethics above all else across the Group.

Our advanced behavioural safety programme continues to drive improvement. We achieved our published goal of a 50% reduction in Lost Time Injury Illness Rate in 2018, two years early.

We have a gender diverse workforce which was evident in our ranking of 58th in the FTSE 250 for FTSE women leaders in the Hampton-Alexander Review.

Participation in the 30% Club cross company mentoring scheme, with the aim of supporting the development of talented women.

SECTION 172

► Section 172 has been addressed on page 20

unchanged at 1.1x (31 December 2018 – 1.1x). The financial position of the Group remains robust.

Return on capital employed (ROCE) decreased by 50 basis points to 11.1% (2018 – 11.6%, on a post IFRS 16 basis) and was in excess of the Group's cost of capital. The decrease in ROCE was a result of the reduction in adjusted operating profit compared to prior year, with capital employed (post IFRS 16) remaining stable.

The Board is proposing to maintain a final dividend of 5.23 pence per share. This would bring total dividends, paid and proposed for 2019 to 7.51 pence per share, representing an increase of 1.2% over the prior year.

MARKET CONDITIONS

The civil aerospace market has been impacted by the grounding of the Boeing 737 MAX fleet following the Lion Air and Ethiopian Airlines tragic air accidents. As a consequence, in mid-April 2019 Boeing reduced the programme build rate from 52 airplanes per month to 42 per month. In December 2019, Boeing announced the temporary suspension of 737 MAX production beginning in January 2020, pending the certification and return to service of the airplane. Spirit AeroSystems, who manufacture the 737 MAX fuselage, also announced suspension of 737 MAX production effective January 2020. Production rates at CFM International, who manufacture the LEAP-1B engine for the 737 MAX, are also likely to be reduced.

Overall, demand for air travel in 2019 recorded another year of growth with IATA reporting an increase of 4.2% and passenger load factors registering an all-time high of 82.6%. Furthermore, the demand for new aircraft, in particular for single aisle aircraft, remains robust, with Boeing, Airbus and independent forecasters continuing to predict air traffic growth in excess of 4% per annum over the next 20 years.

As anticipated, production in 2019 of the A320neo, 767, 787, A350, A330neo, A220, Embraer 190/195-E2 and Bombardier Global 7500 ramped up and production of the classic 737, A320, A330, 777 and A380 ramped-down. The narrow-body aircraft market remains well supported by long term air traffic growth, as production ramp-up of the Airbus A320neo continues and with Airbus now saying that they see a clear path to further increase the monthly production rate by one or two aircraft in both 2022 and 2023.

In January 2020, Boeing successfully conducted the first flight of the 777X and reaffirmed their first deliveries for 2021. However, there has been some softening in demand for the wide-body platforms. Boeing announced a reduction in production rate of the 787 platform from 14 airplanes per month to 12 per month and, in early 2020, a further cut to 10 per month from early 2021. In February 2019 Airbus also announced that production of A380 would stop after fulfilment of the current order book. In February 2020, Airbus explained that they expect A330 deliveries of approximately 40 aircraft per year from 2020, which equates to a build rate of around 3.5 per month. They also clarified that the A350 build rate will stay between 9 and 10 per month.

Mitsubishi Aircraft rebranded the former MRJ90 as the SpaceJet M90 with first deliveries to commence in 2021 and expects the M100's (redesign of the stretched MRJ70) entry into service in 2023. The Bombardier Global 7500 was certified by EASA in February 2019 and the first 11 aircraft were delivered in 2019. The first Bombardier Global 6500 business jet entered into service in September 2019.

In the defence sector, the US market remains robust and global military spending continues to increase. Key growth programmes include F-35 as well as new aircraft such as the CH-53K King Stallion helicopter and the USAF T-7A Red Hawk. Mature programmes such as the C-130 transport aircraft and UH-60 Black Hawk helicopter continue in series production.



In our Flexonics Division, market production of North American heavy-duty diesel trucks increased 5.5% in 2019 compared to 2018 with growth of 22.1% in H1 2019 and a decline of 9.0% in H2 2019. Industry analysts are currently forecasting a downturn in the North American heavy-duty diesel truck market in 2020, with ACT Research forecasting a 34% decline in 2020 and Cummins forecasting a 40% decline. The North American medium-duty diesel truck market is also forecast to decline by 11% in 2020. For the upstream oil and gas market the US rig count decreased 25% in 2019 and is expected to contract further in 2020. However, international offshore is expected to grow and other power and energy sectors are forecast to be stable in 2020.

We are closely monitoring the development of the coronavirus (COVID-19), including the potential impact of any macroeconomic disruption to our end markets, our supply chain and those of our customers.

DELIVERY OF GROUP STRATEGY

Senior is focused on delivering improved returns for shareholders and is targeting a pre-tax ROCE in excess of 13.5% over the medium term on a post IFRS 16 basis. The Group benefits from its balance between Aerospace and Flexonics, drawing on shared technology and intellectual property in its fluid conveyance and thermal management businesses.

The Group is making good progress against our six strategic priorities which were identified as key elements of our business model, underpinning the continued delivery of improved shareholder value:

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

Further details including our plans for 2020 are noted on pages 18 to 19 of the Annual Report & Accounts 2019.

We continue to invest in new technology and product development which will support the higher medium-term returns we are targeting. As planned, we established our Advanced Additive Manufacturing Centre in Burbank, California, USA in 2019. The Centre is focused on designing and manufacturing metallic additive products to reduce cost, weight, and overall cycle time. It collaborates across Senior with new design possibilities and opportunities for additive manufacturing to contribute to cost reduction efforts on established programs. We are already manufacturing first parts for customer specific applications and the first qualified flight worthy hardware will be delivered in 2020. Additive is a key technology initiative, particularly well placed to enhance the design and manufacture of Senior's products.

We have secured our first development contracts for electric vehicle applications and in 2020 we expect to commence series production of our 70kW battery cooler and secure source selection for our newly developed inverter chill plate.

Technology development of our composite thermoplastic aerospace ducting product, RT2i™, has progressed well over the past year as we have advanced composite and component complexity and transitioned from development to production activities. We expect product qualification of the first shipset with the launch customer during 2020, with series production ramping up thereafter.

It is Senior's policy to review its portfolio on an ongoing basis and evaluate all of its operating businesses in terms of their strategic fit within the Group. In December 2019, Senior confirmed that it has been reviewing all strategic options for its Aerostructures business, which includes an early stage assessment of a potential divestment of the division. That review continues and there can be no certainty that it will lead to a transaction.

All investment decisions Senior makes follow our disciplined capital deployment approach which focusses on creating value for our stakeholders.

The Group's Prune To Grow activities in 2019 included the disposal of three more non-core businesses:

- In February 2019, the Group sold its French Flexonics land vehicle business, Senior Flexonics Blois SAS ("Blois"). Blois' main end market was European passenger vehicles.
- In September 2019, the Group disposed of its Flexonics operating company in Brazil, Senior Flexonics Brasil Ltda ("São Paulo"), serving the local automotive and power & energy markets.
- In October 2019, the Group sold its Aerospace business unit Senior Aerospace Absolute Manufacturing ("Absolute"), based in Washington state, USA which focused on small build-to-print precision machined components.

These transactions enable us to focus on opportunities in our core activities and to deploy capital in other parts of the Group with higher returns. These three disposed businesses represented less than 2% of Group revenue in 2019 (3% of Group revenue in 2018) and the transactions are slightly accretive to the Group's adjusted earnings for 2019. We will continue our Prune To Grow activity where appropriate, while maintaining a disciplined approach to additions into our portfolio.

CHIEF EXECUTIVE'S STATEMENT CONTINUED



With the actions we are taking to restructure the business and our strong position in attractive end markets, we expect to return to growth in 2021.

OPERATIONAL REVIEW

As noted in Market Conditions above, in mid-April 2019, Boeing reduced the 737 MAX programme build rate from 52 airplanes per month to 42 per month at a time when the supply chain had geared up for an increase to rate 57. In January 2020, Boeing suspended production of 737 MAX temporarily, pending the certification and return to service of the airplane. Spirit AeroSystems, who manufacture the 737 MAX fuselage, continued production at rate 52 through to the end of 2019 but has also announced suspension of 737 MAX production effective January 2020. Spirit does not expect to achieve a production rate of 52 shipsets per month until late 2022. CFM International, who manufacture the LEAP-1B engine for the 737 MAX, reduced production of the engine to rate 42 in the second half of 2019 and will also cut production rates for 2020. Senior currently has \$267k of shipset content on the 737 MAX.

We currently expect all of our 737 MAX customers to align around a new build rate and ramp profile over the course of 2020 and 2021 with a steady increase in rates over the next four years.

Against this backdrop, Senior's operating businesses took action to mitigate the impact of these 737 MAX related production decreases in 2019, for example by switching production to alternative product where there was strong order cover. We also implemented cost-reduction plans, as detailed in the Restructuring section which follows, as well as plans to improve cash generation, with particular focus on managing capital expenditure and improving working capital. We continue to align our resources to our customers' reduced 737 MAX production schedules. As a consequence, we have increased our restructuring activity and have reviewed our capital expenditure plans in the light of our revised expectations.

Outside of our actions to address the 737 MAX challenges, we continue to invest in our operational facilities to support planned growth. In November 2019, our Aerospace Fluid Systems business, Metal Bellows, opened a facility extension in Massachusetts, USA to support the strong growth we are seeing in that business across its aerospace, defence and industrial markets. In June 2019, we opened our second Aerospace facility in Kuala Lumpur, Malaysia, which has been established in response to customer contract wins, particularly on Airbus but also for Boeing platforms. Following several years of high capital investment to support growth, we are now past the peak investment phase and can expect future capital investment to be at more normal levels.

We are making solid progress as we continue to achieve cost reduction and learning curve improvements on newer programmes and are seeing improving returns in those businesses where new product introduction and industrialisation activity is near completion.

As we have previously outlined, any new work packages that we secure are expected to meet or exceed our return on capital targets and are in line with our capital deployment strategy. Similarly, when bidding for renewals of existing work we ensure our pricing discipline is firm, preferring to forego sales if the returns are not sufficient to meet our expectations. As we noted in our Trading Update on 7 November 2019, while we have successfully renewed a number of important long-term contracts in 2019, we decided not to renew certain contracts that did not meet our returns requirement.

We continue to embed the Senior Operating System across the group with all businesses now regularly undertaking kaizen events and lean activities focused on cost reduction, cycle time reduction and inventory reduction.

Environmental Social and Governance ("ESG") matters are a high priority for Senior and we have made good progress in 2019. Amongst the highlights, from an environmental perspective Senior achieved a Leadership rating of "A-" from the globally recognised Carbon Disclosure Project ("CDP"): the only UK company in our sector to achieve a Leadership rating. Furthermore, we achieved the same Leadership rating from CDP for our work on supplier engagement. The Board is committed to supporting The Paris Agreement under which the central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The Group has established stretching science-based targets for Scope 1 and 2 emissions as defined under this Agreement, with active plans in place to achieve these targets. Furthermore, the Board has committed to finalise Scope 3 emissions targets in the first half of 2020 that will support the more ambitious 1.5 degrees Celsius target.

From a safety perspective Senior improved its Lost Time Injury Illness Rate from 0.50 to 0.44 – the fourth successive year of meaningful improvement. The Board has set a stretching target of 0.30 for 2023. The improvement has come about through the implementation of a tailored behavioural safety programme which was jointly developed by Senior and the world-renowned Keil Centre.

Senior continues to focus on Diversity and Inclusion and is an active participant in The Hampton Alexander Review and 30% Club, both of which focus on gender diversity on Boards and senior leadership teams. In 2019, women represented 38% of our Board and 33% of our Executive Team.



RESTRUCTURING

We are taking actions to mitigate the challenges associated with lower sales anticipated in 2020. As previously announced, we have implemented a restructuring programme across the Group, which includes:

- Aligning direct headcount to match capacity to sales demand profile
- Further efficiency improvements resulting in overhead cost reductions
- Transferring major work packages to South East Asia, to take advantage of our global footprint and cost competitive country strategy
- Closure of Senior Aerospace AMT's South Carolina facility

In our Trading Update on 7 November 2019, we noted that these activities were expected to result in a total adjusted restructuring charge of around £20m with a restructuring cash outflow of £15m to be incurred over 2019 and 2020. However, in light of Boeing's temporary halt in production of the 737 MAX and assumptions around reduced production rates and the slower ramp up, we now expect the total adjusted restructuring charge to increase to around £23m, taking into account additional headcount reductions as we match capacity to demand.

In 2019, the Group recognised an adjusted restructuring charge of £12.1m. This comprised £4.4m related to Group headcount reduction of 5% in H2 2019, with 8% reduction in Flexonics and 4% reduction in Aerospace; £3.4m for write-down of inventory primarily relating to contracts that had ended; £2.9m related to impairment and disposal of fixed assets including the closure of AMT's South Carolina facility; and £1.4m was for other associated costs including the transfer of work packages to our cost competitive site in Thailand. Total cash outflow in 2019 for these activities was £2.9m with £4m of savings delivered, mainly related to lower headcount.

A cash outflow of £12m is expected to be incurred for these restructuring activities in 2020, including additional headcount reductions particularly in Aerospace. The total adjusted charge of this restructuring programme is expected to be largely recovered in 2020 and 2021, with savings of around £20m expected to be delivered in 2020.

OUTLOOK

The outlook for the Aerospace Division remains consistent with the position set out in the market update of 31 January 2020, with Aerospace revenue in 2020 currently expected to be around 20% below 2019 levels and we expect to return to growth in 2021. Performance in 2020 will be weighted more to the second half than normal because of the 737 MAX situation.

Current economic forecasts suggest that Flexonics cyclical end markets will continue to decline in 2020, before starting to recover in 2021. We therefore expect Flexonics revenue to be lower in 2020 compared to 2019.

The impact of the anticipated sales reduction in both divisions will only be partially mitigated by savings from the restructuring programme and therefore margins in both divisions in 2020 are likely to be lower than those achieved in 2019.

We are closely monitoring the development of the coronavirus (COVID-19), including the potential impact of any macroeconomic disruption on our end markets, our supply chain and those of our customers.

However, we entered 2020 with a robust balance sheet and a continued focus on cost, efficiency and cash generation. We are taking firm actions to restructure the business and have every confidence in returning to growth in 2021.

DAVID SQUIRES
GROUP CHIEF EXECUTIVE

OUR BUSINESS MODEL

OUR PURPOSE

To provide safe and innovative products for demanding thermal management and fluid conveyance applications

WHAT WE DO

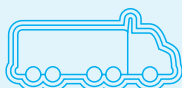
Senior designs, manufactures and markets highly engineered, technology rich components and systems for principal original equipment producers in the worldwide aerospace, defence, land vehicle and power & energy markets.

The Group has a global footprint with 30 operating businesses located in 13 countries servicing blue-chip customers.

READ MORE ABOUT OUR OPERATIONAL REVIEW



Aerospace
page 32



Flexonics
page 34

HOW WE DO IT

OUR CORE VALUES – THE “SENIOR WAY”

SAFETY

We operate safely, protecting people and the environment.

INTEGRITY

We operate with integrity and in an ethical manner.

CUSTOMER FOCUS

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

RESPECT AND TRUST

We work together with mutual respect and trust.

ACCOUNTABILITY

We do what we say.

EXCELLENCE

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

OUR CULTURE

Our values underpin our culture. They guide and shape employees' behaviours.

OUR STRENGTHS/DIFFERENTIATORS

ORGANISATION

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

FINANCIAL

- Financial strength supporting investment and innovation for customer benefit

GLOBAL FOOTPRINT

- 30 operating businesses in 13 countries covering five market sectors
- An integrated global footprint providing customers with market proximity and cost competitiveness

PEOPLE AND CULTURE

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

Read more about our people on page 17

INNOVATION

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

OUR VISION

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

OUR STRATEGIC PRIORITIES

AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL

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

FOCUS ON GROWTH

We seek to outgrow our end markets, who grow naturally at around 4% through the cycle, both organically and through acquisition by:

HIGH PERFORMANCE OPERATING SYSTEM

Senior is implementing a high performance operating system, drawing on the many excellent practices from across the Group, through the Senior Operating System and a strengthened business review process.

COMPETITIVE COST COUNTRY STRATEGY

Enhance Senior's global footprint to ensure our businesses stay competitive at a capability and cost level, with key investments in Thailand, Malaysia, China, India, Mexico and the Czech Republic to help ensure we meet our customers' cost and price challenges whilst protecting margins. We are actively moving products and establishing increasingly sophisticated capabilities in these competitive cost economies which frees up capacity in our European and North American factories, which is needed to satisfy increasing levels of demand.

CONSIDERED AND EFFECTIVE CAPITAL DEPLOYMENT

Senior understands the importance of considered and effective capital deployment in the interest of maximising the creation of shareholder value.

TALENT DEVELOPMENT

Senior has a skilled workforce and highly experienced entrepreneurial business leaders.

Read more about our strategic priorities on [pages 18 to 19](#)

OUR LONG-TERM SUSTAINABLE VALUE

WE AIM TO CREATE VALUE FOR ALL OUR STAKEHOLDERS THROUGH OUR BUSINESS MODEL



OUR SHAREHOLDERS

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



OUR CUSTOMERS

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



OUR SUPPLIERS

Developing reliable, ethical and sustainable supply chains ensuring we can meet our customers' requirements



OUR PEOPLE

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



OUR COMMUNITIES

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Senior achieved a “Leadership” rating of A- from the globally recognised CDP.

20/20 OBJECTIVES

In 2015, we launched our 20/20 vision for sustainability, a five-year strategy. Our vision has three core themes: Environment, Workplace and Community.

ENVIRONMENT



WASTE RECYCLED

Objectives

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

Achieve a recycling rate greater than 90%.

Progress

In 2019 our recycling rate was 92%.



WATER CONSUMPTION

Objectives

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

Achieve a water intensity below 0.31 Mega litre/£m revenue.

Progress

In 2019 our water intensity was 0.31 Mega litre/£m revenue.



CARBON EMISSIONS

Objectives

Reduce carbon emissions through improved energy consumption and efficiency measures.

Reduce carbon emission intensity to less than 77 Tonnes of CO₂e/£m revenue.

Progress

In 2019 we achieved a carbon intensity of 58 Tonnes of CO₂e/£m revenue.



CERTIFICATION

Objectives

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

All businesses to be Certified to ISO 14001.

Progress

All Senior businesses are accredited to ISO 14001.

ENVIRONMENT

ISO 14001

All businesses in the Senior Group have Certification to ISO 14001. This is a Group requirement.



WASTE RECYCLED

In 2019, we recycled 92% of our waste, with a number of our businesses achieving zero waste to landfill where local conditions are favourable to recycling opportunities. This is a result of a concerted effort by our operations to examine opportunities to minimise waste and, where possible, investigate new recycling opportunities.

The total volume of waste recycled by the Group in 2019 increased by 2% compared to 2018.



WATER CONSUMPTION

We continue to monitor and report on water usage. Businesses incorporate water saving initiatives as they continue to refine production processes. In 2019 our water intensity remained constant at the 2018 rate of 0.31 megalitre/£m turnover.

SENIOR FLEXONICS CAPE TOWN – WATER HARVESTING & EFFICIENCY SAVINGS PROJECT

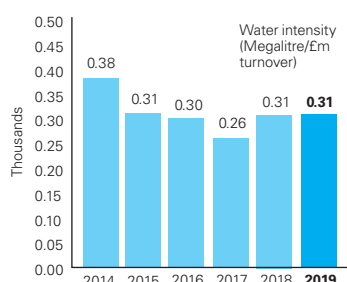
A significant rain-water harvesting project has been implemented in Senior Flexonics Cape Town. After three years of poor rainfall, the city announced drastic action was needed to avoid running out. Alongside measures targeted at domestic use, the city of Cape Town also called on the agricultural and commercial sectors for water savings projects.

The project was particularly relevant for implementation in Cape Town as there has been recent droughts, reportedly resulting in the City being just 90 days away from turning off the taps in businesses and domestic dwellings. The project was led by Arlou Kriel, Safety and Environmental lead at Senior Flexonics Cape Town and started in November 2019. In just two months, the

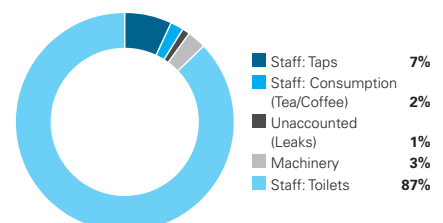
project resulted in harvesting 50,000 litres from the ground (well point water) and roofs of the business. As such, Senior Flexonics Cape Town believes that harvesting at the facility for a full 12 months could result in 200,000 litres, which would reduce dependency on precious mains water source.



GROUP WATER CONSUMPTION



SENIOR FLEXONICS CAPE TOWN'S MAIN WATER CONSUMERS



LOST TIME INJURY ILLNESS
RATE REDUCED BY

12%

WORKPLACE



HEALTH AND SAFETY Objectives

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

Reduce Lost Time Injury Illness Rate from 1.03 to 0.5.

Progress

The target to reduce LTIIR to less than 0.5 was achieved in 2018. In 2019 we reduced our LTIIR by 12% (to 0.44) compared with 2018.



ETHICS Objectives

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

Progress

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

Contracted with an external provider for handling whistle-blowing notifications.



EMPLOYEE ENGAGEMENT Objectives

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

Progress

Global roll out of Learn, our learning management platform and ongoing implementation of "Perform", our global performance and development system.

We continue to identify high potential individuals and talent through robust succession planning and ensure that they have appropriate development plans in place.



SUPPLY CHAIN Objectives

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

Progress

A Responsible Sourcing Policy has been adopted.

Key suppliers have been included in the assessment process.



COMMUNITY PARTICIPATION Objectives

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

Progress

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

SUMMARY OF ENVIRONMENTAL PERFORMANCE

	2013	2014	2015	2016	2017	2018	2019
Energy efficiency (MWh/£m revenue)	204	202	194	184	171	169	161
Scope 1 GHG (tCO ₂ e)	9,466	11,475	12,092	10,906	10,348	10,414	10,378
Scope 2 GHG (tCO ₂ e)	51,151	56,787	56,482	59,578	55,941	51,226	51,120
Scope 3 GHG (tCO ₂ e)	5,631	2,796	4,130	4,089	4,123	3,738	2,991
Tonnes CO ₂ emitted per £m of revenue	85.47	86.14	85.58	81.28	65	60	58
Water usage (in megalitres)	275	314	264	288	268	332	342
Percentage of waste recycled or recovered	71%	81%	82%	81%	91%	92%	92%
Water usage per £m of revenue	0.36	0.38	0.31	0.30	0.26	0.31	0.31

NON-FINANCIAL INFORMATION STATEMENT

In compliance with the Non-Financial Reporting requirement set out in sections 414CA and 414CB of the Companies Act 2006, the table below illustrates where our stakeholders can find information to understand the development, performance, position and the impact of its activities in respect of non-financial matters. The due diligence carried out for each policy is contained within each policy's documentation.

REPORTING

WHERE TO FIND IT

Environmental Matters	- Environmental, Social and Governance (ESG) - Health, Safety and Environment Policy	Pages 12-16 www.seniorplc.com
Employees	- Employee Engagement - Talent Management - Equality, Diversity and Inclusion	Pages 16, 26, 41, 48 Pages 17, 19, 20 Page 17
Social Matters	Community Engagement	Pages 17, 20
Respect for Human Rights	- Statement on Anti-Slavery and Human Trafficking - Anti-bribery and Anti-corruption Policy - Modern Slavery Statement	Page 53 Pages 16, 53, 54 www.seniorplc.com
Business model Principal risks KPIs	- Business Model - Risks and Uncertainties - KPIs	Pages 10-11 Pages 24-29 Pages 22-23

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED

CLIMATE CHANGE AND CARBON



The management of carbon emissions and the associated effect on global climate change to our markets is considered throughout Senior's activities.

We are aware that markets are developing to address global warming and our customers will demand new and revised products. Senior is active in working with its customers to find solutions to reduce emissions and provide products to be used in low carbon emitting applications, some examples are shown opposite.

SCIENCE-BASED TARGETS FOR CARBON EMISSIONS

During 2019, Senior worked with leading consultants to explore the setting of Science-Based Targets for Carbon reduction applicable to all Group operations.

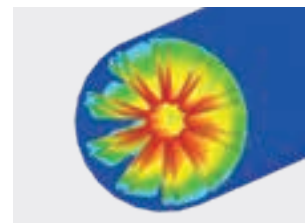
Global mean temperatures are projected to increase 3.7 to 4.8°C by the end of the century, scientists believe this will have catastrophic and irreversible effects on the world's eco-systems. The international scientific community has identified the need to limit global warming to 2°C to mitigate the most harmful effects of climate change. Science-based targets calculate the level of decarbonisation required to keep global temperature increase below 2°C. This ensures targets are meaningful and aligned with current climate science.

The Science-Based Targets initiative (SBTi) provides technical resources to help companies set science-based emissions targets and recognises companies that commit to this important action. Setting a science-based target offers Senior plc the opportunity to demonstrate leadership and commitment to its employees, suppliers, customers and investors. The SBTi model provides the most robust and respected methodology for setting targets to address climate change.

ADDRESSING THE CHANGING LANDSCAPE

BATTERY THERMAL MANAGEMENT SYSTEM

senior

EXHAUST GAS RECIRCULATION (EGR) COOLER**HEAT SINK IN ELECTRIC/HYBRID CARS****RADIAL FIN (EXHAUST GAS RECIRCULATION) COOLERS – COMBINING HIGHEST EFFICIENCY WITH HIGHEST DURABILITY**

Senior has completed work on establishing Science-Based Targets for Scope 1 and 2 Carbon Emissions. Work is well underway investigating the Group's Scope 3 Emissions and we expect to be in a position to have our Science-Based Targets verified in 2020.

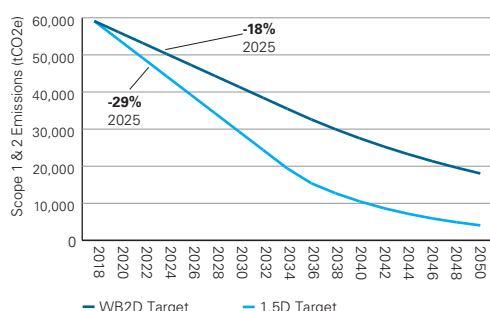
CARBON EMISSIONS 2019

In 2019 we have seen a small decrease in our absolute Scope 1 (direct) carbon emissions compared with 2018. Scope 2 (indirect) emissions have also reduced slightly compared with 2018. These decreases have occurred against an overall increase in activity meaning that our carbon intensity (measured as tonnes CO₂ e per £m revenue) has decreased by around 3% year-on-year.

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

WE HAVE MODELLED THREE TARGET OPTIONS FOR SENIOR USING THE NEW SBTI TOOLS AND CRITERIA

Senior commits to a 30% reduction in Scope 1 and 2 emissions by 2025 aligning us with a commitment to maintain global warming to less than 1.5°C

**SCOPE 1: DIRECT EMISSIONS****SCOPE 2: INDIRECT EMISSIONS****SCOPE 3: VALUE CHAIN EMISSIONS**

Senior participate in FTSE4GOOD.



Senior has been reporting its carbon emissions to CDP (formerly Carbon Disclosure Project) since 2010. CDP is a globally recognised non-profit organisation which focuses on investors, companies and cities, helping these organisations to understand and measure their environmental performance.

Senior achieved a “Leadership” rating of A- from the globally recognised CDP (Carbon Disclosure Project): the only UK Company in our sector to achieve a leadership rating. Furthermore, we achieved the same leadership rating from CDP for our work on supplier engagement.

The high-ranking score is a testament to the importance we place on the environment and communities in which we operate and is a result of the continuing hard work staff in our businesses are undertaking to reduce our environmental impact.

We recognise that some of our products are used in applications which reduce emissions and in low carbon applications, our leadership score in CDP recognises that we are aligned to the changing business requirements demanding low carbon solutions.

Senior plc received an A- which is in the Leadership band. This is higher than the Europe regional average of C, and higher than the Powered machinery sector average of B.

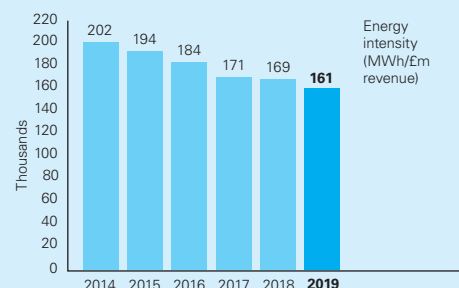
Leadership (A/A-): Implementing current best practices

Management (B/B-): Taking coordinated action on climate issues

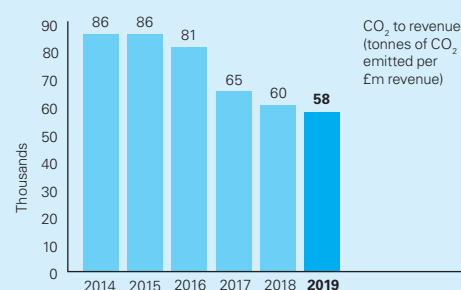
Awareness (C/C-): Knowledge of impacts on, and of, climate issues

Disclosure (D/D-): Transparent about climate issues

ENERGY INTENSITY



CO2 TO TURNOVER



WORKPLACE



HEALTH AND SAFETY

Health and Safety is an established core value throughout Senior. In the last few years we have strengthened our health and safety culture using our “Senior Essential Behaviours” as a standard to guide and inform staff at all levels within the organisation.

The primary metric we use is Lost Time Injury Illness Rate (LTIR), defined as the number of work-related lost time injury or illness cases (losing more than one complete shift) per 100 employees.

In 2015, we established a target to reduce our LTIR to 0.5 from 1.03, a reduction of over 50%. We achieved this target in 2018, two years ahead of schedule and have seen a further decrease in 2019 of 12% to 0.44. No work-related employee or contractor fatalities occurred in the Senior Group in 2019.

In 2019, we made improvements to data collection for “Total Recordable Injury Illness/Injuries”.

The Total Recordable Injury Illness Rate is defined as the number of cases of: lost workdays, restricted work activities, job transfers, medical care beyond first aid and work-related illnesses expressed per 100 employees.

We have seen an increase in the Total Recordable Injury Illness Rate in 2019 compared with 2018, over 60% of the reportable cases were job transfers where employees were assigned alternative duties, this is predominantly concerning long-standing musculoskeletal conditions. We are planning to continue our focus on ergonomics in 2020.

Safety is one of our Core Values, and we expect our employees to take a proactive approach to the safety of their workplace. We recognise that the reporting of near misses or potential incidents prevents accidents, reduces the likelihood of serious accidents and raises awareness of potential hazards, thereby reinforcing our safety culture. In 2019 we had 12,700 reports across our operating businesses, an increase of over 60% in our reports in the previous year.

In 2020, we plan to continue the roll-out of our “My Team My Responsibility” programme for first line management, this is based around our “Essential Behaviours for Safety”. To date, we have included around 300 first line management staff in this programme.

We currently have six of our businesses Certified to OHSAS 18001/ISO 45001 for Health and Safety.

INJURY RATES



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

These sets of behaviours support each other through common themes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED

WORKPLACE



ETHICS

Our Core Value of “Integrity” is essential to our success. Senior remains committed to the highest standards of ethics, promoting the culture of zero tolerance towards bribery and corruption. Employees can give honest feedback, express concerns about questionable practices allowing us to take corrective actions when mistakes happen. Our ethics and business conduct programme commits us to conducting business fairly, impartially and in compliance with local laws and regulations and to acting with integrity and honesty in our business relationships. The programme is underpinned by the Code of Conduct, which provides a clear framework on which to base decisions when conducting day-to-day business. It does this by:

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

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

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

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

Please refer to the Corporate Governance Report on pages 53 to 55 for further information on Corporate Ethics and the Code of Conduct.

2019 UPDATE

- The 2019 Code of Conduct training programme was completed by all employees using the Learning Management System implemented in 2019.
- Employees completed information security training which included information on protecting personal and sensitive data.

OUR PLANS FOR 2020

- All employees will be required to complete the 2020 Code of Conduct training programme.
- Additional short refresher training will be issued on a quarterly basis.



EMPLOYEE ENGAGEMENT



Our Core Value of “Excellence” is a cornerstone of our culture. We aim to achieve excellence by embracing innovation and opportunities, challenging the status quo and encouraging collaboration to share best practices to boost efficiency and competence. The global roll out of our new Learning Management platform has been a major success. As well as providing a method for delivering a range of compliance-based education for example, Code of Conduct and Cyber Security training, we have also launched a number of skills-based modules to enable individuals to select topics to enhance their knowledge and develop skills. Topics covered so far include: Objective Setting, Giving and Receiving Feedback, Coaching Skills and Delegation as well as a number of well-being topics such as De-stressing your Inner and Outer World.



We remain focused on attracting and developing talent and key to this is the ongoing roll-out of “Perform”, our Performance and Development system.

The system provides a framework for managers to set clear objectives, both business and personal development, assess performance and behaviours with a direct link to our Values, review career aspirations and create individual development plans. Perform supports and informs the increased focus on maximising the potential of our employees via robust succession planning. The Executive Committee, supported by the Group HR Director, conducts an extensive review of Operating Businesses leadership succession plans. The review scrutinises our talent pipeline, identifying successors or interim cover for key roles across our businesses and ensuring appropriate development plans are in place to enable individuals to fulfil their potential. The Board reviews the Succession plans for the Executive Team and their direct reports on a Bi-annual basis.



SUPPLY CHAIN

Reliable, sustainable and ethical supply chains are essential in ensuring that we can meet our customers’ requirements.

Our businesses have communicated the requirements of the Group Responsible Sourcing Policy to key suppliers. We regularly provide feedback to our suppliers on their performance and, where necessary, will agree improvement action plans. We ensure that suppliers comply with our Responsible Sourcing Policy which includes our position on Modern Slavery. These interactions cover a broad range of topics such as cost efficiencies and ways of working as well as environmental and ethical compliance.

We take great care to treat our suppliers fairly. Our Board reviews biannual Payment Practices Reports on payments to our suppliers. During 2019 steps have been taken to provide greater insight on our supply chain and its resilience to the Board.

COMMUNITY



COMMUNITY GIVING

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

PRODUCT GOVERNANCE

Product quality is absolutely core in all of Senior’s businesses and activities.

All of Senior’s businesses have ISO 9001 accreditation for manufacturing; furthermore, the businesses have additional aerospace and automotive accreditations dependent upon their intended markets.

- Ultimate responsibility for product quality/safety lies with the senior manager of each business unit.
- Products undergo service/safety risk assessments as required in our demanding markets.
- Employees receive regular training on product/service safety.
- All businesses have in place Incident investigation and corrective action policies and procedures.
- All businesses have quality testing programmes.
- Product/service objectives or targets are set in the businesses to meet customer requirements.
- Regular external product/service safety audits are conducted where standards require.

OUR PEOPLE AND CULTURE

Senior's autonomous and collaborative business model is at the heart of how we work. A key enabler is our Values. Our Values define behaviours we expect from employees which, in turn, set the tone of our culture. The Operating Businesses benefit from devolved decision making and the ability to act independently within a clear corporate governance framework. Our Core Value of "Accountability" defines our commitment to stakeholders – we aim to deliver on time and always maintain high professional standards. We expect employees at every level of the organisation to take responsibility for their actions and be consistent with what they say and do.

The calibre and capability of people within the Group drives our success and we recognise the importance of attracting the best talent into the business and retaining and developing individuals to enable them to do their best work. Consistent positive feedback themes from the employee focus groups hosted by the Group HR Director were teamwork and the nature of the work we do. There is a genuine pride in the work we do for our customers and the supportive environment we create where colleagues work as a team, sharing skills and knowledge and continuously looking for process improvements.

We continuously assess training and development needs and provide both skills and technical training across the Group. Examples include, Behavioural Safety, Making a Difference: a leadership development programme, and our Operational Excellence Leadership programme. We also recognise that a significant proportion of learning is on the job and our culture of sharing knowledge and supporting colleagues is central to developing technical competencies in our operations. We have many long serving employees with highly developed skills who are happy to pass on their expertise.

Inevitably in an organisation the size of Senior, there are occasions when individuals have concerns, and these were also shared during the focus groups held in 2019. One of the concerns voiced, was a recognition that it is becoming increasingly difficult to recruit people with the right skills. To counter this, many of our

operations have onboarding and inhouse training programmes, as well as working with local technical colleges to encourage individuals to choose a career in manufacturing.



We are continuing the roll out of "Recruit", our online recruitment system to make it easier for people to apply to Senior and enhance the candidate experience, including the ability to use mobile devices to apply.

There are rare occasions when people have concerns they wish to raise more formally. To facilitate this, in 2019 we launched, and heavily promoted a new improved process for "SpeakingUp". The third-party service provides a mechanism for individuals to raise concerns in their native language via a range of mediums, for example, via an App or on the telephone. All these concerns are reported to the Board as a standing agenda item, providing an additional insight for the Board into our culture. Once investigations are completed, learning points are actioned by local leadership teams as appropriate.

EQUALITY, DIVERSITY AND INCLUSION

"Respect and Trust" is one of our Core Values that underpins our culture. This value defines our commitment to be open and straightforward with colleagues, customers, suppliers and other stakeholders. We appreciate and value individuality, recognising benefits of diverse perspectives, contributions and local cultures.

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

The Group's Equality, Diversity and Inclusion policy is contained within the Code of Conduct and during the year, all employees received training to ensure everyone understands the

importance of treating everyone they meet in the course of business with respect, fairness and dignity. Employees are required to comply with the Code of Conduct and the policies included therein. The Executive and business leaders continue to focus on providing a diverse and inclusive workplace, for example, by ensuring that policies and procedures that support the attraction, selection, retention and promotion of people from a diverse range of candidates based on skills and merit. In addition, Senior's operating businesses adopted local policies as a means of helping to achieve these aims. For example, in the UK Senior is participating in the 30% Club cross company mentoring scheme for the second year, to encourage the development of talented women.

The table below shows the Senior Group's Board of Directors, Executive Committee and Operational Senior Management in 2019 by gender.

	Gender	
	Male	Female
All Employees	80%	20%
Operational Senior Management	85%	15%
Executive Committee	67%	33%
Board	62%	38%

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

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

COMMUNITY ENGAGEMENT IN INDIA:

IMPACTING THE LIFE OF 231 SCHOOL STUDENTS

At Senior Flexonics New Delhi, it is our firm belief to give it back to the society through our community engagement process which also addresses the Group's core priority area. We aim to improve the quality of life through effective partnership on a sustainable basis. Keeping the above objective in mind, this year we have collaborated with an NGO – Akshay Patra Foundation to resolve issues of malnutrition and support the right to education of Socio- economically disadvantaged children.

We have sponsored 231 primary schoolchildren in Runakta Village, Vrindavan, Uttar Pradesh. Through this initiative we are providing hot and nutritious meals, cooked with utmost hygiene and quality, to the children. This has brought immense delight to school students as well as addressing malnutrition and supporting the right to education.

SIDHARTH YADAV
HR MANAGER
SENIOR FLEXONICS NEW DELHI



STRATEGIC PRIORITIES

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

01

ENHANCE SENIOR'S AUTONOMOUS AND COLLABORATIVE BUSINESS MODEL

Senior's business model is one of empowering and holding accountable our businesses, operating within a clearly defined divisional structure, to develop and deliver business plans in line with overall Group strategy. Increasing collaboration amongst businesses in the Group is a priority to ensure economies of scale are realised whilst maintaining the autonomous business structure. Business leaders throughout Senior are actively embracing collaboration activities with priorities set at Group level in consultation with the businesses.

WHAT WE'VE DONE SINCE 2015

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

OUR PLANS FOR 2020

- Continue to focus front end collaboration efforts on multi-site business opportunities; and
- Accelerate collaboration between cost competitive countries and North American, UK and European businesses to achieve increased market share.

GOVERNANCE

The Board reviews the progress of the implementation of its autonomous and collaborative business model at its annual Board Strategy Review.

RISK/GOVERNANCE

Read more on [pages 40 to 54](#)

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 organically and through acquisition.

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

- Deliver first qualified flightworthy hardware from our Advanced Additive Manufacturing Centre;
- Electric vehicle:
- commence series production of 70kW battery cooler; and
- secure source selection for inverter chill plate;
- Complete qualification of our RT2i composite thermoplastic aerospace ducting product and commence production deliveries on the launch programme.

GOVERNANCE

The Board is presented with the Group Financial Report for review at each Board meeting. The potential for growth is reviewed at each Board Meeting and the long-term strategic growth plan at the annual Board Strategy Review.

RISK/GOVERNANCE

Read more on [page 40 to 54](#)

03

INTRODUCE A HIGH PERFORMANCE OPERATING SYSTEM

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

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

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

- Continue to embed the Senior Operating System across the Group;
- Continue to undertake targeted performance workshops in businesses with biggest improvement opportunities; and
- Multiple lean events focused on cycle time reduction, cost reduction and inventory reduction planned.

GOVERNANCE

The progress of the introduction of our high performance operating system is reviewed at the Board Strategy Review on an annual basis.

RISK/GOVERNANCE

Read more on [page 40 to 54](#)



04

COMPETITIVE COST COUNTRY STRATEGY

Enhance Senior's global footprint to ensure our businesses stay competitive at a capability and cost level, with key investments in Thailand, Malaysia, China, India, Mexico and the Czech Republic to help ensure we meet our customers' cost and price challenges whilst protecting margins. We are actively moving products and establishing increasingly sophisticated capabilities in these competitive cost economies which frees up capacity in our European and North American factories, which is needed to satisfy increasing levels of demand.

WHAT WE'VE DONE SINCE 2015

- Opened new airframe structures facility in Thailand in June 2016;
- Expanded in the Czech Republic by doubling manufacturing capacity;
- Ramped-up new Aerospace programmes in Thailand and Malaysia;
- Ramped-up cooler and common rail production at our facilities in India and Mexico;
- Transferred Aerospace Fluid Systems work packages to Aerospace Mexico;
- Continued to win more new business in China, India, Malaysia and Thailand; and
- Opened new Aerospace facility in Malaysia in 2019.

OUR PLANS FOR 2020

- Accelerate collaboration between cost competitive countries and North American, UK and European businesses to achieve increased market share; and
- Successfully launch new programmes in Thailand, Malaysia, India, Mexico and China.

GOVERNANCE

The performance of each business is reviewed at each Board meeting. The overall progress of the competitive cost country strategy is reviewed at the Board Strategy Review on an annual basis.

RISK/GOVERNANCE

Read more on [page 40 to 54](#)

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. 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 13.5% on a post IFRS 16 basis.

- Disposed of loss making small commodity composites business based in Wichita;
- Sold non-core Aerospace BWT Ilkeston UK site;
- In February 2019, sold French Flexonics non-core passenger vehicle parts business, Senior Flexonics Blois;
- In September 2019, sold Flexonics operating business in Brazil, Senior Flexonics Brasil Ltda, serving local automotive and power & energy markets;
- In October 2019, sold Aerostructures business, Absolute Manufacturing, which focused on small built-to-print precision machining components;
- Invested £229m in organic capital expenditure over the last four years to support growth programmes;
- Full year dividend per share (total paid and proposed) increased by 21% over last four years; and
- Working capital reduced from 15.1% of revenue at the end of 2015 to 13.3% of revenue at the end of 2019.

- Maintain our pricing and return on capital discipline when assessing investments;
- Follow a progressive dividend policy reflecting earnings per share, free cash flow generation and dividend cover over the medium term;
- Continue to review performance of existing portfolio against returns on capital targets and take action as required; and
- Complete review of strategic options for Aerostructures business.

GOVERNANCE

The Board regularly reviews its portfolio to ensure that long-term value is being generated for shareholders. Where appropriate, divestments will be considered. M&A opportunities are evaluated and discussed at each Board Meeting and the M&A and Prune To Grow strategies are reviewed at the Board's Strategic Review.

RISK/GOVERNANCE

Read more on [page 40 to 59](#)

06

TALENT DEVELOPMENT

- Appointed Group HR Director, responsible for HR strategy across the Group;
- Continued to work with external partners to deliver development programmes for our top talent from around the world;
- Improved succession planning process, including improving gender diversity in succession plans for senior leadership team;
- Ongoing rollout of our Global Performance Management System – "Perform";
- Successful implementation of our Talent Acquisition System, "Recruit", to the pilot businesses; and
- Successful global roll out of "Learn", a Learning Management System.

- To attract and develop talent, we will continue to implement "Recruit" and launch more skills and content development via "Learn";
- Continue to focus on diversity and inclusion across the business; and
- Implementation of a Global Employee Engagement Survey to assess culture and employee engagement across the Group.

GOVERNANCE

The Executive Committee conducts an extensive review of Operating Businesses leadership succession plans. The review scrutinises our talent pipeline, identifying successors or interim cover for key roles across our businesses and ensuring appropriate development plans are in place to enable individuals to fulfil their potential. The Board reviews the Succession plans for the Executive Team and their direct reports on a Bi-annual basis.

RISK/GOVERNANCE

Read more on [page 40 to 54](#)

STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders is fundamental to our business success. Our stakeholders are people, communities and organisations with an interest or concern in our purpose, strategy, operations and actions. Senior engages with five key groups – shareholders, customers, suppliers, employees and our communities. By engaging and collaborating with our stakeholders we can ensure our business grows and delivers long-term sustainable value.

WE AIM TO CREATE VALUE FOR ALL OUR STAKEHOLDERS



EMPLOYEES

The calibre and capabilities of the people within the Group drive our success and we recognise the importance of attracting the best talent into the business and retaining and developing individuals to enable them to do their best work.

HOW WE ENGAGE

In 2019 the Group HR Director held a number of focus groups with employees at all levels across 13 businesses in the US, UK, Thailand and Malaysia. The session covered two key areas, what we do well and what can we improve. A number of these sessions were attended by Celia Baxter, identified by the Board as the designated non-executive Director responsible for engagement with the workforce.

Further details of the engagement can be found on [page 48](#)



CUSTOMERS

Our Core Value of “Customer Focus” recognises the importance of customers in our success. We develop relationships with our customers and seek to understand and respond effectively to our customers’ changing requirements, developing and manufacturing products that meet their specification, on time and to the highest quality standards.

HOW WE ENGAGE

We regularly engage with our customers at various levels of the organisation. Customer relationship managers have been appointed to support our largest customers, ensuring that we understand what is happening in their businesses and that we respond appropriately.

We actively seek feedback from our customers. Whilst Senior holds a number of customer awards, in cases where our performance falls short of expectations we actively engage to agree improvement targets.

Listening to our customers provides valuable insight which helps inform future technology and product development and innovation.

Our Board receives regular updates on both good and poor performance with our customers.



OUR SUPPLIERS

Constructive engagement with suppliers sets fair expectations on safety, quality, ethical and delivery performance. We take great care to treat our suppliers with respect. We recognise the importance of prompt and fair payments in building long-term relationships with the suppliers.

We consider the risk posed by individual key suppliers to our performance and take action as necessary.

HOW WE ENGAGE

We engage with our suppliers in a variety of ways including during tender and bid processes, site visits and audits. The Board reviews biannual Payment Practice Reports for our UK subsidiaries.

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



COMMUNITY ENGAGEMENT

We recognise our responsibility to the communities in which we operate. We actively encourage our businesses and employees to support local communities and good causes. Operations across the Group aim to make positive contributions to the places where they work, earning our licence to operate.

HOW WE ENGAGE

Our success is attributed to the talented workforce, and we are aware that supporting and developing future workforce pipeline is crucial. In 2019 Senior Flexonics Pathway participated as a sponsor and mentor at the Texas High School Welding Series event, encouraging and motivating the next generation to pursue a career in engineering. Senior Aerospace Jet Products engaged in a Science, Technology, Engineering, Art, Math (STEAM) event at Arroyo Vista Charter School, promoting the importance of technology and creativity for the future.

Group operations support communities by contributing to charities serving their local causes, including fundraising for local hospitals, children’s homes, cancer foundations, charities supporting mental health and the elderly.

SECTION 172 (1) STATEMENT

The Directors continue to have regard to the interests of the Company’s employees and other stakeholders when making decisions and are fully aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act.

The content on stakeholder engagement on pages 20 to 21 and business practices on pages 9 to 10 and 12 to 19 highlight key actions in this area.

Further details on how the Directors’ duties are discharged and the oversight of these duties are included in the Governance section on pages 40, 48, and 53 to 54.



SHAREHOLDERS

Senior strongly values the support and engagement of its shareholder community and understands the importance of this in the future success of the business. Our shareholders, who invest in the growth of our business, expect sustainable returns on their investment. We aim to generate long-term value through sustainable growth in operating profit, cash flow and shareholder value. As such, we maintain an open and productive dialogue with our shareholders, aiming to engage with them regularly and provide them with relevant and timely communications. These engagements help investors to understand the performance of the Company and raise any concerns. At the same time the engagements enable Senior to understand the shareholders' perspectives and ensure these are considered in our decision-making.

HOW WE ENGAGE

In 2019, we maintained regular contact with our institutional shareholders and continued to consult with our major shareholders. Twice this year, the Group Chief Executive, Group Finance Director and Director of Investor Relations & Corporate Communications undertook a series of meetings with our 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 as well as to understand their views and address any concerns they may have on the Company. In 2019 and 2020, major shareholders were consulted on the performance measures applying to LTIP awards and executive bonuses. Throughout the year we also attended conferences and responded to requests for further information, including providing the opportunity to visit our sites.

During 2019, the Company's non-executive Chairman also attended the full-year and interim results announcements in March and August, respectively. The Chairman undertook a series of meeting with the Company's major shareholders to discuss any queries they may have regarding the corporate governance of the Company.

In May 2019 we held a Capital Markets Day for institutional investors and analysts to give a deeper insight into the business and its growth plans. Subjects included end market dynamics, business strategy, technology & product investment and the drivers of improving return on capital. The event concluded with a question and answer session.

We use our AGMs, held in London, to communicate with our private shareholders. The Chairman and members of the Board present the Company's annual performance prior to the completion of the formal business of the AGM. Investors have the opportunity to directly hear from, and engage with, the Board. A copy of the presentation, together with other investor relations material, is available on the Company's website.

INVESTMENT CASE

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



A DIFFERENTIATED BUSINESS MODEL

- Design, manufacture and market high-technology components and systems for principal original equipment manufacturers (OEMs)
- Has world class mechanical engineering capabilities with intellectual property inherent in both design and manufacturing
- Integrated global footprint operating in the aerospace, defence, land vehicle and power & energy markets
- Autonomous and collaborative culture enables entrepreneurial approach within a strong control framework
- Strong and enduring relationships with key customers built on technical innovation and excellent operational performance



STRATEGIC PRIORITIES

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



LEADING POSITIONS IN ATTRACTIVE MARKETS

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



LONG-TERM GROWTH AND VALUE CREATION

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

KEY PERFORMANCE INDICATORS

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

The Group's financial objectives are as follows:

- to achieve organic revenue growth (at constant exchange rates) in excess of the rate of inflation;
- to increase the Group's return on revenue margin each year;
- to increase adjusted earnings per share on an annual basis;
- 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 13.5% on a post IFRS 16 basis.

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

- to reduce the Lost Time Injury Illness Rate (per 100 employees) to 0.5 by 2020; and
- to reduce the Group's energy intensity (tonnes CO₂ per £m revenue) to 77 by 2020.

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

- organic revenue growth is the rate of growth of Group revenue, at constant exchange rates, excluding the effect of acquisitions and discontinued activities;
- return on revenue margin is the Group's adjusted operating profit divided by revenue;
- adjusted operating profit is defined in Note 9;
- adjusted earnings per share is defined in Note 12;
- net cash from operating activities is available from the Consolidated Cash Flow Statement;
- return on capital employed is the Group's adjusted operating profit divided by the average of the capital employed at the start and end of the period, capital employed being total equity plus net debt (defined in Note 32c). For 2019, net debt at the start of the period has been adjusted to reflect IFRS 16 opening lease liabilities of £96.1m;

- CO₂ emissions/£m revenue is an estimate of the Group's carbon dioxide emissions in tonnes divided by the Group's revenue in £ millions; and
- lost time injury illness frequency rate is the number of OSHA (or equivalent) recordable injury and illness cases involving days away from work per 100 employees.

The Group collects its environmental data in accordance with the guidelines specified by the Global Reporting Initiative (GRI), to the extent that this is currently practicable, and has applied the greenhouse gas conversion factors contained within the Energy Agency and US EPA conversion factors 2019. The Group has used the financial control approach to define its organisational boundary and reports data from its wholly-owned or majority-owned operations. Billed or metered sources represent the basis of the majority of our greenhouse gas emissions.

In 2019, three out of five financial targets were met. Good progress was made towards the two non-financial objectives and the Group was pleased to see both CO₂ emissions and Lost Time Injury Illness Rates decrease in 2019.

The Group achieved its 2020 safety and energy goals in 2018, two years earlier than targeted, and improved performance further in 2019. We are now looking at targets extending past the 2020 initiative. Further details of the Group's performance record in this regard, including its long-term performance trends, are shown on pages 14 to 15.

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

ORGANIC REVENUE GROWTH (£m)



-0.6%

+1.4% excluding disposals

18	1,118
19	1,111

Organic growth from the Aerospace Division was offset by lower Flexonics Division. In Aerospace, organic growth in 2019 continued to be led by the civil aerospace and the military and defence sectors. In Flexonics, organic sales to land vehicle, passenger vehicle and power & energy markets declined primarily as a result of lower end market demand.

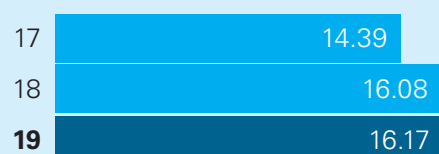
RETURN ON REVENUE MARGIN (%)



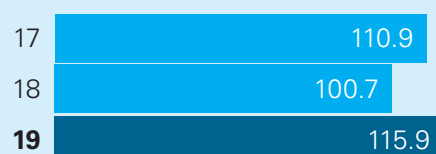
-50bps

17	8.1
18	8.5
19	8.0

The reduction in the Group's return on revenue margin to 8.0% was primarily attributable to lower margin in the Aerospace Division partly offset by improved margin in the Flexonics Division despite its lower revenue.

ADJUSTED EARNINGS PER SHARE (p)**+0.6%**

The Group's adjusted profit before tax (defined in Note 9) reduced by 5.4% but this was offset by a decrease in the adjusted tax rate (defined on page 37) from 19.0% to 14.5% and weighted average number of shares which reduced by 0.7%. This resulted in a 0.6% improvement in adjusted earnings per share.

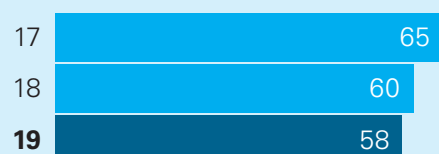
NET CASH FROM OPERATING ACTIVITIES (£m)**+15.1%**

The Group's net cash from operating activities was strong, and improved on 2018's level mainly from a decrease in working capital and lower pension payments. As a result of this continuing healthy cash generation, the Group has been able to fund an increased level of gross investment in capital expenditure of 1.5 times depreciation (2018 – 1.4 times) and propose a 1.2% increase in annual dividend per share.

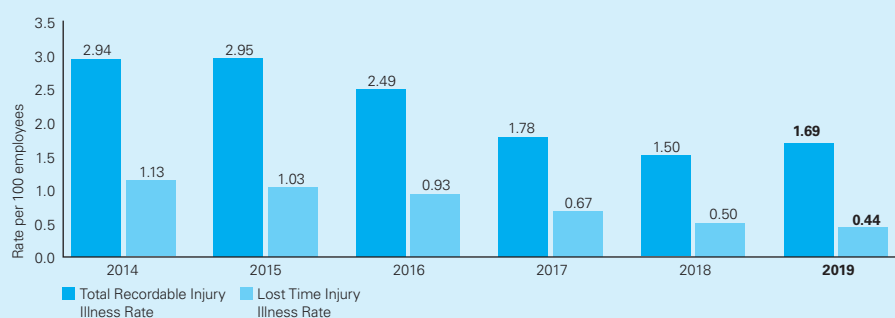
RETURN ON CAPITAL EMPLOYED (%)**-50bps**

(1) Return on capital employed (ROCE) decreased by 50 basis points to 11.1% (2018 – 11.6%, on a post IFRS 16 basis) and was in excess of the Group's cost of capital. The decrease in ROCE was a result of the reduction in adjusted operating profit compared to prior year, with capital employed (post IFRS 16) remaining stable.

2018 return on capital employed is shown post IFRS 16 for comparative purposes. It has been derived by applying the 2019 transitional and annual impact of IFRS 16 on the 2018 figures.

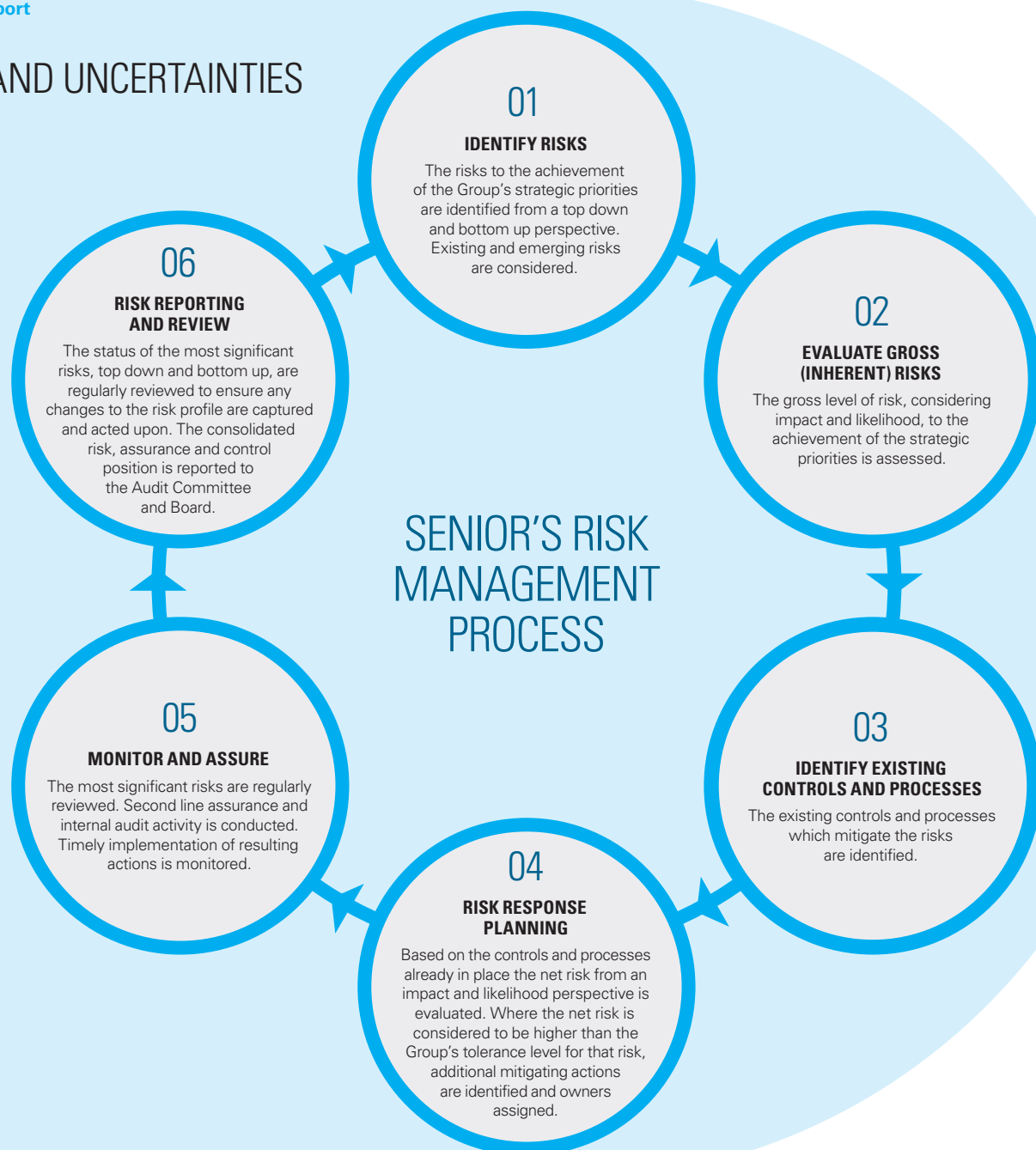
CARBON DIOXIDE EMISSIONS (TONNES/£m REVENUE)**3% DECREASE**

The Group achieved a 3% reduction in carbon intensity (tonnes CO₂e/£m revenue) in 2019. This is attributed to the ongoing drive to improve energy utilisation in the businesses.

LOST TIME INJURY ILLNESS RATE (INCIDENTS PER 100 EMPLOYEES P.A.)**12% DECREASE**

In 2019 we achieved a 12% reduction in our primary metric of Lost Time Injury Illness Rate to 0.44. We continue to build on our "Essential Behaviours for Health & Safety" cultural programme with new tools and workshops. The increase in Total Recordable Injury Illness Rate is driven by job transfer (musculoskeletal conditions) and injuries to hands. These areas will be subject to focus in 2020.

RISKS AND UNCERTAINTIES



OUR APPROACH

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

In 2019 the Group's risk assessment process was enhanced to include consideration of emerging risks. Emerging risks were identified by using external sources, such as Gartner, who are constantly scanning for new risks. This was supplemented by internal brainstorming to identify potential sources of impact to our stated

strategic purpose. This list of emerging risks was then evaluated against our purpose, strategy and values to understand their likelihood and impact of occurrence. After carrying out the review, the Board is satisfied that, apart from climate change and pandemic, there are no significant emerging risks that could impact the achievement of the strategic objectives in the near term. The Board will continue to monitor emerging risks on a regular basis. Key emerging risks considered in 2019 include climate change, natural resources, sustainability, pandemic and digitalisation.

OUR RISK MANAGEMENT FRAMEWORK

The Board is responsible for the Group's risk management framework. Identifying and appropriately managing risks and opportunities is essential to the achievement of the Group's strategic priorities.

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

The key elements of the Senior risk management process are shown above.

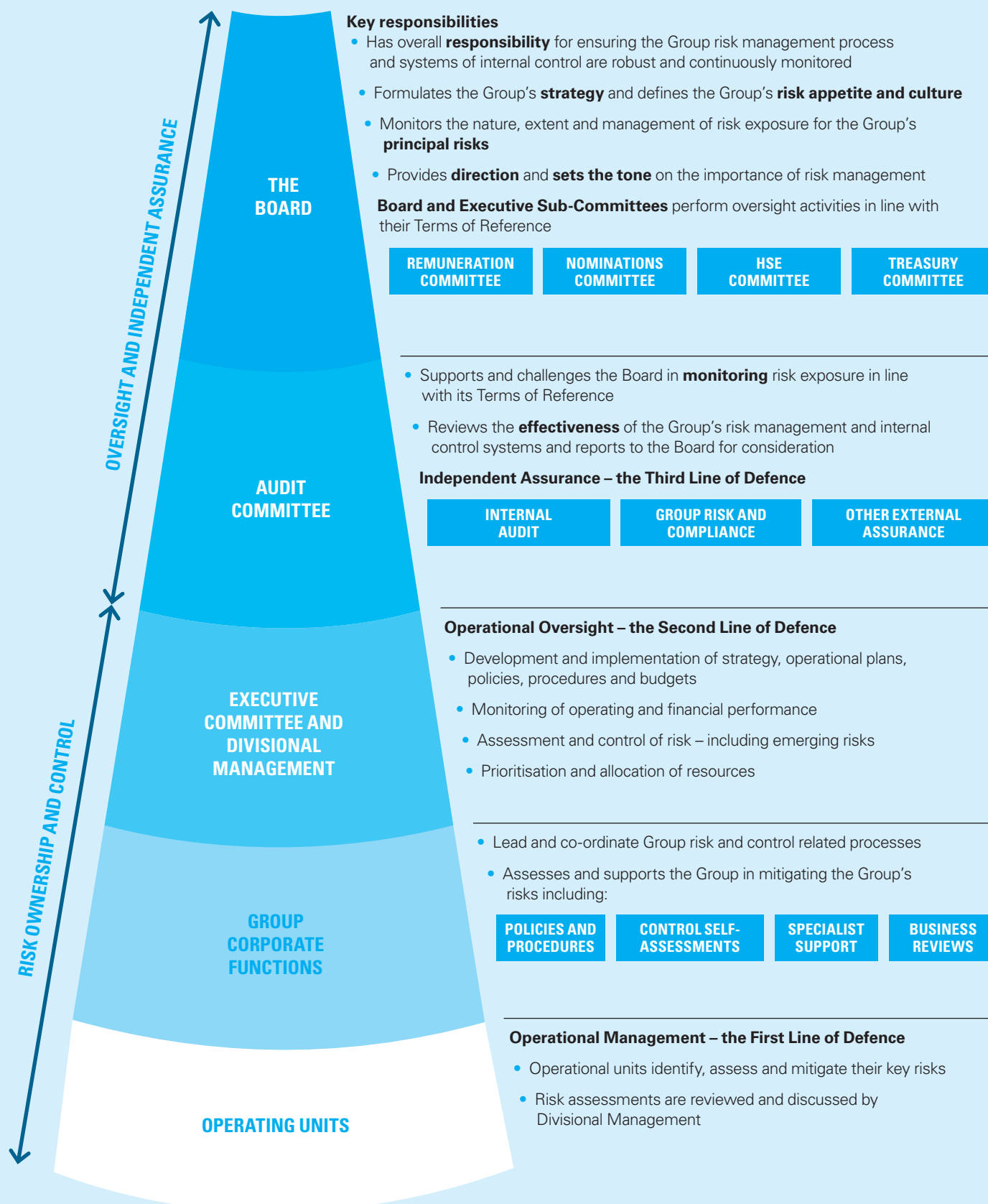
The risk management process is agreed annually with the Audit Committee.

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

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.



RISKS AND UNCERTAINTIES CONTINUED

PRINCIPAL GROUP RISKS

During 2019 the principal risks and uncertainties faced by the Group have been reassessed. Following this review, two risks have been combined and three new risks have been added. The new risks added relate to the Boeing 737 MAX programme, climate change and pandemics. The 737 MAX risk had previously been considered as part of New Product Introduction risk. However, during 2019 the grounding of the 737 MAX and the announcement by Boeing that it is to pause production and resume production at a lower rate than originally planned, has caused the Group to consider this as a standalone principal risk. Since the Balance Sheet date, the risk related to pandemics has increased and it is now included as a principal risk. The Acquisitions risk has been renamed as Portfolio Management risk.

DESCRIPTION	PROGRAMME AND SUPPLIER MANAGEMENT	PRICE-DOWN PRESSURES	PORTFOLIO MANAGEMENT
	1 2 3 4 5 →	1 2 4 ↑	2 5 6 →
RISK	The ability to introduce new products in line with customer requirements and to respond appropriately to increases or decreases in demand thereafter is key to achieving the Group's strategic objectives. There is a risk that the Group and/or its supply chain is unable to meet schedule, quality and cost requirements resulting in delay, cost overruns, asset write-downs and disappointed customers. Significant delays to ramp up of new programmes could have an adverse effect on the Group's rate of organic growth. In extreme cases some suppliers may face financial difficulties and go out of business.	Customer pricing pressure is an ongoing challenge within our industries, driven by the expectations of airlines, land vehicle operators and governments seeking to purchase more competitively priced products in the future. This may put some pressure on the Group's future operating margins.	Failure to effectively manage the Group's portfolio would have a significant impact on the Group's ability to generate long-term value for shareholders.
MITIGATION	- The Group is experienced in bidding and launching new products. Formal New Product Introduction (NPI) processes, such as Advanced Product Quality Planning (APQP), are used in some parts of the Group and are being rolled out. - There is a Group Contract Review policy which is mandatory for all operating businesses. - NPI programmes are subject to regular review by divisional and Group management to ensure that schedule, cost or quality issues are identified and dealt with promptly. - The Group monitors market and customer data so that we can be prepared to respond to changing market dynamics. - The resilience of the supply chain is monitored and, where possible, over-reliance on individual suppliers is reduced.	- The Group works closely with its customers to find innovative ways to produce products at a lower cost, thus helping them to meet pricing challenges. - The Group is able to consider bundles of products that in total help achieve customer pricing challenges. - Where appropriate, the Group will actively pass work to some of its cost competitive facilities such as Mexico, Thailand, the Czech Republic, South Africa, India, China and Malaysia with a view to helping satisfy customer challenges. - A project is underway in the Aerospace Division to optimise the use of our machine tools to support the need for competitively priced products. - A Group restructuring programme is underway with the aim of aligning direct headcount with demand and identifying overhead reductions through efficiency improvements.	- The Group regularly reviews its portfolio to ensure that long-term value is being generated for shareholders. Where appropriate, divestments will be considered. For example, the Group's Prune To Grow strategy resulted in three disposals in 2019. - Mergers & Acquisitions (M&A) opportunities continue to be evaluated and discussed at the Board's strategic review. Processes are in place to ensure that the Group is aware of emerging acquisition opportunities. - The Group has a well-established acquisition framework that includes proven valuation, due diligence and integration processes. - Consistently healthy free cash flow generation gives the Group capacity to execute a targeted acquisition programme. - Post-acquisition reviews are conducted as appropriate.

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

Increased risk
 Decreased risk
 Risk unchanged
 New risk

Areas of strategic priorities as described on pages 18 to 19.

1 2 3 4 5 6

CORPORATE GOVERNANCE BREACH

1 2 6



Corporate governance legislation (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders and ultimately have a material adverse impact on the Group's enterprise value.

- The Group has well-established governance policies and procedures in all key areas, including a Group Code of Conduct, anti-bribery procedures, a Health & Safety Charter, an Agent's Policy and various policies and procedures over the review and reporting of risk management and internal control activities.
- Governance updates are provided to the Board and the Executive Committee at appropriate intervals, and to key operational management.
- All employees are required to complete annual Code of Conduct training. More than 95% of employees have completed the 2019 Code of Conduct training.
- All EU sites have received training on the General Data Protection Regulations and employees in other locations have received training as appropriate to their roles.
- There has been increased focus on trade compliance at our US sites.
- The Board has received an update on Directors' responsibilities.

FINANCING AND LIQUIDITY

2 3 5



The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due.

Foreign exchange movements could have a material impact on the Group's financial performance, both on the balance sheet (translation risk) and income statement (transaction risk).

- The Group'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.
- In February 2019, the Group re-financed its main revolving credit facilities of £80.0m by increasing the committed facilities to £120.0m and extended the maturity to February 2024.
- The Group's Treasury policy is updated and approved by the Board regularly. The bank mandate section of the policy was updated in November 2019.
- The Group's viability assessment process considers a base case and risk case scenario, which considers the principal risks and uncertainties.

GEOPOLITICAL IMPACT

2 4



Trade relations, for example hardening of tariffs in the US, the UK decision to leave the EU, with likely tariff implications, and other likely geopolitical events have created uncertainty over the future impact on international trade and the ability to retain and recruit foreign nationals.

There is a risk that there will be a global economic downturn impacting on some or all of the sectors within which the Group operates.

- The Board ensures that it is kept informed of US trade developments and Brexit so that it can assess the impact on the Group and take action as appropriate.
- The Group's Brexit Committee has undertaken detailed reviews to identify our exposure to the UK's decision to leave the EU including from a regulatory, supply chain, people and financial perspective. Although the UK did formally exit the EU on 31 January 2020, the existence of the UK's Transitional Arrangement with the EU to a date expected to be at least 31 December 2020 means that we do not anticipate any immediate impact on the Group during that period. We will continue to follow developments and make arrangements for the post Transitional Agreement period although we continue to believe that any direct or indirect impact on the Group will be limited.
- In a limited number of cases we are undertaking some contingency planning to minimise any potential operational disruption.
- The Group monitors potential changes to international tax regulations and tariffs to understand the likely impact.

RISKS AND UNCERTAINTIES CONTINUED

DESCRIPTION	CYBER/INFORMATION SECURITY	INNOVATION AND TECHNOLOGICAL CHANGE	KEY SKILLS
	1 →	1 2 5 →	1 2 3 4 6 →
RISK	The risk that the Group is subjected to external threats from hackers or viruses potentially causing critical or sensitive data to be lost, corrupted, made inaccessible, or accessed by unauthorised users, resulting in financial and/or reputational loss.	In order to continue to win new business and achieve profitable growth the Group must innovate. There is a risk that the Group does not continue to innovate and implement technological change resulting in its technology becoming uncompetitive or obsolete. New technologies may have an impact on the Group's markets, e.g. electric vehicles.	There is a risk that operating businesses will be unable to recruit and retain key skills, particularly machinists and welders. As the Group implements its restructuring plan and responds to changes to the 737 MAX production rate, there is a danger that key skills will be lost and may be difficult to recruit as the need arises.
MITIGATION	- During 2019 good progress was made in improving the Group's Information Security maturity in line with our roadmap. Plans to further develop maturity have been prepared and a Head of Information Security recruited. - The Group continues to monitor developments in cyber security threats. - The Group has security controls in place including policies and procedures. The Group's IT and Information Security policies have been strengthened. These are supported by additional standards in a number of areas. - Employees have received awareness training on cyber-related issues.	- The Group has a technology forum which meets regularly to discuss innovation and technological change. - The Group has established an Advanced Additive Manufacturing Centre and is conducting qualification testing with a launch customer prior to entry into service. - The Group is a member of the Advanced Manufacturing Research Centre, Sheffield, UK, which focuses on advanced machining and materials research. - Global Marketing Teams are engaged to ensure that customer requirements and priorities are considered. - The Group continues to invest in machining technologies to improve process efficiency and reduce cost. - The Senior Operating System continues to deliver best practice tools for innovation and product development across the Group.	- A number of sites have established relationships with local colleges and/or developed in-house training programmes to ensure that skilled labour is in place. - Operating businesses are collaborating to understand where parts can be manufactured in more than one location or where there is the possibility of moving labour. - Cross-training and other measures are being taken to ensure that key skills are not lost as the Group implements its restructuring programme and responds to 737 MAX changes.

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

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

Areas of strategic priorities as described on pages 18 to 19.

1 2 3 4 5 6

BOEING 737 MAX

2 3 4 5

↑ N

In April 2019, following two fatal accidents, the 737 MAX was grounded.

737 MAX is the Group's largest programme with 13 operating businesses supplying to multiple 737 MAX customers.

737 MAX remains grounded and there is uncertainty as to the timing of FAA approval for it to resume flight.

- We continue to stay close to Boeing and our other 737 MAX customers to ensure that we are kept informed of developments.
- Restructuring is occurring at sites engaged on the 737 MAX programme to align direct headcount with demand. Overhead cost reductions are also being implemented where possible.
- Opportunities to increase content on the 737 MAX programme may arise and we will support our customers where possible.

PANDEMICS

2 3

↑ N

There is a risk that there is a Pandemic, such as the recent Coronavirus, which impacts on the Group's employees, ability to travel and movement of goods. This may impact our supply chain and ultimately our ability to meet customer requirements. There may be a detrimental effect on our employees. There is also the potential for a pandemic to create a global slowdown in demand impacting our end markets.

An adverse indirect consequence may result from our customers having to reduce production rates even where our supply chain and production remains intact.

- The Group has an Incident Response Plan and this will be used to manage any pandemic threat.
- Emerging threats are monitored and advice provided to employees as appropriate. This may include travel restrictions and temporary site closure.
- Where a pandemic threat does emerge we liaise with our suppliers and customers to manage the situation to the greatest extent possible.

CLIMATE CHANGE

2 5

↑ N

There is a risk that climate change and/or the measures taken to address it may have an adverse impact on the Group. Climate change may result in extreme weather events that may impact on our ability, or that of a supplier, to meet our customers' requirements.

Our technology may be displaced by new technology, such as electric vehicles. This also presents an opportunity to the Group to be involved in replacement technologies.

Increasing legislation aimed at accelerating decarbonisation may increase our operating costs. It may also change consumer behaviours impacting on our end markets. For example, consumers may fly less often.

- In 2015 Senior launched our 20/20 vision for sustainability which included targets for reducing carbon emissions and water consumption. In 2019 Senior established Science-based targets for scope 1 and 2 carbon emissions. Science-based targets calculate the level of decarbonisation required to keep global temperature increase below 1.5°C. For further details on ESG see page 14.
- In 2019, Senior achieved an A- grade by the Carbon Disclosure Project meaning we are in the "Leadership" category.
- To mitigate the impact of catastrophic events, such as an extreme weather event, each site has a scenario-based Business Continuity Plan which is tested on an annual basis. The Group also has insurance which helps to protect profits in such situations.
- The Group continues to invest in and develop solutions relevant to changing end markets. Examples include our battery cooling, waste heat recovery and heat sink in hybrid cars technologies.

MARKET OVERVIEW

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



AEROSPACE KEY MARKETS

CIVIL AIRCRAFT (56% OF GROUP)

The civil aerospace market has been impacted by the grounding of the Boeing 737 MAX fleet following the Lion Air and Ethiopian Airlines tragic air accidents as Boeing first reduced production and then announced a temporary production suspension in response. Senior has exposure to this programme through a number of customers. Boeing's current assumption is for production to restart in 2020. Based on this assumption we expect all of our 737 MAX customers to align around a new build rate and ramp profile over the course of 2020 and 2021 with a steady increase in rates over the next four years. Senior continues to work closely with Boeing and its other customers to support this programme.

Notwithstanding this, 2019 was another year of growth with IATA reporting an increase of 4.2% in air travel and passenger load factors of 82.6%, the latter at an all-time high. Boeing, Airbus and independent forecasters continue to predict air traffic growth in excess of 4% per annum over the next 20 years. This growth in air traffic drives demand for new aircraft, in particular for single aisle aircraft, as new, more fuel efficient aircraft programmes continue to ramp into production. At current build rates, Boeing and Airbus order books represent over eight years' production and Senior's shipset content on all the key large commercial aircraft platforms is healthy.

In terms of individual programmes in 2019, production of the A320neo, 767, 787, A350, A330neo, A220, Embraer 190/195-E2 and Bombardier Global 7500 ramped up and production of the classic 737, A320, A330, 777 and A380 ramped-down. In January 2020 Boeing successfully conducted the first flight of the 777X and reaffirmed its first deliveries for 2021.

The wide-body sector has faced softness in market demand with airframe manufacturers reducing near-term build rates in response. Boeing announced a reduction in production rate of the 787 platform from 14 airplanes per month to 12 per month and, in early 2020, a further cut to 10 per month from early 2021. In February 2019 Airbus announced that production of A380 would stop after fulfilment of the current order book. In February 2020 Airbus explained that they expect A330 deliveries of approximately 40 aircraft per year from 2020, which equates to a build rate of around 3.5 per month. They also clarified that the A350 build rate will stay between 9 and 10 a month.

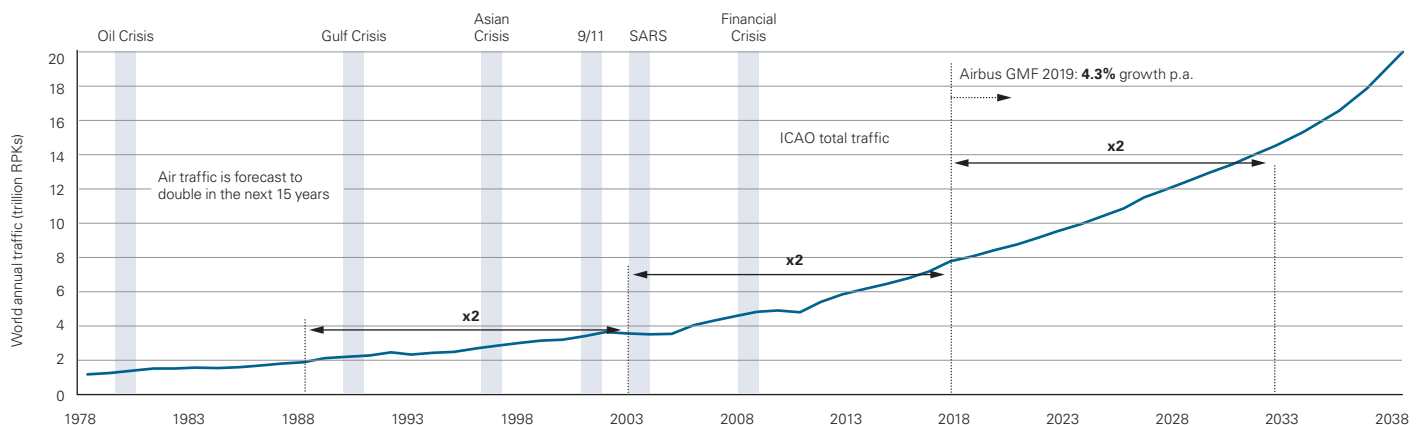
In comparison, the narrow-body aircraft market remains well supported by long-term air traffic growth, as production ramp-up of the Airbus A320neo continues and with Airbus now saying that they see a clear path to further increase the monthly production rate by one or two aircraft in both 2022 and 2023. Senior continues to make progress on these platforms.

There was good momentum in business and regional markets. The European Aviation Safety Agency (EASA) certified the Bombardier 7500 in February 2019, with deliveries accelerating thereafter, and the Global 6500 entered into service in September 2019. Senior has increased shipset content on new regional jet platforms such as the Mitsubishi SpaceJet (formerly MRJ) and Embraer E2-Jet rather than legacy regional jets. Production of the A220 and the E2-Jet also continues to ramp-up. As a result of this, the Group's regional and business jet market revenue is expected to continue to benefit in the medium term.

MILITARY/DEFENCE AEROSPACE (13%)

European and US defence budgets continue to grow as a result of ongoing geopolitical tensions and Senior's revenue from the military and defence sector is expected to benefit from exposure to key growth programmes, including the F-35 Joint Strike Fighter, CH-53K and T-7A Red Hawk (formerly T-X trainer), which is scheduled to ramp-up significantly over the long term. Production of the UH-60 Black Hawk helicopter is expected to decrease over the short to medium term.

WORLD AIR TRAFFIC



SOURCE: ICAO, Airbus GMF 2019



FLEXONICS KEY MARKETS

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

Our Flexonics Division end markets have continued to face uncertainty in 2019.

LAND VEHICLES (11% OF GROUP)

In the truck and off-highway sector, Senior's revenue arises predominantly from North America, where the heavy-duty truck and off-highway markets have softened significantly in the second half of 2019. Industry analysts are currently forecasting a downturn in the North American heavy-duty diesel truck market in 2020, with ACT Research forecasting a 34% decline in 2020 and Cummins forecasting a 40% decline. The North American medium-duty diesel truck market is also forecast to decline by 11% in 2020. Production of North American heavy-duty trucks is anticipated to improve in the medium to longer term as demand for replacement capacity is driven by regulatory changes and growth in global trade with growth of 6% forecast for 2021.

In the passenger car sector, Senior's revenue currently arises predominantly from European markets. This market sector is forecast to decline in 2020. We will continue to take appropriate steps to protect our returns and position the Group to take advantage of future recovery in our end markets.

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

POWER & ENERGY (14% OF GROUP)

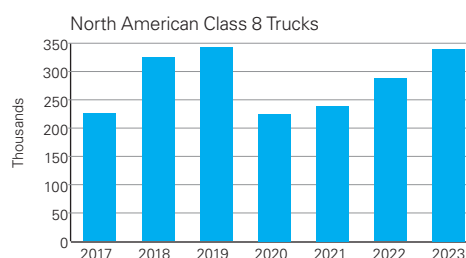
Senior designs and manufactures products for global industrial process control markets including petrochemical and power generation markets, to meet an increasingly stringent regulatory environment. For the upstream oil and gas market the US rig count decreased 25% in 2019 and is expected to contract further in 2020. However, international offshore is expected to grow and other power and energy sectors are forecast to be stable in 2020.

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

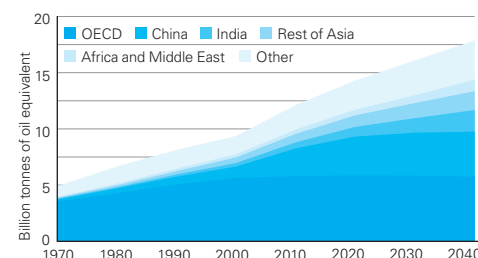
REGION	2019	2020	2021	2022	2023	2024	2025
Light-Duty Engines – Car & Truck							
CHINA	China 5	China 6a				China 6b	
EUROPE	Euro 6						
INDIA	BS IV			BS VI			
USA	Tier 3						
Heavy-Duty Engines – On Highway							
CHINA	China 5	China 6a				China 6b	
EUROPE	Euro 6						
INDIA	BS IV	BS VI					
USA	EPA10						
Engines – Off Road							
CHINA	Stage III	Stage IV					
EUROPE	Stage 5						
INDIA	BS III	BS IV				BS V	
USA	Tier 4 Final						

LAND VEHICLE PRODUCTION FORECAST



SOURCE: ACT Research

WORLD ENERGY DEMAND



SOURCE: BP Energy Outlook 2019 edition

DIVISIONAL REVIEW



AEROSPACE

HIGHLIGHTS 2019

REVENUE

£835.4m

(2018 – £788.8m)

ADJUSTED OPERATING PROFIT

£76.4m

(2018 – £83.7m)

ADJUSTED OPERATING MARGIN

9.1%

(2018 – 10.6%)

The Aerospace Division represents 75% (2018 – 70%) of Group revenue and consists of 18 operations. These are located in North America (nine), the United Kingdom (four), continental Europe (three), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby 2018 results have been translated using 2019 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions and restructuring. The Division's operating results on a constant currency basis are summarised below:

	2019 £m	2018 ⁽¹⁾ £m	Change
Revenue	835.4	788.8	+5.9%
Adjusted operating profit	76.4	83.7	-8.7%
Adjusted operating margin	9.1%	10.6%	-150bps

(1) 2018 translated using 2019 average exchange rates – constant currency.

Divisional revenue increased by £46.6m (5.9%) to £835.4m (2018 – £788.8m) whilst adjusted operating profit decreased by £7.3m (8.7%) to £76.4m (2018 – £83.7m).

Revenue Reconciliation	£m
2018 revenue	788.8
Civil aerospace	34.7
Military	19.1
Other	(5.4)
Disposal of business	(1.8)
2019 revenue	835.4

The revenue increase in the Aerospace Division was driven by growth in both civil aerospace and defence markets. The Group was able to mitigate some of the 737 MAX revenue impact through stronger sales on other civil and military programmes.

The Aerospace Division was impacted by the grounding of the Boeing 737 MAX fleet. Multiple Senior businesses supply product on this programme to various customers including Boeing, Spirit and the Leap 1B engine companies. At the point at which the fleet was grounded in April 2019, the whole supply chain was poised to increase rates from 52 shipsets per month to 57. Following the grounding, Boeing reduced the build rate to 42 per month. In December 2019, Boeing announced it would temporarily halt production from January 2020 and asked its suppliers including Senior to also pause production. In late January 2020, Boeing announced its working assumption of the return to service of the 737 MAX from mid-year 2020, with production restarting ahead of that date at reduced rates and with a slower ramp-up, taking into consideration the 400 completed but undelivered aircraft that Boeing has stored. Senior is working with its customers to support the resumption of production and rate ramp, which may vary by individual customer and Senior business as they work through their stored inventory.

Senior's sales in the civil aerospace sector increased by 6.0% during the year with the Group benefiting from increased production of the A320neo, 767, 787, A350, A330neo, A220, Embraer 190/195-E2 and Bombardier Global 7500. However, these increases were partly offset by the anticipated decline in build rates of the 777, A330, A380 and the current engine versions of the 737, A320 and ERJ 190/195. As noted above, the Group's sales onto the

737 MAX programme were impacted by the production rate decrease from mid-April 2019 and customers managing their inventory into year end. We were able to mitigate some of this revenue impact at businesses that had strong order cover on other programmes.

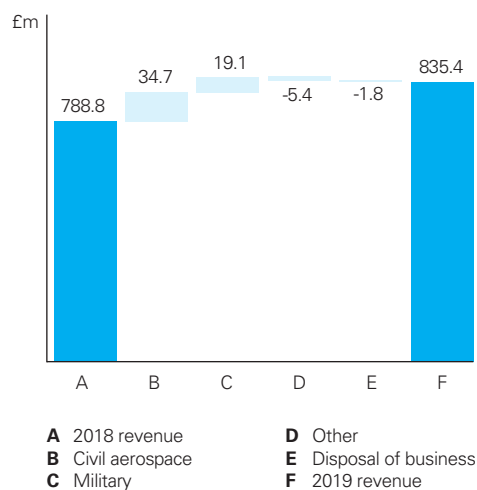
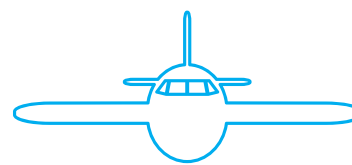
Total revenue from the military and defence sector increased by 14.7% during the period, primarily due to the ramp-up of the Joint Strike Fighter, CH-53 K King Stallion and higher demand for other defence products.

Revenue 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, decreased by £5.4m.

As anticipated, the divisional adjusted operating margin decreased by 150 basis points to 9.1% (2018 – 10.6%) as increases from operational efficiencies, learning curve improvements and restructuring savings were more than offset by the impact of the 737 MAX production rate decrease, start-up costs in our new Malaysia facility and adverse mix between mature and new programmes.

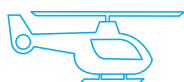
As previously stated, in October 2019, the Group completed the sale of Senior Aerospace Absolute Manufacturing ("Absolute"), part of our Aerostructures sub-division, focused on small build-to-print precision machined components. This reflected our continued Prune To Grow strategy.

REVENUE RECOGNITION

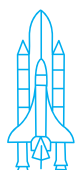
SALES IN CIVIL AEROSPACE
INCREASED BY

+6.0%

during the year

OTHER MARKETS IN
AEROSPACE INCLUDE

Non-military helicopters



Space



Power and
energy

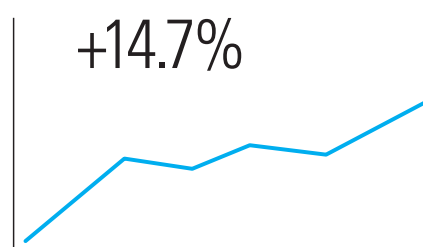
18

GLOBAL AEROSPACE
OPERATIONS

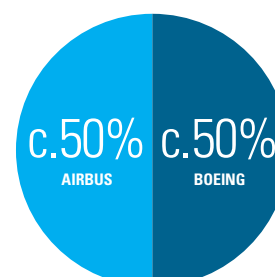
North America	9
Continental Europe	3
Thailand	1
United Kingdom	4
Malaysia	1



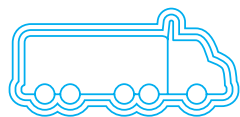
SALES

SALES IN MILITARY AEROSPACE
INCREASED BY

REVENUE BY LARGE COMMERCIAL PLATFORMS



DIVISIONAL REVIEW



FLEXONICS

HIGHLIGHTS 2019

REVENUE

£275.8m

(2018 – £329.3m)

ADJUSTED OPERATING PROFIT

£26.1m

(2018 – £26.7m)

ADJUSTED OPERATING MARGIN

9.5%

(2018 – 8.1%)

The Flexonics Division represents 25% (2018 – 30%) of Group revenue and consists of 12 operations which are located in North America (four), continental Europe (two), the United Kingdom (two), South Africa, India, Malaysia and China where the Group also has a 49% equity stake in a land vehicle product joint venture. This Divisional review is on a constant currency basis, whereby 2018 results have been translated using 2019 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions and restructuring. The Division's operating results on a constant currency basis are summarised below:

	2019 £m	2018 ⁽¹⁾ £m	Change
Revenue	275.8	329.3	-16.2%
Adjusted operating profit	26.1	26.7	-2.2%
Adjusted operating margin	9.5%	8.1%	+140bps

(1) 2018 results translated using 2019 average exchange rates – constant currency.

Divisional revenue decreased by £53.5m (16.2%) to £275.8m (2018 – £329.3m) and adjusted operating profit decreased by £0.6m (2.2%) to £26.1m (2018 – £26.7m).

Revenue Reconciliation	£m
2018 revenue	329.3
Land vehicles	(30.7)
Power & energy	(3.1)
Disposal of business	(19.7)
2019 revenue	275.8

As previously stated, we sold the Flexonics operating business in France, Senior Flexonics Blois SAS ("Blois"), on 15 February 2019. Blois' main end market was European passenger vehicles. In September 2019, the Group disposed of its Flexonics operating company in Brazil, Senior Flexonics Brasil Ltda ("São Paulo"), serving the local automotive and power & energy markets. These disposals reflect our Prune To Grow strategy and enable us to have greater focus on our core activities and to deploy capital in other parts of the Group that have higher returns.

Group sales to land vehicle markets decreased by 20.4%. Senior's sales to the North American truck and off-highway market decreased by £22.4m (24.7%), primarily due to lower off-highway market production and the second half reduction in truck production. Sales to the rest of world truck and off-highway markets decreased by £3.1m (11.8%), due to the softening of the truck and off-highway markets in Europe and China. Group sales to passenger vehicle markets decreased by £5.2m (15.5%) in the period, reflecting lower end market demand in Europe and India.

In the Group's power & energy markets, sales decreased by £3.1m (2.0%) in the year. Sales to oil and gas markets decreased by £4.1m (6.0%), primarily due to weakness in the North American fracking market in upstream oil and gas, while downstream oil and gas benefited from increased repair and overhaul activity. Sales to power generation markets increased by £0.9m (2.2%) due to higher sales into nuclear power in North America.

The adjusted operating margin increased by 140 basis points to 9.5% (2018 – 8.1%) reflecting the benefits from our continued focus on cost management and efficiency initiatives, our Prune To Grow activity, with the disposals of Blois and São Paulo, and favourable mix with higher revenue from downstream oil and gas repair and overhaul activity.

The Group has two operations in China, a wholly owned facility in Tianjin and a joint venture in

Wuhan. These operations represent less than 1% of Group revenue. We are following official advice regarding operational procedures to manage the impact of the coronavirus outbreak. Safeguarding the welfare of our employees is our first priority.

Current economic forecasts suggest that our Flexonics cyclical end markets will continue to decline in 2020, before starting to recover in 2021. Industry analysts are forecasting a downturn in the North American heavy-duty diesel truck market in 2020, with ACT Research forecasting a 34% decline in 2020 and Cummins forecasting a 40% decline. The North American medium-duty diesel truck market is also forecasting to decline by 11% in 2020. For the upstream oil and gas market, North America onshore is expected to see a double digit decrease in 2020; however, international offshore is expected to grow. Downstream oil and gas activity is forecast to be stable in 2020.

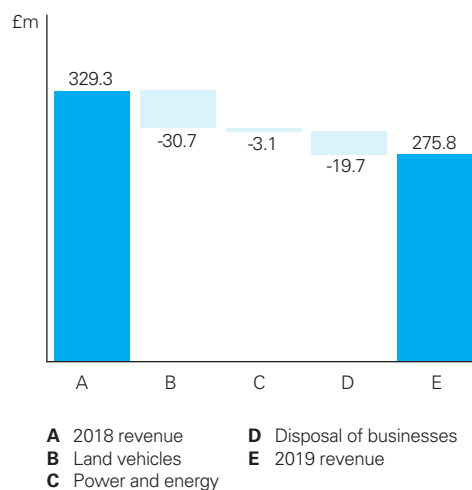
Looking further ahead, the truck, off-highway and passenger vehicle sectors continue to present growth opportunities for the Flexonics Division. Senior is developing solutions for electric land vehicle applications as well as the next generation of more efficient internal combustion engines (ICE).

Our fluid conveyance and thermal management expertise is being used to develop fluid and air handling products such as coolant tubes for electric motors and batteries and exhaust bellows for hybrids, plug in hybrids and for ICEs where they are used as a range extender for battery powered electric vehicles.

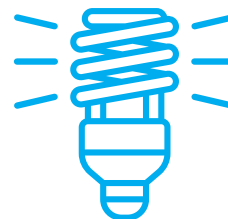
We have secured the first contract for our Battery Heat Exchanger technology which will enter series production this year and is being developed with several customers for off-highway, passenger vehicle and stationary power applications. We have also developed industry leading Electronic Heat Exchangers: copper and aluminium chill plates for use in hybrid vehicles and electric power charging stations.

Our newly developed radial fin exhaust gas recirculation cooler products currently exceed or match commercial vehicle industry benchmarks for CO₂ reduction, efficiency and durability and we are working with multiple OEMs for diesel, natural gas and hybrid applications. We expect to launch the first production for highly demanding applications in 2024.

REVENUE RECONCILIATION



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



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

**INNOVATIVE
AND EFFICIENT**

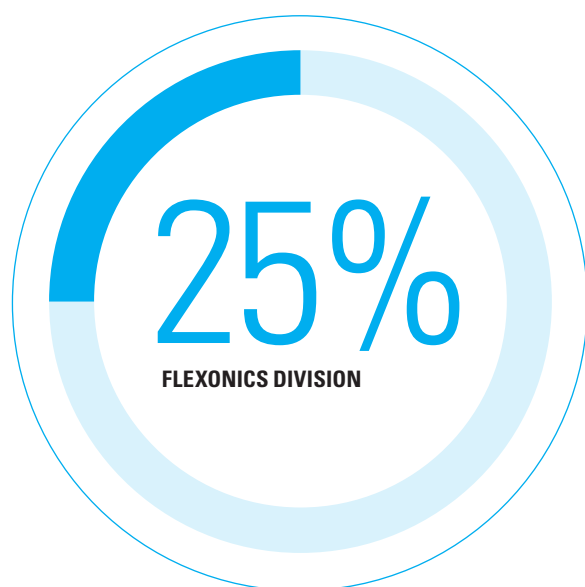
12

**GLOBAL FLEXONICS
OPERATIONS**

North America	4
Continental Europe	2
United Kingdom	2
India	1
South Africa	1
Malaysia	1
China	1



SALES



ADJUSTED OPERATING MARGIN

+140 bps

FINANCIAL REVIEW



Senior delivered strong free cash flow of £58.3m, supported by a robust financial position.

BINDI FOYLE
GROUP FINANCE DIRECTOR

FINANCIAL SUMMARY

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

	Revenue		Adjusted operating profit ⁽¹⁾		Margin	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 %	2018 %
Aerospace	835.4	760.4	76.4	80.4	9.1	10.6
Flexonics	275.8	322.9	26.1	26.1	9.5	8.1
Share of results of joint venture	–	–	0.4	0.6	–	–
Inter-segment sales	(0.5)	(1.2)	–	–	–	–
Central costs	–	–	(13.5)	(15.5)	–	–
Group total	1,110.7	1,082.1	89.4	91.6	8.0	8.5

(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:

	2019 £m	2018 £m
Adjusted operating profit	89.4	91.6
Amortisation of intangible assets from acquisitions	(13.1)	(15.4)
Restructuring	(12.1)	–
US class action lawsuits	(2.6)	(3.9)
UK Guaranteed Minimum Pensions	–	(2.4)
Operating profit	61.6	69.9

REVENUE (£m)

18	1,082.1
19	1,110.7

ADJUSTED OPERATING PROFIT (£m)

18	91.6
19	89.4

FINANCIAL DETAIL
REVENUE

Group revenue was £1,110.7m (2018 – £1,082.1m). Excluding favourable exchange rate impact of £34.8m, and the year-on-year effect of disposals of £20.9m, Group revenue increased by £14.7m (1.4%) with revenue growth in Aerospace and lower revenue from Flexonics year-on-year. In 2019, 63% of revenue originated from North America, 15% from the UK, 10% from the Rest of Europe and 12% from the Rest of the World.

OPERATING PROFIT

Operating profit was £61.6m (2018 – £69.9m). Adjusted operating profit decreased by £2.2m (2.4%) to £89.4m (2018 – £91.6m). Excluding the favourable exchange rate impact of £3.8m, adjusted operating profit decreased by 6.3% on a constant currency basis. The Group's adjusted operating margin decreased by 50 basis points, to 8.0% for the full year, with an improvement in Flexonics and, as anticipated, lower margins in the Aerospace Division. The margin improvement in the Flexonics Division reflected the benefits from our continued focus on cost management and efficiency initiatives, our Prune To Grow

activity and favourable mix. The operating margin in the Aerospace Division was lower as increases from operational efficiencies and learning curve improvements were more than offset by the impact of the 737 MAX production rate decrease, start-up costs in our new Malaysia facility and adverse mix between mature and new programmes.

As set out in Note 9, adjusted operating profit and adjusted profit before tax are stated before £13.1m amortisation of intangible assets from acquisitions (2018 – £15.4m), £12.1m restructuring charge (2018 – £nil), £2.6m costs associated with the US class action lawsuits (2018 – £3.9m) and £nil charge for UK Guaranteed Minimum Pensions (2018 – £2.4m). Adjusted profit before tax is also stated before loss on disposal of £22.0m (2018 – £nil).

Central costs decreased by £2.0m to £13.5m (2018 – £15.5m) principally due to lower share-based payment charges, as well as our focus on cost management activities including lower consultancy costs.

ADJUSTED PROFIT BEFORE TAX (£m)

18	83.0
19	78.5

ADJUSTED EARNINGS PER SHARE (p)

18	16.08
19	16.17

RESTRUCTURING

In 2019, as part of a strategic review, the Group has reviewed the portfolio of programmes, in particular, where there is risk over the level of Senior's contribution to production in future periods and in recognition of the challenges in some of our Flexonics and Aerospace markets. The restructuring involves headcount reductions and other efficiency improvements. As a result, the Group recognised a charge of £12.1m (2018 – £nil) presented as an adjusted item as it is not reflective of in-year performance. The total charge comprises £4.4m related to Group headcount reduction of 5% in second half of 2019 and £1.4m for other associated costs including the transfer of work packages to our cost competitive site in Thailand. For certain specific programmes, and in conjunction with the focus on restructuring, including the closure of Senior Aerospace AMT's South Carolina facility, management has also identified inventory and property, plant and equipment that have been impaired in 2019 with a total charge of £3.4m and £2.9m, respectively. These relate to programmes where Senior will no longer participate and where there are no alternative uses for the inventory or assets. Total cash outflow in 2019 for these activities was £2.9m with £4m of savings delivered, mainly related to lower headcount.

FINANCE COSTS

Total finance costs, net of investment income of £0.9m (2018 – £0.6m) increased to £10.9m (2018 – £8.6m) mainly due to £3.5m (2018 – £nil) interest charge on IFRS 16 lease liabilities partly offset by IAS 19 pension finance credit of £0.7m (2018 – £0.2m), favourable foreign exchange impact on the translation of interest charges on US Dollar denominated borrowings, and new issuances of loan notes in 2018 which carry lower interest rates than the loan notes that matured in October 2018. IFRS 16 does not require the comparative statements to be restated for interest charges on the associated lease liabilities.

LOSS ON DISPOSAL OF BUSINESSES

In 2019 the Group disposed three non-core operating businesses, Blois, São Paulo and Absolute. These transactions fit with the Prune To Grow strategy and enable us to focus on opportunities in our core activities and to deploy

FREE CASH FLOW (£m)

18	45.3
19	58.3

DIVIDEND (PAID AND PROPOSED) PER SHARE (p)

18	7.42
19	7.51

capital in other parts of the Group with higher returns. A charge of £22.0m (2018 – £nil) arose on disposal. See Note 31 to the Financial Statements for further details.

PROFIT BEFORE TAX

Adjusted profit before tax decreased to £78.5m (2018 – £83.0m), down 5.4%, or 9.1% on a constant currency basis. Reported profit before tax was £28.7m (2018 – £61.3m). The reconciling items between adjusted and reported profit before tax are shown in Note 9 to the Financial Statements.

TAX CHARGE

The adjusted tax rate for the year was 14.5% (2018 – 19.0%), being a tax charge of £11.4m (2018 – £15.8m) on adjusted profit before tax of £78.5m (2018 – £83.0m). The reduction in rate is attributed to the recognition of prior year adjustments in the US as the impact on the Group of US Tax reform following the enactment of the US Tax Cuts and Jobs Act in December 2017 becomes clearer; as well as clarification as to the treatment for tax purposes of historical profits in our Malaysian aerospace business.

The reported tax rate was 1.7% credit, being a tax credit of £0.5m on reported profit before tax of £28.7m. The reported tax credit for the year included the tax credit of items excluded from adjusted operating profit of £8.3m and an exceptional non-cash tax credit of £3.6m to recognise a deferred tax asset, following a recent change in accepted practice in terms of the tax treatment related to restricted interest deductions in the US.

This recent change in accepted practice in terms of the tax treatment related to restricted interest deductions in the US has led to the comparative figures for 2018 being restated to reflect the recognition of a non-cash deferred tax asset of £3.4m. Therefore the reported tax charge for 2018 has reduced from the originally stated £11.2m to £7.8m. See Note 2 to the Financial Statements. The 2018 restated reported tax rate was 12.7%, being a tax charge of £7.8m on reported profit before tax of £61.3m. This included the tax credit of items excluded from adjusted operating profit of £4.6m and an exceptional non-cash deferred tax credit, as noted above, of £3.4m.

Cash tax paid was £5.3m (2018 – £6.0m) and is stated net of refunds received of £0.8m (2018 – £2.0m) of tax paid in prior periods. The rate of cash tax paid is lower than our adjusted tax rate in both years due to accelerated tax relief for capital expenditure in the US and tax deductible items that do not affect adjusted profit.

The adoption of IFRIC 23 has resulted in the recognition of tax liabilities and interest thereon of £4.8m which have been recognised through opening reserves.

TAX POLICY

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

EARNINGS PER SHARE

The weighted average number of shares, for the purposes of calculating diluted earnings per share, decreased to 415.0 million (2018 – 417.8 million). The decrease arose principally due to shares purchased by the employee benefit trust. Adjusted earnings per share increased by 0.6% to 16.17 pence (2018 – 16.08 pence). Basic earnings per share decreased by 45.0% to 7.04 pence (2018 restated – 12.81 pence). See Note 12 to the Financial Statements for details of the basis of these calculations.

RESEARCH AND DESIGN

The Group's expenditure on research and design was £28.1m during 2019 (2018 – £29.7m). Expenditure was incurred mainly on funded and unfunded work, which relates to designing and engineering products in accordance with individual customer specifications and investigating specific manufacturing processes for their production. The Group also incurs costs on general manufacturing improvement processes which are similarly expensed. Unfunded costs in the year have been expensed, consistent with the prior year, as they did not meet the strict criteria required for capitalisation.

EXCHANGE RATES

A proportion of the Group's operating profit in 2019 was generated outside the UK and consequently, foreign exchange rates, principally the US Dollar against Sterling, can affect the Group's results.

FINANCIAL REVIEW CONTINUED

The 2019 average exchange rate for the US Dollar applied in the translation of income statement and cash flow items was \$1.28 (2018 – \$1.34). The exchange rate for the US Dollar applied to the translation of Balance Sheet items at 31 December 2019 was \$1.33 (31 December 2018 – \$1.28).

Using 2019 average exchange rates would have increased 2018 revenue by £34.8m and increased 2018 adjusted operating profit by £3.8m. A 10 cents movement in the £:\$ exchange rate is estimated to affect full-year revenue by £55m, adjusted operating profit by £5m and net debt by £10m.

CASH FLOW

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

	2019 £m	2018 £m
Operating profit	61.6	69.9
Amortisation of intangible assets from acquisitions	13.1	15.4
Restructuring	12.1	–
US class action lawsuits	2.6	3.9
UK Guaranteed Minimum Pension	–	2.4
Adjusted operating profit	89.4	91.6
Depreciation (including amortisation of software)	54.6	41.5
Working capital and provisions movement, net of restructuring items	3.4	(11.1)
Pension payments above service cost	(8.7)	(10.3)
Other items ⁽¹⁾	0.0	4.3
Interest paid, net	(11.0)	(8.9)
Income tax paid, net	(5.3)	(6.0)
Capital expenditure	(64.8)	(56.3)
Sale of plant, property and equipment	0.7	0.5
Free cash flow	58.3	45.3
Dividends paid	(31.2)	(29.6)
Disposal costs and net debt left in the businesses in excess of proceeds	(3.7)	–
Loan repayment by joint venture	–	0.5
Purchase of shares held by employee benefit trust	(6.3)	(7.2)
Restructuring cash paid	(2.9)	–
Foreign exchange variations	7.3	(6.7)
IFRS 16 non-cash additions and modifications before disposals	(2.0)	–
Change in net debt	19.5	2.3
Opening net debt (2019 stated after IFRS 16 lease liabilities)	(249.1)	(155.3)
Closing net debt (2019 stated after IFRS 16 lease liabilities)	(229.6)	(153.0)

(1) Other items comprises £1.8m share-based payment charges (2018 – £3.4m), (£0.4m) share of joint venture (2018 – (£0.6m)), (£1.4m) working capital and provision currency movements (2018 – £1.7m), £nil loss on sale of fixed assets (2018 – £0.4m), £nil pension curtailment gain (2018 – (£0.4m)), and £nil US class action lawsuits payments (2018 – £0.2m).

CAPITAL EXPENDITURE

Gross capital expenditure of £64.8m (2018 – £56.3m) was 1.5 times depreciation (excluding impact of IFRS 16) (2018 – 1.4 times), with the majority of investment related to growth programmes in the Aerospace Division including our second facility in Malaysia, the expansion of our Metal Bellows facility in Massachusetts and our technology investment in our Advanced Additive Manufacturing Centre. The disposal of plant, property and equipment raised £0.7m (2018 – £0.5m). Following several years of high capital investment to support growth, we are now past the peak investment phase and can expect future capital investment to be at more normal levels.

WORKING CAPITAL

Working capital decreased by £8.7m in 2019 to £147.4m (2018 – £156.1m) mainly due to a reduction in inventories as receivables and payables broadly offset each other. Working capital as a percentage of revenue decreased by 110 basis points from 14.4% at 31 December 2018 to 13.3% at 31 December 2019 due to 100 basis points decrease from exchange differences and 10 basis points decrease from receivables in excess of payables.

DIVIDEND

The Group has a long and stable track record of dividend growth and the Board follows a progressive dividend policy reflecting earnings per share, free cash flow generation and dividend cover over the medium term.

A final dividend of 5.23 pence per share is proposed for 2019 (2018 – 5.23 pence per share), payment of which, if approved, would total £21.7m (2018 final dividend – £21.7m) and would be paid on 29 May 2020 to shareholders on the register at close of business on 1 May 2020. This would deliver total dividends paid and proposed in respect of 2019 of 7.51 pence per share, an increase of 1.2% over 2018. At the level recommended, the full-year dividend would be covered 2.2 times (2018 – 2.2 times) by adjusted earnings per share. The cash outflow incurred during 2019 in respect of the final dividend for 2018 and the interim dividend for 2019 was £31.2m (2018 – £29.6m).

GOODWILL

The change in goodwill from £312.9 at 31 December 2018 to £297.1m at 31 December 2019 is due to foreign exchange differences on translation of £7.7m and the removal of goodwill of disposed businesses of £8.1m.

RETIREMENT BENEFIT SCHEMES

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan ("the UK Plan") increased by £18.0m to £48.9m (31 December 2018 – £30.9m) due to £6.9m cash contributions by the Group, in excess of running costs; £10.1m net actuarial gains; and £1.0m net interest income. Retirement benefit deficits in respect of the US and other territories decreased by £4.6m to £7.8m (31 December 2018 – £12.4m), principally due to the disposal of Blois whose retirement benefit liability was £1.7m and cash contributions in excess of running and service costs made by the Group of £1.8m.

The latest triennial actuarial valuation of the UK Plan as at 5 April 2019 showed a deficit of £10.2m (5 April 2016 – deficit of £37.4m). As a result, and effective from April 2019, the Group's deficit reduction cash contributions to the UK Plan have reduced from an annual amount of £8.1m to an annual amount of £5.5m. The Group continues to contribute £0.5m per annum towards plan administration costs. These contributions are payable over the three year period to March 2022 and are subject to review and amendment as appropriate at the next funding valuation in 2022.

NET DEBT

Net debt which includes IFRS 16 lease liabilities decreased by £19.5m to £229.6m at 31 December 2019 (1 January 2019 – £249.1m). This decrease was due to £58.3m of strong free cash inflow and £7.3m favourable foreign currency movements, partially offset by £31.2m dividend payments, £6.3m purchase of own shares held by the employee benefit trust, £3.7m net outflows from disposals (costs and cash left in the businesses net of proceeds), £2.9m restructuring cash paid, and £2.0m non-cash changes in lease liabilities due to additions and modifications.

FUNDING AND LIQUIDITY

As at 31 December 2019, the Group's gross borrowings excluding leases and transaction costs directly attributable to borrowings were £163.0m (31 December 2018 – £170.8m), with 64% of the Group's gross borrowings denominated in US Dollars (31 December 2018 – 68%). Cash and bank balances were £15.8m (31 December 2018 – £17.2m).

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

	Gross borrowings ⁽²⁾ £m	Committed facilities £m
Within one year	15.7	15.0
In the second year	6.8	36.5
In years three to five	22.0	135.0
After five years	118.5	118.5
	163.0	305.0

(2) Gross borrowings include the use of bank overdrafts, other loans and committed facilities, but exclude leases of £83.7m and transaction costs directly attributable to borrowings of (£1.3m).

At the year-end, the Group had committed facilities of £305.0m comprising private placement debt of £148.5m and revolving credit facilities of £156.5m. The Group is in a strong funding position, with headroom at 31 December 2019 of £159.1m under its committed facilities.

In February 2019, the Group refinanced its main UK revolving credit facilities of £80.0m by increasing the committed facilities to £120.0m and extended the maturity to February 2024.

The weighted average maturity of the Group's committed facilities is currently 4.4 years.

The Group has £0.7m of uncommitted borrowings which are repayable on demand.

The Group's committed borrowing facilities at 31 December 2019 contain a requirement that the ratio of EBITDA (as defined on page 1) to net interest costs must exceed 3.5x, and that the ratio of net debt to EBITDA must not exceed 3.0x. At 31 December 2019, the Group was operating well within these covenants as the ratio of EBITDA to net interest costs was 16.9x (31 December 2018 – 15.2x) and the ratio of net debt to EBITDA was 1.1x (31 December 2018 – 1.1x).

IFRS 16 LEASES

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

On transition to IFRS 16 on 1 January 2019, the Group recognised right-of-use assets of £96.7m, lease liabilities of £96.3m, with working capital and non-current liabilities decreasing by £0.4m in total. Right-of-use assets were initially measured equal to the lease liabilities, adjusted by prepaid or accrued lease payments.

The adoption of IFRS 16 from 1 January 2019 resulted in £10.2m increase in depreciation, £11.3m reduction in lease expenses and £3.5m increase in finance costs recognised in the Consolidated Income Statement during the year ended 31 December 2019; and £82.3m right-of-use assets and £83.7m lease liabilities recognised in the Consolidated Balance Sheet at 31 December 2019.

In the Consolidated Cash Flow Statement during the year ended 31 December 2019, cash generated by operations and free cash flow (as defined in Note 32b) has increased by £11.3m and £7.8m, respectively, as a result of IFRS 16; while capital repayments of lease liabilities are classified to net cash used in financing activities, resulting in a neutral effect on the movement in cash and cash equivalents. The adoption of

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

UK WITHDRAWAL FROM THE EUROPEAN UNION

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

BINDI FOYLE GROUP FINANCE DIRECTOR

VIABILITY STATEMENT

In accordance with provisions 30 and 31 of the 2018 UK Corporate Governance Code, published by the Financial Reporting Council in 2018, the Directors have assessed the prospects of the Group over the three-year period to 31 December 2022, reflecting the normal mid-term planning cycle of its business operations while adequately covering customer lead times for both new and expansion investment.

Although this three-year period is shorter than other time horizons, such as the Goodwill impairment assessment, capital investment and the maturities of some longer-term borrowings, the Directors have no reason to believe that the Group will not be viable over a longer period. The principal Group risks and uncertainties on pages 26 to 29 and areas of strategic priorities on pages 18 to 19 take longer-term prospects into consideration; however, given the inherent uncertainty involved, the period over which the Directors consider it possible to form a reasonable expectation and degree of confidence as to the Group's viability is the three-year period to 31 December 2022.

In its assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties and in particular the risks associated with the grounding of the 737 MAX aircraft.

The Directors have adopted a scenario approach supported by financial modelling. The "Base Case Scenario", comprising the Group Budget for 2020 and the Group's

NET DEBT/EBITDA

18	1.1x
19	1.1x

FUNDING HEADROOM (£m)

18	118
19	159

Strategy for 2021 and 2022 before future acquisitions, is flexed to reflect the probability weighted and cumulative estimated effects of the Group's principal risks and uncertainties. In addition, the Directors have also carried out a Reverse Stress Analysis by modelling the point at which future viability becomes uncertain.

The scenarios are designed to be severe but plausible, and take account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks and that realistically would be achieved in the circumstances. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, as discussed on pages 24 to 29, is taken into account.

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

Based upon the robust assessment of the principal risks facing the Group and their stress-testing based assessment of the Group's prospects, all of which are described on pages 24 to 29, 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 2022, subject to Senior retaining the ability to acquire funding over the three-year period to 2022 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.

APPROVAL

The Strategic Report from pages 1 to 39 was approved by the Board of Directors on 28 February 2020 and signed on its behalf by

DAVID SQUIRES GROUP CHIEF EXECUTIVE

CHAIRMAN'S GOVERNANCE LETTER



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

IAN KING
CHAIRMAN

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STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is subject to the UK Corporate Governance Code 2018 (Code), which is published by the Financial Reporting Council and available on their website: www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code

We have been fully compliant with the code throughout 2019.

Dear Shareholders,

In recent years, greater investor attention has been focused on environmental, social and governance ("ESG") matters, encouraging companies to consider the social and environmental impact of their policies and procedures.

Good corporate governance has always been given prominence across the Senior Group; the Board sets the tone and takes the lead on all governance matters. The Governance section of this Annual Report is intended to provide Senior's shareholders with a clear and meaningful explanation of what governance means to the Board and how this guides its decision-making processes.

The Board remains committed to ensuring the long-term sustainable growth of the Group, generating value for shareholders, whilst taking into account the needs of all its stakeholders.

I have summarised below the Company's approach to key governance matters.

BOARD GOVERNANCE LEADERSHIP

The Board is structured under a non-executive Chairman and currently comprises two executive Directors and five 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 can be found on pages 42 to 47.

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 Chairman is independent upon appointment. The Board considers all non-executive Directors of the Company to be independent, having taken into account a list of relationships and circumstances that may appear relevant in determining independence. The Chairman

encourages open and honest discussions between Directors, both within and outside Board meetings, and ensures no Director or group of Directors exerts pressure or dominates the Board's decision-making.

ENGAGEMENT WITH STAKEHOLDERS Shareholders

The Company maintains regular contact with its institutional shareholders and continued to consult with its major shareholders during 2019. Twice a year, the Group Chief Executive, Group Finance Director and Director of Investor Relations & Corporate Communications undertake a series of meetings with the Company's major shareholders, following the announcement of the full-year and interim results, to discuss both the Board's strategic objectives and the detailed performance of the business. During 2019, the Company's non-executive Chairman also attended the full-year and interim results announcements made to analysts, in March and August respectively.

In addition, the Company held a Capital Markets Day for its institutional investors and analysts in May 2019.

The Chairman also meets periodically with the Company's major shareholders. The Senior Independent non-executive 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; during 2019, Celia Baxter succeeded Mark Vernon in this role.

The Company makes constructive use of its AGMs to communicate with its private shareholders. A presentation on the Company's annual performance was given to shareholders in April 2019, on the morning of the AGM, and a copy of the presentation, together with other investor relations material, is available on the Company's website. In 2020, a presentation will again be given to private shareholders attending the AGM and they will have the opportunity to communicate with the Directors during and following the close of the meeting.

Employees

In 2019, Celia Baxter was appointed the Director designated to engage with the Group's workforce and listen to any employee concerns. She attended Focus Group meetings with the Group HR Director, Jane Johnston. At the Focus Group meetings, selected employees from a number of the Group's operations, including members of works councils and union employee representatives, had been invited to participate in the Focus Groups. In 2019, 13 Group operations were visited and feedback from the meetings was provided to local management and to the Company's Board of Directors.

Further details can be found on [pages 17 and 48](#).

Customers

Due to the nature of the business, the Company has well established relationships with all its key customers, including Boeing, Spirit and Rolls-Royce in the Aerospace Division, and Schlumberger, Cummins and Caterpillar in the Flexonics Division. These relationships are maintained on an ongoing basis and managed in a transparent and constructive manner; any customer concerns are addressed in a timely manner, to ensure continuity of supply and customer satisfaction. The Group has in place dedicated managers to deal directly with key customers on existing and new customer agreements. Relationships with potential and new customers are also established on an open and professional basis.

Suppliers

Maintaining a good relationship with Senior's supply chain is fundamental to providing customers with products in a timely manner and to a high standard. Clear communication with suppliers is of key importance and is managed in a professional manner. Agreements with major suppliers have, in many cases, been arranged to support long-term agreements with the Group's key customers. Due to the nature of the materials utilised, supplies may involve long lead times, and so communication and managing good relations with suppliers is paramount to the Group's operating businesses.

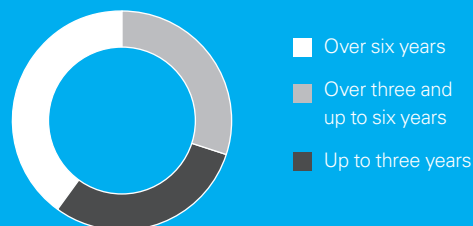
Community and the Environment

Many of the Group's operations are major employers within their local communities and nurture good relationships with their stakeholders, finding ways to contribute to local society, in addition to providing employment opportunities. Equally, the Group's operations that are smaller in size take stakeholder engagement very seriously, ensuring they adhere to high standards for the protection of health, safety and the environment and, in many cases, maintaining relationships with local schools and colleges to offer training or apprenticeship programmes.

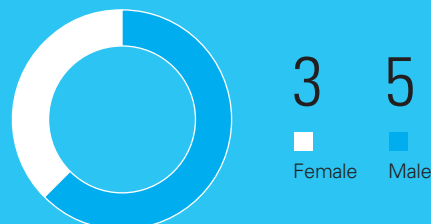
IAN KING CHAIRMAN

28 February 2020

TENURE – BOARD



DIVERSITY – BOARD



BOARD AND COMMITTEE MEMBERSHIP AND ATTENDANCE

The membership and attendance record of the full Board Meetings and its full Committee Meetings during 2019 are shown in the table below:

	Main Board ⁽¹⁾	Audit Committee	Nominations Committee	Remuneration Committee
Chair	Ian King	Giles Kerr	Ian King	Celia Baxter
Total number of meetings	12	3	5	4
Ian King	12/12	–	5/5	4/4
Celia Baxter	11/12	3/3	5/5	4/4
Susan Brennan	12/12	3/3	5/5	4/4
Bindi Foyle	12/12	–	–	–
Giles Kerr	12/12	3/3	5/5	4/4
Rajiv Sharma	12/12	3/3	5/5	4/4
David Squires	12/12	–	–	–
Mark Vernon	12/12	3/3	5/5	4/4

(1) There were 12 scheduled Board meetings and one unscheduled Board meeting in 2019.

BOARD OF DIRECTORS

The Board is responsible for strategic decisions affecting the Group, including the setting of commercial strategy and the approval of annual operating budgets and financial statements.



1 **IAN KING**
CHAIRMAN



2 **CELIA BAXTER**
SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR



3 **SUSAN BRENNAN**
INDEPENDENT NON-EXECUTIVE DIRECTOR



4 **BINDI FOYLE**
GROUP FINANCE DIRECTOR



5 **GILES KERR**
INDEPENDENT NON-EXECUTIVE DIRECTOR



6 **RAJIV SHARMA**
INDEPENDENT NON-EXECUTIVE DIRECTOR



7 **DAVID SQUIRES**
GROUP CHIEF EXECUTIVE



8 **MARK VERNON**
INDEPENDENT NON-EXECUTIVE DIRECTOR



9 **ANDREW BODENHAM**
GROUP COMPANY SECRETARY

1. IAN KING

CHAIRMAN AND CHAIR OF THE NOMINATIONS COMMITTEE

Responsibilities

Leadership of the Board, setting its agenda and ensuring its effectiveness.

Qualifications

Fellow of the Chartered Institute of Management Accountants.

Appointment to the Board

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

Committee Membership

Nominations (Chair) and Remuneration.

Skills and Experience

Ian has had a distinguished executive career spanning more than 40 years in the defence sector. He has a wealth of experience in many senior management and directorship roles, including finance, executive management, customer support and strategic planning.

Career Experience

Ian joined Marconi in 1976 as a graduate entrant, working in defence electronics manufacturing. He served as a Finance Director at Marconi Electronic Systems from 1992 to 1998. Ian was Chief Executive of Alenia Marconi when Marconi and British Aerospace merged in 1999 to form BAE Systems. After the merger, he became Group Strategy and Planning Director for BAE Systems plc; in 2008 Ian became its Chief Executive and held this position until his retirement in June 2017. He also served as a non-executive director and senior independent director of Rotork plc until June 2014.

Current Directorships/Business Interests

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

Independence

Ian met the 2016 UK Corporate Governance Code's independence criteria on his appointment as Chairman.

Specific Contribution to the Company's Long-term Success

Ian leads the Board in defining the strategy of the Group and driving the Company's vision to produce sustainable growth in operating profit, cash flow and shareholder value. Ian has relevant direct experience in Aerospace, a key element of Senior's strategy.

2. CELIA BAXTER

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR, CHAIR OF THE REMUNERATION COMMITTEE AND DIRECTOR DESIGNATED TO ENGAGE WITH THE GROUP'S EMPLOYEES

Responsibilities

As Senior Independent non-executive Director, to support the Chairman in his role, to act as an intermediary for other non-executive Directors if necessary and to ensure there is a clear division between the roles of the Chairman and the Chief Executive.

Celia chairs the Board's Remuneration Committee. In addition to her role as an independent non-executive Director, she is responsible for discussing any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chair or the Chief Executive. In 2019, she was appointed the Director designated to engage with the Group's employees.

Qualifications

BSc – Botany/Plant Biology and PhD and a Member of the Chartered Institute of Personnel and Development.

Appointment to the Board

Celia Baxter joined the Board on 2 September 2013 and became Chair of the Remuneration Committee in December 2013. She succeeded Mark Vernon as Senior Independent non-executive Director in April 2019.

Committee Membership

Remuneration (Chair), Audit and Nominations.

Skills and Experience

Celia is an experienced non-executive Director, Remuneration Committee Chair and Pension Trustee Company Chair. She has over thirty years of executive experience across varied business sectors (services, manufacturing, oil and distribution), international FTSE 100 companies and Big Four consulting. She has a commercial outlook with a broad knowledge of different industry sectors and operating models. Her deep knowledge of executive remuneration practice and reporting, mergers & acquisitions, organisation restructuring, cost reduction, performance management, pensions and employee relations across the world make her a valued member of the Board and its Committees.

Career Experience

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

Current Directorships/Business Interests

She is a non-executive director of N.V. Bekaert S.A., RHI Magnesita N.V. and DS Smith plc; she was appointed to the latter in October 2019.

Specific Contribution to the Company's Long-term Success

Celia brings extensive experience of working in international, decentralised businesses and managing HR departments to the Board. She holds a key role in engaging with the Group's stakeholders, particularly its employees. She advises and guides on succession planning matters for the Board in order to ensure the Company's long-term success.

3. SUSAN BRENNAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Responsibilities

To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.

Qualifications

BSc in Microbiology and MBA.

Appointment to the Board

Susan Brennan joined the Board in January 2016.

Committee Membership

Audit, Nominations and Remuneration.

Skills and Experience

Susan brings more than 25 years of manufacturing experience, including automotive vehicle, powertrain and components assembly. Susan has dedicated her career to improving American manufacturing and assuring that the United States maintains a vital manufacturing footprint. In her time as a manufacturing practitioner, she has always been a strong proponent of sustainability, starting in her first role as the Environmental and Coating Manager with Douglas and Lomason, leading the plant to the State of Iowa's first ever Waste Minimization award and, more recently, launching the all-electric Nissan Leaf in Smyrna, USA.

Career Experience

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.

Current Directorships/Business Interests

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

Specific Contribution to the Company's Long-term Success

Susan brings valuable manufacturing experience to the Board, especially in areas of key technological advances. Her operational and executive experience, particularly in automotive and component assembly, mean she is well placed to understand issues at both operational and strategic levels.

BOARD OF DIRECTORS CONTINUED

4. BINDI FOYLE**GROUP FINANCE DIRECTOR****Responsibilities**

To manage the Group's financial affairs and to contribute to the management of the Group's business and to the implementation of the strategy and policies approved by the Board.

Qualifications

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

Appointment to the Board

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

Committee Membership

Treasury; this is not formally appointed as a Committee of the Board.

Skills and Experience

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

Career Experience

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

Current Directorships/Business Interests

Bindi holds no other directorships.

Specific Contribution to the Company's Long-term Success

Bindi's experience of financial control and investor relations and communications mean that she is ideally placed to implement the strategy and policies approved by the Board. Since joining the Group in 2006, she has gained extensive knowledge of the running of all the Group's operations and is instrumental in managing the Group's finances and assisting the Chief Executive in the management of the Executive team.

5. GILES KERR**INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE AUDIT COMMITTEE****Responsibilities**

As Chair of the Audit Committee, to focus the committee's agenda on its important matters: quality, financial accounting, corporate reporting and effective internal controls.

To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board and to lead the Audit Committee.

Qualifications

BA (Hons) in Economics and a Chartered Accountant.

Appointment to the Board

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

Committee Membership

Audit (Chair), Nominations and Remuneration.

Skills and Experience

Giles has over 35 years' experience in finance across a broad range of industrial sectors with a particular focus on life sciences. During his tenure as Director of Finance at Oxford University, he established a successful investment office with £4bn under management and a £650m early-stage investment fund. Through this role, he gained considerable experience of establishing and growing technology-based companies.

Career Experience

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

Current Directorships/Business Interests

He is a non-executive director of Abcam plc, Adaptimmune Therapeutics plc, PayPoint plc and Aris Bioscience plc.

Specific Contribution to the Company's Long-term Success

Giles has broad financial and audit experience, which is highly valued by the Board. His extensive experience as a chairman and senior independent director, and as the chair of several UK and US listed company audit committees, enables him to make a strong contribution to the Group's long-term success. In his role as Chair of Senior's Audit Committee, he has ensured strong financial governance of the Group.

6. RAJIV SHARMA**INDEPENDENT NON-EXECUTIVE DIRECTOR****Responsibilities**

To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.

Qualifications

BTech in Mechanical Engineering and MBA, Marketing & Strategy.

Appointment to the Board

Rajiv Sharma was appointed to the Board on 1 January 2019.

Committee Membership

Audit, Nominations and Remuneration.

Skills and Experience

He has nearly 30 years' experience which includes commercial, operations, M&A, strategy, digital and general management. Rajiv joined Coats Group plc in November 2010 as Global CEO Industrial and was responsible for developing and executing a growth strategy. He has lived and worked in the US, Europe and Asia and has multi industry global experience. He has managed complex businesses with blue chip companies. The majority of his career has been dedicated to growing or turning around businesses and he has been on the board of joint ventures.

Career Experience

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

Current Directorships/Business Interests

Rajiv has been the Group Chief Executive of Coats Group plc since January 2017, having served as an executive director since March 2015.

Specific Contribution to the Company's Long-term Success

Rajiv has had a long career running and growing multinational companies across the world, particularly in South East Asia. His background in mechanical engineering means that he brings operational and technical understanding to the Board's discussions. His experience of developing and executing growth strategy make his contribution to delivering the Company's long-term success an important one.

7. DAVID SQUIRES

GROUP CHIEF EXECUTIVE

Responsibilities

To manage the Group's business and to implement the strategy and policies approved by the Board.

Qualifications

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

Appointment to the Board

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

Committee Membership

David chairs the Health, Safety & Environment Committee, which meets formally three times a year to formulate the Group's HSE strategy and objectives for approval by the Board.

Skills and Experience

A graduate in business management, member of the Chartered Institute of Purchasing and Supply and Fellow of the Royal Aeronautical Society. David has held senior posts in operations and procurement, business development, programme management and general management.

Career Experience

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

Current Directorships/Business Interests

David holds no other directorships.

Specific Contribution to the Company's Long-term Success

David has a long-established career in manufacturing, for the most part having specialised in the aerospace sector. He brings extensive knowledge of the aerospace industry and understanding of procurement and business development to the Board. David has been the guiding force in driving the Group's vision and operating in a safe and ethical manner.

8. MARK VERNON

INDEPENDENT NON-EXECUTIVE DIRECTOR

As planned, Mark will retire from the Board following the conclusion of the 2020 AGM.

Responsibilities

To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.

Appointment to the Board

Mark Vernon joined the Board in April 2011 and was the Senior Independent non-Executive Director from April 2016 to April 2019, when he was succeeded by Celia Baxter.

Qualifications

BSc in Chemistry.

Skills and Experience

Mark has had a long career in the industrial engineering industry.

Career Experience

He was the Group Chief Executive of Spirax-Sarco Engineering plc until his retirement in January 2014. He previously served as Group Vice-President of Flowserve's Flow Control Business Unit, Vice-President of Durco International and President of Valtek International, a global controls business.

Current Directorships/Business Interests

He is Chairman of LiqTech International, Inc, where he has been a director since 2013.

Specific Contribution to the Company's Long-term Success

Mark's extensive global experience in the industrial engineering industry, particularly in Europe and North America, provides the Board with valuable insight into the markets the Company serves, as well as proven management and Board expertise.

9. ANDREW BODENHAM

GROUP COMPANY SECRETARY

Appointment to the Board

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

Qualifications

LLB (Hons) and a Chartered Secretary.

EXECUTIVE COMMITTEE

The Executive Committee oversees the running of all Senior Group Operations.



1 DAVID
SQUIRES



2 DAVID
BEAVAN



3 ANDREW
BODENHAM



4 LAUNIE
FLEMING



5 BINDI
FOYLE



6 JANE
JOHNSTON



7 JOE
MOCKUS



8 MIKE
SHEPPARD



9 MICHELLE
YORKE

1. DAVID SQUIRES

See biography on page 45.

2. DAVID BEAVAN

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

3. ANDREW BODENHAM

See biography on page 45.

4. LAUNIE FLEMING

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

5. BINDI FOYLE

See biography on page 44.

6. JANE JOHNSTON

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

7. JOE MOCKUS

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

8. MIKE SHEPPARD

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

9. MICHELLE YORKE

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

EXECUTIVE COMMITTEE

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

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

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

The Committee is also responsible for the consideration of all other matters not specifically reserved for consideration by the Board.

A report on the activities of the Executive Committee is provided to the Board by the Group Chief Executive at each Board meeting.

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

HEALTH, SAFETY & ENVIRONMENT (HSE) COMMITTEE

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

Throughout 2019, the members of this committee were: David Squires (Chairman of the committee), Mike Sheppard (Chief Executive of Flexonics), Joe Mockus (Chief Executive of Aerospace Structures), Launie Fleming (Chief Executive of Aerospace Fluid Systems), Mark Roden, the Group HSE & Sustainability Director, was invited to attend all meetings. The committee met three times during the year.

REPORT OF THE DIRECTORS

The Directors present their Report and supplementary reports, together with the audited Financial Statements for the year ended 31 December 2019.

ACTIVITIES AND BUSINESS REVIEW

Senior plc is a holding company. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 39. Its Group undertakings are shown on pages 125 to 127. Six of the Company's operating businesses are located in the UK and 24 in the Rest of World.

The Strategic Report includes details of Senior's business model, strategic priorities, key performance indicators, risks and uncertainties, market overview, key growth drivers and a summary of the Group's 2019 performance.

ACQUISITIONS AND DISPOSALS

In 2019, the Group continued with its Prune To Grow activities and disposed of three non-core businesses. In February 2019, the Group sold its Flexonics operating company in France, Senior Flexonics Blois SAS. In September 2019, the Group disposed of its Flexonics operating company in Brazil, Senior Flexonics Brasil Ltda which served the local automotive and power & energy markets, and in October 2019, the Group completed the sale of Absolute Manufacturing, which was part of the Aerospace Structures Division; Absolute Manufacturing focused on small built-to-print precision machining components. Details of these disposals can be found in Note 31.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Income Statement on page 82.

An interim dividend of 2.28 pence per share (2018 – 2.19 pence) has already been paid and the Directors recommend a 2019 final dividend of 5.23 pence per share (2018 – 5.23 pence). The final dividend, if approved, will be payable on 29 May 2020 to shareholders on the register at the close of business on 1 May 2020. This would bring the total dividend for the year to 7.51 pence per share (2018 – 7.42 pence).

SHARE CAPITAL

The Company has one class of ordinary shares, which carries no right to a fixed income. Each share carries the right to vote at general meetings of the Company. The Company issued no new shares in 2019. The total number of shares in issue at 31 December 2019 was 419,418,082. Further details on share capital can be found in Note 25.

DIVERSITY POLICY

Senior has an Equality, Diversity and Inclusion policy which is contained within its Code of Conduct. Senior values diversity and promotes equal opportunities for all employees in a workplace free from discrimination. Further details can be found on page 17.

ENGAGEMENT WITH EMPLOYEES

At Senior, everyone's opinion matters and this is reflected in how we engage with our employees. The Group promotes the dissemination of relevant information through workshops, newsletters and a number of other methods, so that employees are kept regularly advised on the Group's and local operational developments. Where appropriate, local briefing sessions are held concerning such matters as business performance, corporate ethics, health and safety. In 2020 we plan to implement a Global Employee Engagement Survey to assess culture and employee engagement across the Group.

At an Operating Business level, we continue to gather feedback through engagement surveys which are reviewed centrally and other activities, for example, skip level meetings, Value workshops, CEO Breakfasts and All-hands meetings, openly sharing business information and encouraging two way communication through questions and discussion.

As a result of our engagement with employees in 2019 (details of which can be found on page 20) we were able to assess the culture across much of the organisation, providing feedback to the Board; since the sessions the Operating Businesses have been focusing on areas for improvement. The Board also has a programme of visiting operating businesses and taking the opportunity to meet with teams at all levels.

Senior continues to invest in its workforce through training and development opportunities, including the launch of "Learn", our new global learning management programme. In addition, the ongoing roll-out of "Perform", our performance management system, ensures there is an adequate focus on developing skills, abilities and knowledge of our employees. Across the Group, we have a range of rewards and recognition initiatives to encourage employees' involvement in business performance.

POLICY ON EMPLOYEE DISABILITY

Senior provides support, training and development opportunities to all our employees irrespective of any disabilities they may have.

We give full and fair consideration to disabled applicants, and where an existing employee becomes disabled during their employment, we will make every effort to ensure they are able to continue working for Senior in their original or an alternative role.

ENGAGEMENT WITH OTHER STAKEHOLDERS

Senior aims to create value for all its stakeholders. By engaging and collaborating with the key groups of stakeholders, Senior can ensure its business grows and delivers long-term sustainable value. Further details on this engagement can be found on pages 20 to 21.

EMPLOYEE SHARE PLANS

Details of employee share plans are set out in Note 33.

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 2018 (the Corporate Governance Code), the Companies Act 2006 and related legislation. The Articles may be amended by special resolution of the shareholders. The powers of Directors are described in the Matters Reserved for the Senior plc Board, which may be found on the Company's website. Each year, shareholder approval is sought to renew the Board's authority to allot relevant securities.

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

RISK MANAGEMENT

The Board has ultimate accountability for the Group's risk management process, which is described on pages 24 to 29.

FINANCIAL INSTRUMENTS

Note 20 contains disclosures on the Company's financial instruments.

DIRECTORS

Details of the Directors who served throughout the year can be found on pages 42 to 45.

The Directors' interests in the shares of the Company are included in the Directors' Remuneration Report on page 74. No Director has any interest in contracts with the Company or its subsidiary undertakings. As shown on page 43, Susan Brennan is Executive Vice President and the Chief Operations Officer of Bloom Energy Corporation. Note 51 provides details of the contract Bloom Energy has with a Group subsidiary. Procedures have been adopted by Bloom Energy which mean Susan Brennan has no involvement in this contract.

The provisions of the Corporate Governance Code require that all Directors of FTSE 350 companies should be subject to annual election by shareholders. Celia Baxter, Susan Brennan, Bindi Foyle, Giles Kerr, Ian King, Rajiv Sharma and David Squires will all stand for re-election at the AGM to be held in April 2020. Mark Vernon will retire from the Board following the conclusion of the 2020 AGM.

BOARD DIVERSITY

Senior remains committed to all aspects of Board diversity including gender, nationality, experience, background and personal attributes and keeps under review its balance and composition. The appointments of Celia Baxter to the Board in 2013, Susan Brennan in 2016, and Bindi Foyle in 2017 mean that Senior has strong female representation on its Board. The Board strongly believes that its composition is well-balanced in terms of diversity and that this balance drives the Group's business performance and creation of longer-term sustainable growth.

The Nominations Committee annually reviews and approves management development and succession plans and makes recommendations to the Board on its structure, size and composition to ensure that it is appropriate for the Senior Group.

Senior was an early adopter of the Hampton-Alexander Review targets.

We continue to participate in the 30% Club, a cross-company mentoring scheme supporting the development of talented women.



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 2019, the Group incurred £28.1m (2018 – £29.7m) on research and development. Product development and improving manufacturing processes represent the primary focus of the Group's research and development activities.

POLITICAL DONATIONS

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

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 pages 13 and 14.

MAJOR SHAREHOLDINGS

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

	% at 12 February 2020
Allianz Global Investors	10.54
Alamra Asset Management	7.95
Heronbridge Investment Management	6.92
Janus Henderson Investors	4.58
BlackRock	4.44
Aberforth Partners	4.24
Vanguard Group	4.09
Legal & General Investment Management	3.96
Norges Bank Investment Management	3.54

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 2018 issued by the Financial Reporting Council is set out on page 40. This Code is publicly available on the Financial Reporting Council's website: www.frc.org.uk. The Corporate Governance Letter on pages 40 to 41 forms part of this Report of the Directors.

REMUNERATION REPORT AND POLICY

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

ANNUAL GENERAL MEETING

The Notice of Meeting describes the business to be considered at the AGM to be held at 11.30 am on Friday 24 April 2020 at Ironmongers' Hall, Shaftesbury Place, Aldersgate Street, Barbican, London EC2Y 8AA. A copy of the Notice of Meeting 2020 may be found on the Company's website.

ACQUISITION OF THE COMPANY'S OWN SHARES

The Company purchased no ordinary shares of 10 pence each in the capital of the Company; 2.8m (2018 – 2.3m) shares were purchased by the Senior plc Employee Benefit Trust in the year to satisfy the future vesting of executive share awards and employee share plans. At the end of the year, the Directors had authority, under a shareholders' resolution dated 26 April 2019, to make market purchases of the Company's shares up to an aggregate nominal amount of £42m (2018 – £42m), which represented approximately 10% of the issued share capital of the Company. A resolution to renew this authority will be proposed at the forthcoming AGM.

AUDITOR

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

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

In 2016, the Group undertook a formal tender process for its external audit function, which resulted in KPMG LLP being appointed the Group's external auditor for the financial year commencing 1 January 2017. KPMG's reappointment was last approved by the Company's shareholders at the 2019 AGM. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

ANDREW BODENHAM
GROUP COMPANY SECRETARY
28 February 2020

DIRECTORS' DUTIES

Under the Companies Act 2006, each of our Directors must: act within their powers; promote the success of the Company; exercise independent judgment; exercise reasonable care, skill and diligence, and avoid conflicts of interest.

In July 2019, The Financial Reporting Council published a revised Corporate Governance Code, which was designed to set higher standards of corporate governance to promote transparency and integrity in business.

The 2018 Corporate Governance code has established five new principles:

1. LEADERSHIP AND PURPOSE
2. DIVISION OF RESPONSIBILITIES
3. COMPOSITION, SUCCESSION & EVALUATION
4. AUDIT, RISK AND INTERNAL CONTROL
5. REMUNERATION

LEADERSHIP AND PURPOSE

COMPANY PURPOSE, VALUES AND STRATEGY

The Board is responsible for strategic decisions affecting the Group, including the setting of commercial strategy and the approval of annual operating 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 Company's purpose is stated on page 2. Senior aims to create long-term sustainable value for all its stakeholders through its business model. In 2015, six strategic priorities were identified as key elements of the Company's business model, in order to drive the creation of shareholder value. Details of the Group's Business Model and Strategic Priorities can be found in the Strategic Report on pages 10 to 11 and 18 to 19.

The Board recognises its role in assessing and monitoring the Group's culture. To that effect, "Culture" has been made a regular Board agenda item. The Board deploys various initiatives to monitor culture, from participating in site visits to reviewing qualitative and quantitative evidence of culture (succession plans, Health & Safety reporting, whistleblowing notifications, payment practices reports, training completion rates).

DIVISION OF RESPONSIBILITIES

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

The Board meets formally on a regular basis, 12 times in 2019; in addition, there were three meetings of the Audit Committee in 2019, together with four meetings of the Remuneration Committee and five meetings of the Nominations Committee. A table

showing Board and Committee meeting membership and attendance is shown on page 41. Other Committees are appointed by the Board to deal with treasury matters, disclosure matters and specific matters such as acquisitions and disposals.

During 2019, the Chair met with the non-executive Directors, without the Executive Directors present.

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 health, safety and environmental performance, and operational, financial and administrative matters; social and ethical issues, the agreement of budgets and levels of insurance cover are reviewed whenever appropriate.

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

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



COMPOSITION, SUCCESSION & EVALUATION

NOMINATIONS COMMITTEE REPORT

Dear Shareholder,

OVERVIEW

The Nominations Committee is chaired by myself, and comprises all non-executive Directors. The Group Company Secretary acts as Secretary to the Committee. Senior members of management and advisers are invited to attend meetings when deemed appropriate. There were three scheduled meetings of the Committee in 2019; two additional meetings were held to discuss matters relating to succession planning. Two members constitute a quorum for the Nominations Committee. The Committee's attendance records are shown on page 39.

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

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



The Committee is tasked with administering the process for appointments, considering succession planning, regularly reviewing such processes and overseeing the composition of the Board.

IAN KING
CHAIRMAN

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

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

Three of the nine members of the Executive Committee are female (33%).

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

SUCCESSION PLANNING

The Committee regularly considers the issue of succession planning for the various Board-level and the Group's senior management roles.

The Group has increased its focus on maximising the potential of its employees and improving succession planning. The Executive Committee, supported by the Group HR Director, has conducted an extensive review of senior executive succession planning.

The review identified key employees who are considered to be, or could be developed into becoming, critical to the success of the Group, so that appropriate plans are in place to ensure there is an appropriate mix of employees within the Group who could fill key roles in the short and longer term.

INDEPENDENCE

The Nominations Committee and the Board consider all of the non-executive Directors to be fully independent and free from conflicting interests which could cause difficulties whilst carrying out their duties. Senior considers its non-executive Directors to be proactive in contributing their respective experiences and skills gained from a range of sectors. Conflicts of interests are fully disclosed by Directors upon appointment and are reviewed on a regular basis throughout each year.

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

IAN KING
CHAIR OF THE NOMINATIONS COMMITTEE
28 February 2020

DIRECTORS' DUTIES CONTINUED

NOMINATIONS COMMITTEE

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 51. The Committee, which consists entirely of non-executive Directors, is chaired by Ian King; its composition is shown on page 41.

Details of the Directors' external statutory appointments can be found in their biographies on pages 43 to 45. The Board believes that the Directors' experience of working with other companies adds value to their contribution to the Company's Board and Committee meetings. In compliance with the Corporate Governance Code, all continuing Directors offered themselves for election or re-election at the Company's AGM 2019. All Directors will again offer themselves for re-election at the 2020 AGM, with the exception of Mark Vernon, who is to retire from the Board following conclusion of this AGM. The resolutions to be put to shareholders at the 2020 AGM can be found in the Notice of Meeting, which is available on the Company's website.

The Board confirms that in 2019 all Directors had made a positive contribution to the running of the Company and believes they will continue to work to ensure its long-term success.

REMUNERATION

The Remuneration Report on pages 60 to 76 fully describes the Board's approach to remuneration matters. The Directors' Remuneration Policy was approved by shareholders at the Company's 2018 AGM.

BOARD EFFECTIVENESS

The Board is structured under a non-executive Chairman and currently comprises two executive Directors and five independent non-executive Directors, who were selected for appointment because of their wide industrial and commercial experience. The Directors believe that the Board and its committees have the appropriate balance of skills, experience and knowledge to enable them to fulfil their duties and responsibilities effectively. The Nominations Committee regularly reviews the Board's composition.

BOARD DIVERSITY AND INCLUSION

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

BOARD INDUCTION AND DEVELOPMENT

Appointments to the Board are made following a rigorous, formal, recruitment process supported by professional consultants. All Directors receive induction upon joining the Board and are encouraged to update their knowledge and skills on a frequent basis. In 2019, all Directors received training on statutory matters.

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

EVALUATION OF THE BOARD AND THE DIRECTORS

The Board undertakes an annual self-evaluation process; in 2019, this was carried out by Equity Communications Limited. The 2019 evaluation process involved one-to-one meetings with the Directors and found the composition of the Board to be appropriate. The evaluation findings showed that the Board operated effectively throughout the period and made some suggestions for additional focus, including:

- adopting specific agenda items throughout the annual Board calendar on key strategic issues, in addition to the usual dedicated Strategy Review Meetings;
- inviting external contributors to some Board Meetings to provide a different perspective where meeting logistics allowed;
- a timely recruitment process to appoint new non-executive Directors was seen as beneficial, to ensure there is an appropriate transition period for incoming Directors; and

- continue site visits by the non-executive Directors to maintain their exposure to local management teams, which would help support subsequent Board discussions on succession planning, technology and operational matters.

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 or its Directors.

SUCCESSION PLANNING

The Committee met five times during the year and considered succession plans for Board-level and senior management roles. The Group has continued to increase its focus on maximising the potential of its employees and improving succession planning.

The Executive Committee, supported by the Group HR Director, conducted an extensive review of the Group's operating business leadership succession plans. The review identified key employees who are considered to be, or could be developed into becoming, critical to the success of the Group, so that appropriate plans are in place to ensure there is an appropriate mix of senior managers and employees within the Group who could fill key roles in the short, medium and longer term. The Group HR Director utilised skills and talent mapping to assist the Committee in identifying any gaps, taking into account the Group's long-term strategy to provide a solid foundation for Senior's growth aspirations.

When considering the appropriate mix of Board members and senior managers, for the purpose of succession planning, the Committee upholds the Group's Equality, Diversity and Inclusion Policy to ensure a diverse workforce across the Group, further details on equality, diversity and inclusion can be found on page 17.

AUDIT, RISK AND INTERNAL CONTROL

RESOURCES, INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has ultimate accountability for the Group's risk management process.

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 55 to 59 describes the role and activities of the Audit Committee, together with the significant issues that it considered in relation to the 2019 Financial Statements and its relationship with the internal and external auditors. Details of the Group's approach to risk management and its Risk and Assurance Framework can be found on pages 24 to 29.

COMMUNICATING THE SENIOR PLC CODE OF CONDUCT AND OPERATING WITH INTEGRITY

In 2018, the executive Directors published an updated booklet for issue to all employees and relevant third parties, explaining the Group's Code of Conduct (the Code) and Senior's Values; these values can be found on page 10. The booklet includes a message from the Group Chief Executive, explaining that it is his unshakeable belief that how you do business is as important as what you do in business. It contains work-related scenarios, together with a selection of questions and answers, to help employees to understand the Code and relate it to their individual roles and working environment. Copies of the Code are issued to all new employees and reissued periodically to continuing employees to remind them of the required level of conduct.

Senior trains its employees on the requirements of the Code upon induction, educating them on what they can and cannot do, and how to address any ethical dilemmas they may face. A compulsory 2019 Global Code of Conduct online training course was rolled out across the Group to all employees during the year. The 2019 course contained training modules on: Anti-bribery; Gifts, Gratuities and Entertainment; Preventing Harassment and Promoting Respect; Promoting Diversity and Avoiding Discrimination; Promoting the Reporting of Misconduct; Protection of Company Information; and Protecting Human Rights; all employees and Directors were required to achieve a Pass grade.

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

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

HUMAN RIGHTS

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

Senior is committed to preventing slavery and human trafficking in its corporate activities and throughout its supply chain. 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

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.

Senior plc is committed to maintaining high ethical standards across the Group. Employees and representatives of Senior have an obligation to act honestly, with integrity, and to comply with applicable laws. Consequently, employees are encouraged to report unethical or illegal corporate conduct in accordance with this Policy.

Senior will not tolerate the harassment or victimisation (including the application of informal pressure) of a person reporting corporate conduct in good faith. In addition to the legal protection provided to such employees, Senior will treat retaliatory conduct in violation of this Policy as a serious disciplinary offence.

DIRECTORS' DUTIES CONTINUED

The Group encourages its employees to discuss any ethical concerns that they may have with local management, or at Group level if more appropriate. Where an employee feels unable to approach local or Group management, or are dissatisfied with the response, they can contact Senior's third-party whistle-blowing service provider by telephone, a web reporting tool or, in some languages, an App. The provider will pass on information to an investigating officer within Senior, maintaining anonymity of the individual, if requested.

All reports of suspected unethical or illegal corporate conduct are independently investigated and tracked from inception to resolution and, where necessary, actions are taken to rectify any weakness in systems that may have been identified. These actions, and the overall integrity of the reporting system, are subject to regular scrutiny by the Audit Committee. This process is also available to third parties, such as suppliers and customers. Subject to confidentiality considerations, the outcome of each investigation is provided, insofar as it is possible, to the individual who reported the concern.

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

MANAGING EXTERNAL SALES AGENTS AND REPRESENTATIVES

Senior has in place a Responsible Sourcing Policy which establishes the minimum standards expected of our supply chain. Senior plc is committed to the highest possible standards of environmental, ethical and social responsibility performance in respect of all its products and services. Senior strives to be the best for its customers and its people and looks to make a positive contribution to society wherever it operates. Adherence to this policy is mandatory and all Group operations are required to ensure that they are aware of the requirements of the policy.

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 Senior's Code of Conduct or have their own code of conduct of a high standard. Local management is required to conduct a due diligence and risk assessment process prior to engaging or re-appointing any sales agents and to issue them with a copy of the Code, ensuring that they understand, acknowledge and accept its requirements.

MANAGING GIFTS AND HOSPITALITY

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

GROUP INFORMATION AND OPERATIONS BUSINESS SECURITY POLICY AND DATA PROTECTION

The Group's confidential information is valued highly by the Board and in 2019 a Group Head of Information Security was appointed. During the year, an Acceptable Use Policy was issued to provide guidelines for the acceptable and appropriate use of Information and Operational Technologies by all Group employees. The policy sets out the controls that are in place to help reduce risk associated with the inappropriate use of Information and Operational Technologies, which could lead to data loss, manufacturing disruption, virus or malware infection or other issues that could have a negative financial or reputational impact on the Group. In addition, in 2019, employees and Directors were required to complete and pass an online training course on Global Cyber Security Basics.

In compliance with the Data Protection (Charges and Information) Regulations 2018, the Company is registered with the Information Commissioner's Office.

To ensure compliance with the General Data Protection Regulation (GDPR), the Company and all relevant Group operations have in place a GDPR policy and breach incident procedure which have been communicated to their employees. As the Company is not a public authority, its core activities do not require regular and systematic monitoring of individuals on a large scale and it does not process special categories of personal data, criminal convictions or offences data on a large scale, it is not required to appoint a data protection officer. However, the Company and relevant Group operations each have a Data Protection Champion, to whom employees can approach for guidance if they have any queries or concerns relating to data protection. Compliance with data protection regulations will continue to be monitored on an ongoing basis.



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.

GILES KERR

CHAIRMAN OF THE AUDIT COMMITTEE

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:

- conducting the process for selecting the external auditor and making recommendations to the Board, and ultimately shareholders for approval, of the appointment of the external auditor, the audit fee, initiating tender processes in accordance with regulatory requirements, and the resignation or dismissal of the external auditor;
- assessing annually the independence and objectivity of the external auditor, its compliance with regulatory requirements, the effectiveness of the external audit process and authorising the provision, if any, of non-audit services and the impact this may have on independence;
- monitoring the integrity of the half-year Report and annual Accounts and related formal Company announcements, and reviewing significant financial reporting judgments contained within them, before their submission to the Board;
- reviewing the Company's statement on the Annual Report & Accounts prior to endorsement by the Board, that taken as a whole the Annual Report & Accounts is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy;
- discussing with the external auditor issues and reservations, if any, arising from the half-year review and year-end audit and any other matters the external auditor may raise;
- reviewing and approving the terms of the management representation letter addressed to the external auditor;
- reviewing the longer-term viability and the going concern basis of accounting in preparation of the Financial Statements of the Group;

- reviewing the effectiveness of the internal audit function; considering the major findings of internal audit activities and management's response; ensuring co-ordination between the internal audit function and the external auditor and ensuring that the former is adequately resourced and has appropriate standing within the Group;
- reviewing the effectiveness of the Group's internal controls and risk management systems ensuring that the process is active and dynamic;
- understanding the strategy at both Group and operational levels to ensure that business risks and other relevant issues are effectively identified and communicated to the Board;
- ensuring the Company's corporate ethics, anti-bribery and compliance procedures are up to date in terms of addressing the potential risks of fraud and misconduct;
- assessing the Audit Committee's capabilities in relation to diversity, risk experience and the financial expertise of its members;
- understanding the implications of recent and forthcoming changes to accounting standards, including the new leasing standard implemented in 2019;
- assessing potential IT, cyber security and social media issues in order to manage the Company's reputational and business continuity risks;
- reviewing the Group's Whistle-blowing Policy, to ensure that appropriate procedures are in place for employees to raise, in confidence, any concerns that they may have relating to suspected malpractice, illegal acts, omissions or other unethical corporate conduct, regarding financial or other matters; and ensuring that arrangements are in place for investigation of such matters and follow-up action; and
- considering any other topics specifically delegated to the Committee by the Board from time to time.

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

COMPOSITION OF THE AUDIT COMMITTEE

The Terms of Reference for the Audit Committee state that the Committee shall be appointed by the Board from amongst the independent non-executive Directors of the Company, excluding the Company Chairman, at least one of whom shall have recent and relevant financial experience. The Committee shall consist of not less than three members, of which all shall be independent of any business connection with the Group. Appointments to the Committee shall be for a period of up to three years, which may be extended by a maximum of two additional three-year periods, subject to the members remaining independent.

The Audit Committee is composed entirely of independent Non-executive Directors, as shown below:

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

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

There was full attendance at every Audit Committee Meeting held during 2019.

Collectively, the members of the Audit Committee have significant commercial and financial experience at a senior management level. Giles Kerr has the recent and relevant financial experience required by the UK Corporate Governance Code to chair the Audit Committee. For details of the qualifications of members of the Audit Committee, please refer to the Board of Directors' biographies shown on pages 43 to 45.

No member of the Audit Committee has any connection with the company's Auditor, KPMG LLP.

DIRECTORS' DUTIES CONTINUED

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 26 February 2019 to consider the 2018 year-end report and during the subsequent 12 months conducted the following business on the meeting dates indicated below:

30 July 2019	26 September 2019	26 February 2020
• Received and considered an Internal Audit Report including Risk & Assurance and Mapping reports presented by the Group's Head of Risk & Assurance. • Reviewed the accounting presentation and judgmental issues for the half-year ended 30 June 2019. • Reviewed and agreed the basis for going concern to be adopted for the 2019 Interim Results. • Reviewed and approved the Condensed Consolidated Interim Financial Statements disclosure in respect of new accounting standard IFRS 16. • Reviewed the Tax Memorandum for the half-year ended 30 June 2019. • Reviewed and accepted KPMG LLP's Report to the Audit Committee on the half-year review for the six months ended 30 June 2019. • Reviewed and approved the terms of the management representation letter addressed to the external auditor. • Discussed the Group's draft Announcement of the 2019 Interim Results together with the draft slides for the analysts' presentation. • Discussed and approved the external audit plan and strategy proposed by KPMG LLP for the 2019 audit, including materiality, scope, significant risks and other areas of audit focus, the audit cycle and auditor reporting. • Received and reviewed KPMG LLP's assessment on its objectivity and independence. • Held a private meeting with the external auditor, without executive management being present. • Received an update on the Group's UK and EU General Data Protection Regulation audits.	• Discussed and approved the external auditor's confirmation of the 2019 audit scope and fee. • Considered the Group's Risk & Assurance Strategic Plan and a preliminary view of the 2020 assurance activity. • Received an update on the co-source relationship with Deloitte LLP and its internal audit activities. • Received an update on the Group's cyber risk communications programme and on 2019 Code of Conduct training. • Reviewed the effectiveness of the external audit. • Discussed the FRC's letter concerning preparations for the UK to exit the European Union.	• Reviewed the accounting presentation and judgmental issues for the year ended 31 December 2019, including consideration of those significant risks outlined on page 57. • Reviewed the restructuring provisions and disposal accounting for the year ended 31 December 2019. • Reviewed the longer-term viability of the Group and agreed the viability statement on page 39. • Reviewed and agreed the going concern basis to be adopted for the 2019 Accounts. • Reviewed and approved the Annual Report & Accounts 2019 disclosure in respect of new accounting standard IFRS 16. • Reviewed the Tax Memorandum for the year ended 31 December 2019. • Reviewed and accepted KPMG LLP's Report to the Audit Committee on the audit of the financial statements for the year ended 31 December 2019. • Reviewed KPMG LLP's confirmation of its objectivity and independence. • Reviewed and approved the terms of the management representation letter addressed to the external auditor. • Approved the Audit Committee Report for 2019. • Reviewed the effectiveness of the Group's risk management and internal control systems and disclosures made in the Annual Report & Accounts 2019. • Reviewed the draft Annual Report & Accounts 2019 and reviewed the Company's statement on the draft Annual Report & Accounts prior to endorsement by the Board, that taken as a whole the draft Annual Report & Accounts is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy. • Discussed the Group's draft Announcement of the 2019 Final Results together with the draft slides for the analysts' presentation. • Reviewed the Notice of Meeting for the 2020 AGM and the Proxy Form for the 2020 AGM. • Received and considered a report presented by the Group Finance Director, which included the proposed 2020 internal audit plan, and noted progress against the Group's risk and assurance strategic objectives. • Held a private meeting with the external auditor, without executive management being present.

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

During 2019, the Audit Committee also held separate discussions with the external auditor, and the Chair of the Audit Committee held separate discussions with the Director of Risk and Compliance, without executive management being present. In addition, the Chair of the Audit Committee held separate meetings with the internal and external auditor during the course of the year.

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

SIGNIFICANT RISKS CONSIDERED BY THE AUDIT COMMITTEE

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

DIRECTORS' DUTIES CONTINUED

EXTERNAL AUDIT

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

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee reviewed:

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

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

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

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

Fees to the external auditor for audit related services undertaken in the year were £0.05m (2018 – £0.06m) and for other non-audit work were £nil (2018 – £nil).

In 2019, the Audit Committee considered that it was beneficial for the Company to retain Deloitte LLP for non-audit work services, because of the firm's expertise in this area and knowledge of the Group. The Audit Committee continues to closely monitor the nature and level of such non-audit work.

POLICY ON TENDERING

In order to maintain auditor independence and comply with FRC, EU guidance and the provisions of the CMA Order 2014 on audit tendering, the Group undertook a formal tender of its external audit during the first half of 2016, led by the Audit Committee. The appointment of KPMG LLP as the Group External Auditor for the financial year commencing 1 January 2017 received approval by shareholders at the Annual General Meeting held in April 2017. The Committee reviews annually whether it is appropriate to put the audit out to tender.

ASSESSMENT OF EXTERNAL AUDIT EFFECTIVENESS

The Audit Committee reviewed the effectiveness of the external audit process at its September 2019 meeting.

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

Senior management received answers and comments from all questionnaires and consolidated them into a report. The Audit Committee used this report to facilitate a debate at its September 2019 meeting and to assist in assessing the level of audit effectiveness. The Audit Committee discussed: the calibre of the audit firm, the quality of the process, the Audit Partner, the audit approach and planning, the role of management, the communication by the Auditor to the Audit Committee, the provisions of support for the work of the Audit Committee by the Auditor, the sharing of insights and adding value by the Auditor, the audit fee, the auditor's independence and objectivity, and the quality of formal reporting by the Auditor to the Audit Committee. Feedback about the effectiveness of the audit process from the local management

teams was also considered by the Audit Committee. The Committee concluded that the auditor had challenged the thinking of the Company and the Audit Committee on a number of significant issues and had maintained its independence.

Following completion of the assessment process, the Audit Committee concluded that it is satisfied with the effectiveness of the external auditor; as a consequence, the Audit Committee has recommended to the Board that KPMG LLP be re-appointed as auditor for 2020.

INTERNAL AUDIT

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

In 2019, as set out on pages 24 to 29, the Group further strengthened its risk management procedures and these have been reviewed by the Audit Committee. Risk has been assessed on a top down and bottom up basis and the consideration of emerging risks has been formally added to the process. A risk-based programme of internal audit has been conducted in the year. This has been delivered internally with the assistance of its co-source partner, Deloitte LLP. In August 2019 an Internal Audit Manager was appointed. This will provide additional resource and greater flexibility in delivering the internal audit plan going forward.

The Chairman and non-executive Directors are actively encouraged to visit the Group's operating businesses unaccompanied by executive Directors. This enables them to meet the local management teams and employees and also undertake site tours to review matters including production methods, health and safety and the status of internal audit findings. In 2019, a total of 24 site visits were undertaken by the Chairman and non-executive Directors. These visits by the Chairman and non-executive Directors are viewed by the Audit Committee as making a positive contribution to the internal control framework.

CONCLUSION

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its Terms of Reference. At its meeting held on 26 February 2020, the Audit Committee considered each section of the Annual Report & Accounts 2019, and the document as a whole, as proposed by the Company; it reached a conclusion and advised the Board that it considered the Annual Report & Accounts 2019 to be fair, balanced and understandable and that it provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Chairman of the Audit Committee will be available at the 2020 AGM to answer any questions about the work of the Committee.

APPROVAL

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

GILES KERR

CHAIRMAN OF THE AUDIT COMMITTEE

28 February 2020

REMUNERATION



Remuneration policies and practices continue to support the strategy of the business.

CELIA BAXTER

CHAIRMAN OF THE REMUNERATION COMMITTEE

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

Dear shareholder

I am pleased to present the Report of the Remuneration Committee for the financial year ended 31 December 2019. This statement sets out the work of the Committee during the year and provides the context for the decisions taken.

REMUNERATION IS LINKED TO OUR STRATEGY AND OPERATION

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

Our remuneration policy and practices support this vision with our bonus plans incentivising earnings growth and free cash flow and our long-term plans rewarding both the creation of shareholder value and earnings growth. We regularly consider the alignment of our performance metrics with the business strategy.

SENIOR'S PERFORMANCE DURING 2019

As explained in the Chairman's Statement and the Chief Executive's Review, Senior delivered robust full-year results for the year under review with earnings per share growth and a strong cash performance:

- Group revenue increased by 1.4% (on a constant currency basis and excluding year-on-year effect of disposals);
- Adjusted operating profit decreased by 2.4% (6.3% on a constant currency basis);
- The Group's adjusted operating margin decreased by 50 basis points, to 8.0% for the full year;
- Adjusted earnings per share increased by 0.6%; and
- The Group generated strong cash flows, with free cash inflow of £58.3m.

EXECUTIVE DIRECTORS' REMUNERATION 2019

As disclosed last year, the basic salaries of the Group Chief Executive and Group Finance Director were increased by 4.0% and 3.6% respectively with effect from 1 January 2019, broadly in line with the increase applied to the wider workforce. In line with the Remuneration Policy that was approved at the AGM in 2018, the executive Directors were eligible for a maximum bonus equivalent to 125% of basic salary, payable subject to the satisfaction of performance targets linked to Adjusted EPS and cash flow targets as disclosed in detail on page 72.

LTIP awards were granted to both executive Directors subject to the satisfaction of challenging three-year targets linked to Adjusted EPS growth and relative TSR, with the application of a two-year holding period on vested awards. Awards were granted at a level of 150% of basic salary, the same as in previous years. The Committee was cognisant that the share price had fallen since the awards in 2018 but did not feel that it was appropriate to scale back the awards as they wished to have in place a meaningful incentive for the executive to meet targets and retain them in the business. The maximum level of short and long-term variable pay remains under the median of the market.

INCENTIVE SCHEME OUTCOMES FOR THE YEAR

The Committee spent time after the end of the financial year reviewing the extent to which the targets under the Annual Bonus Plan and LTIP had been met, taking into account performance during 2019.

For the Annual Bonus Plan, we set Adjusted EPS and cash flow targets at the start of the year which were viewed as appropriately challenging. The targets are disclosed in the Annual Report on Remuneration on page 72. Awards for the year at 57.65% (72.06% of base salary) of maximum reflect the efforts put in by management to mitigate some of the 737 MAX impact, as well as continued work in shaping the portfolio for the future.

Awards made under the LTIP in 2017 were subject to Adjusted EPS and TSR performance measured over three years up to the end of

2019. 27.5% of the total award vested as 55% of the Adjusted EPS target (after adjusting for IFRS 16) was met. The TSR performance was below Threshold and therefore there was no vesting against this measure.

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

NEW UK CODES AND REGULATIONS RELATING TO REMUNERATION

In 2018, the Committee reviewed and considered the impact of the new UK Corporate Governance Code and legislation on Senior's remuneration practices. Many areas introduced are already part of Senior's practices, for example, workforce remuneration as a whole is taken into consideration when setting executive directors' pay, holding periods are in place for Senior's LTIP, the Committee has the ability to exercise discretion on remuneration plan outcomes and the Committee's Terms of Reference already include the responsibility for determining and setting remuneration for the senior management. However, in 2019, a number of new provisions were introduced:

- **Pay ratio of the Group Chief Executive compared to the UK employees:** As per the regulations the median pay ratio of the Group Chief Executive has been calculated as 40:1, further details can be seen on page 75. It should be noted that although Senior plc is headquartered in the UK, it is an international company with the majority of its employees based outside of the UK.
- **Consultation with employees regarding executive remuneration:** During the year I and the Group HR Director held a telephone conference with representatives from Senior's six UK companies' works councils to give them information on our Board of Directors' pay, ask questions and hear any views they might have. The session was a useful one which forms the foundation to have further conversations in the coming year. In addition, I have held with the Group HR Director, 18 employee focus groups in six Senior

companies in UK, US, Thailand and Malaysia. The conversations have been free flowing and employees have had the opportunity to ask any questions without any of the executive management being present. There have been no questions directly related to executive pay.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2020

The basic salaries of the Group Chief Executive and Group Finance Director have been increased by 2.9% and 3.1% respectively with effect from 1 January 2020, broadly in line with the increase applied to the wider workforce.

During the Committee's annual consideration of how we implement our remuneration policy we considered the alignment of our performance metrics with the business strategy. We heard views expressed by some shareholders that greater focus should be given to return on capital. Whilst we consider ROCE as part of the M&A evaluation process, capital investment decisions and customer bid evaluation, we have not to date included it in how we incentivise executives. We also discussed that both the LTIP and annual bonus are assessed entirely on the "output" measures of performance of TSR (LTIP only), EPS and Cash Flow.

We consulted our major shareholders at the end of the year with regard to potentially including ROCE within the LTIP, and including a strategic target in the annual bonus plan. However, since the time of consulting, there have been significant changes in the market and in particular the impact of the reduction of the 737 MAX build rates, as outlined in our 2019 trading update, released on 31st January 2020. This has impacted materially our forward-looking position and we have had to rebase the budget for 2020.

We believe that incentive plans should be both stretching and achievable in order to incentivise executives to deliver the business strategy. When setting the financial targets in this period of heightened uncertainty, we have considered a combination of consensus analysts' forecasts, our past practice and our budgets/forecasts. With this in mind the Committee has concluded the following:

1. **ROCE should not be included as a performance measure within the long-term incentive plan ('LTIP') in 2020.** Although during the consultation we received broad shareholder support for including ROCE as a performance measure, in the current more uncertain business climate we

believe we should make minimal changes and defer its introduction until next year.

2. **Retain Adjusted EPS and TSR metrics in the LTIP.** Rather than make any change this year, TSR and adjusted EPS will continue to have equal weighting. Having considered consensus analysts' forecasts for the next 3 years and the level of 2019 performance, we will set absolute EPS targets rather than percentage growth targets. The threshold EPS target will be 13.5 pence (25% vesting) in 2022 and the maximum pay-out will be achieved if EPS is 16.5 pence in 2022.

Adjusted EPS in 2022	Level of vesting (straight line between targets)
Less than 13.5 pence	Nil
Threshold – 13.5 pence	25%
Maximum target – 16.5 pence	100%

TSR performance will continue to be measured against the FTSE 350 (excluding companies in the following sectors: Financial Services (e.g. banks and insurance companies), Oil & Gas Producers, Mining, Support Services and Real Estate (e.g. REITs)). The purpose of this is to exclude sectors which have limited direct relevance to Senior, which have exhibited significant volatility over recent years, or which are heavily influenced by commodity prices. The vesting scale will remain the same as for awards granted in 2019:

Relative TSR performance (FY20-22)	Level of vesting (straight line between targets)
Below median	Nil
Median	25%
Upper quartile and above	100%

3. **Quantum of LTIP awards.** Historically we have made awards to the CEO and CFO at 150% of their salary. However, having considered the current share price we are reducing this to 125% of salary this year.
4. **No inclusion of a strategic metric in the annual bonus plan.** Our Remuneration Policy allows the Committee to include in the bonus, strategic measures limited to 25% of the bonus opportunity, but this facility has not previously been used. Having carefully considered shareholder feedback and current market conditions we want to ensure that the executives are focussed on delivering the core financial performance of EPS and free cash flow. We have therefore decided not to introduce strategic metrics this year.

We plan for this year to increase the proportion of bonus related to the free cash flow measure, reflecting its importance to the business. The split of 28.5% of bonus based on achieving free cash flow targets and 71.5% on achieving adjusted EPS targets will for 2020 change to 40% and 60% respectively.

The Committee retains an overriding discretion in relation to the amount of bonus it awards notwithstanding any formulaic calculations and targets. We also have malus and clawback arrangements in place.

Further details of the targets to be set for the 2020 LTIP awards are set out in the Annual Report on Remuneration on page 76.

POLICY REVIEW FOR 2021 AGM

The Committee will be conducting its triannual review of the directors' remuneration policy during 2020 and is conscious of UK Corporate Governance Code regarding:

1. The alignment of directors' pension allowances with those of the workforce. This will be the case for any new appointment, and during 2020 we will be reviewing UK employees' pension provisions compared to the executive Directors.

Currently, most UK employees are able to receive an employers' contribution of up to 10% of salary, although approximately 16% of UK employees receive employer contributions greater than 10%. The incumbent executive Directors benefit from a 20% contribution. In 2020, as part of our policy review, we will consider the prevailing rate offered to employees in comparison to the executive Directors, to achieve alignment.

2. The introduction of post cessation shareholding guidelines.

For your ease of reference, the current Policy is set out in full on pages 64 to 69.

At the AGM in April 2020, shareholders will be asked to approve the Annual Report on Remuneration. I hope the decisions the Committee has taken in respect of 2019 will have your support.

CELIA BAXTER
CHAIR OF THE REMUNERATION COMMITTEE

2019 REMUNERATION REPORT AT A GLANCE

OVERVIEW OF OUR REMUNERATION FRAMEWORK

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

PERFORMANCE HIGHLIGHTS AND INCENTIVE OUTCOMES

Annual bonus	Target	Actual	Achieved (% of maximum)
Performance condition			
Free cash flow			
Full year	£39.7m	£58.3m	92.7%
Adjusted EPS			
Full year internal target	16.32p	16.17p	44.0%
Bonus award to Group Chief Executive and Group Finance Director: 57.65% of maximum			

Long-Term Incentive Plan (2017 award)	Targets (threshold – stretch)	Actual
Adjusted EPS (50%)	10% – 25% growth over three-year performance period	16% (55% vesting of EPS condition)
Total Shareholder Return (50%)	TSR ranking: 7.25 (maximum threshold) 14 (minimum threshold)	24 (0% vesting of TSR condition)

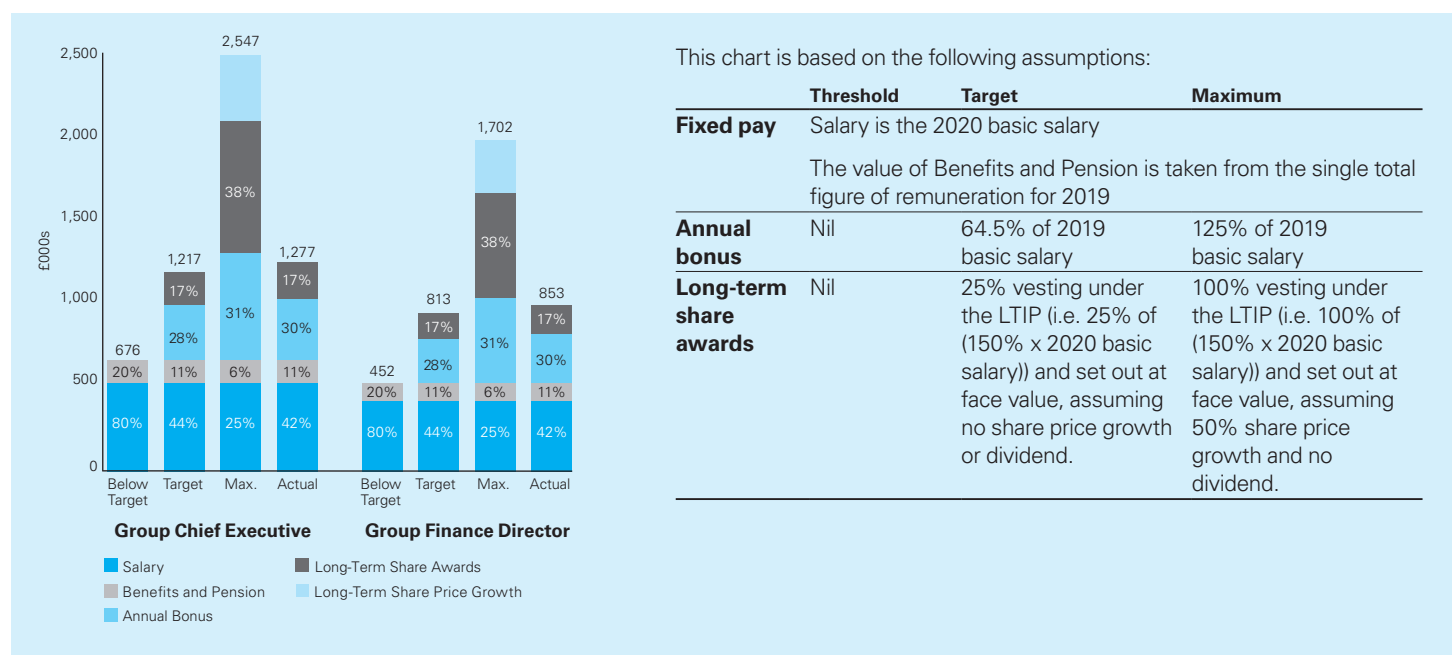
27.5% of the 2017 LTIP Award to vest as follows:

	Number of shares awarded	Percentage vesting	Number of shares vesting	Value of shares vesting ⁽¹⁾ £000s
David Squires	405,290	27.5%	111,454	202
Bindi Foyle	240,999	27.5%	66,274	120

(1) As the 2017 LTIP Award had not vested at the date this report was signed, the average market value of the shares over the last three months of 2019 of 181.0p has been used to determine the value for the purposes of the single total figure of remuneration on page 71.

APPLICATION OF REMUNERATION POLICY

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



CHANGES MADE IN 2019

No changes were made to the Remuneration Policy in 2019, and none are proposed in 2020.

About this Report

The Report on Remuneration on pages 70 to 76 is produced in accordance with the 2013 Regulations and the relevant provisions of the Listing Rules of the Financial Conduct Authority. Parts of the Annual Report on Remuneration are subject to audit, as indicated within this Report.

We have structured the rest of the Report as follows:

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

REMUNERATION REPORT: POLICY

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

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

POLICY FOR EXECUTIVE DIRECTORS

The table below summarises the Committee's policy for the remuneration of executive Directors which was approved by shareholders at the 2018 AGM and came into effect from 1 January 2018. No changes to the policy are proposed in 2020.

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

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Long-Term Incentive Plan (LTIP)	- Incentivises sustained performance over the longer term - The use of longer-term performance targets and delivery of awards in shares rewards the achievement of the Company's strategic goals and increases in shareholder value	- Annual grants of performance shares which vest subject to performance measured over three years and continued service - Executives are entitled to receive the value of dividend payments that would have otherwise been paid in respect of vested deferred shares - All awards are subject to the discretions contained in the plan rules - The Committee may review the performance conditions from time to time - The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for executive Directors - A two-year post-vesting holding period applied to LTIP awards from the March 2018 award, creating a five-year period between the grant of the awards and their final release	150% of salary 200% of salary in exceptional circumstances, such as upon recruitment	- The Committee determines performance conditions and weightings at the start of each year, providing that the targets are not materially less challenging - The awards were based on a mix of: - Relative Total Shareholder Return (50% of the award); and - Group adjusted earnings growth targets (50% of the award) - In respect of each performance element, performance below the threshold target results in zero vesting. Vesting of each performance element starts at the 25% threshold and rises to 100% for maximum level of performance - Subject to clawback at the Committee's discretion during the period of three years following the date of vesting
All-Employee Share Schemes	Employees including executive Directors are encouraged to become shareholders through the operation of the Sharesave Plan, the HMRC-approved all-employee share plan	- The Sharesave Plan has standard terms under which participants can normally enter a savings contract in return for which they are granted options to acquire shares at the market value of the shares at the start of the performance period - The rules for this plan were first approved by shareholders at the 2006 AGM and the updated rules were approved at the 2016 AGM	- Employees can normally elect for a three-year savings contract under standard terms and within HMRC limits - The option price for Sharesave awards can be set at a discount of up to 20% to the market value of the shares at the start of the savings contract, although no awards granted under the 2006 Sharesave Plan have been set at a discount	N/A
Pension	Provides competitive retirement benefits for the Group's employees	- The executive Directors may participate in the Senior plc Group Flexible Retirement Plan (Senior GFRP), a contract-based, money purchase pension plan and/or receive cash allowances - Bonuses are not included in calculating retirement benefits From 2020, any new executive Directors will receive a pension contribution in line with that available to the majority of employees in the relevant jurisdiction.	20% of basic salary either as a Company contribution to Senior GFRP or as salary in lieu of pension	N/A
Other benefits	Provides a competitive package of benefits that assists with recruitment and retention	- Benefits include provision of a fully expensed car or car allowance, private medical insurance, life insurance and income protection, tax equalisation and relocation benefits - Any reasonable business-related expenses (including tax thereon) can be reimbursed	- The value of benefits is based on the cost to the Company and is not predetermined - There is no monetary cap on other benefits	N/A

REMUNERATION REPORT: POLICY CONTINUED

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

RECRUITMENT OF EXECUTIVE DIRECTORS

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

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

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

The aggregate incentive offered to new recruits will be no higher than that outlined in the Policy report on pages 64 and 66. The Remuneration Committee has flexibility to grant share awards of up to 200% of salary upon recruitment. Different performance measures may be set initially for the annual bonus and LTIP, taking into account the responsibilities of the individual, and the point in the financial year that they joined.

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

RATIONALE BEHIND PERFORMANCE METRICS AND TARGETS

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

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

In 2020 we plan to increase the proportion of bonus related to the free cash flow measure, reflecting its importance to the business. The split of 28.5% of bonus based on achieving free cash flow targets and 71.5% on achieving Adjusted EPS targets will for 2020 change to 40% and 60% respectively.

The measures currently used in the LTIP are Adjusted EPS and relative TSR. Adjusted EPS is a measure of the Company's overall financial success and TSR provides an external assessment of the Company's performance against its competitors. It also aligns the rewards received by executives with the returns received by shareholders. The Committee continues to review the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant. The Adjusted EPS and relative TSR measures shall be weighted equally for the 2020 LTIP awards.

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

RELATIONSHIP BETWEEN EXECUTIVE DIRECTOR AND EMPLOYEE PAY

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

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

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

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

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

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

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 2020 were approximately 2.95% (2019 – approximately 3.27%).

The Company did not consult with employees when drawing up the Directors' Remuneration Policy set out in this part of the Remuneration Report. However, during 2019, the Group HR Director held focus group meetings with employees at all levels across 13 operations; some of these meetings were also attended by Celia Baxter, Chair of the Committee. Employee remuneration featured as a discussion topic during the focus group meetings.

POLICY ON OUTSIDE APPOINTMENTS

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

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS AND LOSS OF OFFICE PAYMENTS

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

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

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

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 or her loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive Directors leaving the Group is described below and is designed to support a smooth transition from the Company, taking into account the interests of shareholders:

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

Notes

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

HOW SHAREHOLDER VIEWS ARE TAKEN INTO ACCOUNT

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. Shareholders were consulted in 2013 when formulating the Remuneration Policy, and in 2016 and 2017 when updating the Policy. During 2019 and 2020, major shareholders were consulted on the Committee's proposed changes to performance measures applying to LTIP awards and executive bonuses. Consultation with shareholders has always been constructive.

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

LEGACY ARRANGEMENTS

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

DISCRETIONS OF THE REMUNERATION COMMITTEE

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

- selecting the participants for the annual bonus plan and LTIP awards;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table commencing on page 64);

- adjusting the constituents of the TSR comparator group;
- determining the extent of LTIP vesting based on the assessment of performance;
- determining "good leaver" status and the extent of vesting in the case of the LTIP and deferred shares;
- determining the extent of vesting in the case of the LTIP in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- varying 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;
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and LTIP from year to year; and
- adjusting bonus and LTIP target outcomes if deemed appropriate, for example to take account of material M&A activity or other exceptional circumstances when they arise.

POLICY FOR NON-EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

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

NON-EXECUTIVE DIRECTORS' TERMS OF APPOINTMENT

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

⁽¹⁾ The second three-year term of appointment of Mark Vernon expired in April 2017. His appointment was extended for further periods of 12 months in 2017, 2018 and 2019, with the latest period of his appointment expiring in April 2020. Mark Vernon had advised the Board that he intends to retire from the Board at the AGM 2020.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION

SUMMARY OF THE COMMITTEE'S TERMS OF REFERENCE

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

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

MEMBERS

The Remuneration Committee consists entirely of non-executive Directors.

Member	Number of meetings during term	Number of meetings attended
Celia Baxter – Chair ⁽¹⁾	4	4
Susan Brennan	4	4
Giles Kerr	4	4
Ian King	4	4
Rajiv Sharma	4	4
Mark Vernon	4	4

⁽¹⁾ The full Committee met four times in 2019. In addition, authority was delegated to two members of the Committee, Celia Baxter and Ian King, to hold three additional meeting to confirm the grant and vesting of share awards.

OTHER ATTENDEES AT REMUNERATION COMMITTEE MEETINGS

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

ADVISERS

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

All advisers to the Remuneration Committee are appointed and instructed by the Committee. During the year, the Committee was advised by New Bridge Street (part of Aon plc) in relation to LTIP performance monitoring, and by Korn Ferry in relation to remuneration advice and the provision of LTIP advice. During 2019, the Company incurred fees of £11,780 from Korn Ferry and of £7,125 from New Bridge Street, and these costs were based on a combination of hourly rates and fixed fees for specific items of work. Neither advisers provided any other services to the Group during 2019.

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. Neither remuneration consultants have other connections with the Company or its Directors. The Committee is satisfied that the advice it has received during 2019 has been objective and independent.

PRINCIPAL ACTIVITIES AND MATTERS ADDRESSED DURING 2019

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

	Standard agenda items	Ad hoc items
February	Review of performance and outcomes under the Annual Bonus and Deferred Bonus Award. Review of performance and vesting under long-term incentives. Determine incentive structure for the next financial year including finalisation of targets. Review of Remuneration Report and Remuneration Policy.	
March	Confirmation of LTIP, Deferred Bonus Awards and Restricted Share Awards.	
May	Review of legislative and governance changes and impact on Remuneration Executive pay – market update and review of Remuneration Policy. Confirmation of options granted under Sharesave Plan 2019.	
December (2 meetings)	Review and approval of Directors' and senior managers' salary and total remuneration packages for the following financial year. Performance update on outstanding incentive and bonus awards. Discussion on 2020 LTIP and bonus targets; and associated shareholder consultation. Determine remuneration of Chairman. Review of Committee's Terms of Reference.	

STATEMENT OF VOTING AT GENERAL MEETING

At the AGM held on 26 April 2019, 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	317,134,874	17,090,679	334,225,553	63,987	N/A	N/A
	%	94.89%	5.11%	100%	N/A		

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

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

The following table shows a single total figure of remuneration in respect of qualifying services for the 2019 financial year for each executive Director, together with comparative figures for 2018. Aggregate Directors' emoluments are shown at the end of the Single Total Figure of Remuneration section.

	Salaries and fees £000s		Taxable benefits and allowances ⁽²⁾ £000s		Bonus ⁽³⁾ £000s		Long-term incentives ⁽⁴⁾ £000s		Pension benefits including cash in lieu of pension £000s		Total fixed remuneration £000s	Total variable remuneration £000s	Total ^{(1),(5)} £000s	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2019	2019	2018
Executives														
David Squires	525	505	31	28	378	473	202	–	105	101	661	580	1,241	1,107
Bindi Foyle	350	338	21	21	252	317	120	–	70	68	441	372	813	744
Total remuneration	875	843	52	49	630	790	322	–	175	169	1,102	952	2,054	1,851
Non-executives														
Ian King (Chairman)	185	137	1	0	–	–	–	–	–	–	186	0	186	137
Celia Baxter	67	59	1	0	–	–	–	–	–	–	68	0	68	59
Susan Brennan	52	50	0	1	–	–	–	–	–	–	52	0	52	51
Giles Kerr	61	59	0	0	–	–	–	–	–	–	61	0	61	59
Rajiv Sharma	52	–	0	–	–	–	–	–	–	–	52	0	52	–
Mark Vernon	55	59	1	0	–	–	–	–	–	–	56	0	56	59
Total remuneration	472	364 ⁽⁵⁾	3	1	–	–	–	–	–	–	475	0	475	365

⁽¹⁾ Charles Berry retired from the Board on 27 April 2018. For the purposes of providing a valid comparison for the current Directors, Charles Berry's 2018 fee is not included in the Total remuneration 2018 comparator figure.

⁽²⁾ Taxable benefits include the provision of a fully expensed company car or car allowance and private medical insurance.

⁽³⁾ Awards under the deferred bonus award, the Enhanced SMIS, in respect of 2019 performance will be granted in March 2020. The deferred bonus element that is to be granted in the form of shares to David Squires and Bindi Foyle in March 2020 is included in the Bonus figure and will be equivalent in value to 24.02% of 2019 base salary, namely £126,105 and £84,070 respectively.

⁽⁴⁾ The performance conditions attached to David Squires' and Bindi Foyle's 2017 LTIP Awards were partially achieved and 111,454 and 66,274 shares respectively will vest under this award in March 2020. Further details on the performance conditions can be found on pages 73 and 74. The estimated value of shares to vest in the next period was calculated using the average of daily closing market value of the shares over the last three months of 2019 of 181.0p.

⁽⁵⁾ The aggregate amount of remuneration paid to or receivable by Directors in respect of qualifying services as per paragraph 9 of SI 2008/40 Schedule 5 was £2,031,936.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

FEES RECEIVED FOR OUTSIDE APPOINTMENTS

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

ANNUAL FEES OF NON-EXECUTIVE DIRECTORS

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

Fees	2019 £	2018 £	Percentage change
Chairman	185,000	180,000	2.8%
Non-executive Director	51,500	50,000	3.0%
Chair of Audit Committee	9,000	9,000	0%
Chair of Remuneration Committee	9,000	9,000	0%
Senior Independent Director	9,000	9,000	0%

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.

	2019 Total £000s	2018 Total £000s
Short-term employee benefits	3,324	3,424
Post-employment benefits	90	84
Share-based payments	463	1,213
Total	3,877	4,721

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 2019 have been determined by Adjusted EPS and free cash flow performance as set out in the table below.

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

	2019							2018		
	Threshold	Target	Maximum	Actual achieved	Maximum bonus achievable	Percentage of maximum achieved	Bonus payable (% of 2019 salary) ⁽¹⁾	Maximum bonus achievable	Percentage of maximum achieved	Bonus payable (% of 2018 salary) ⁽¹⁾
Free cash flow targets										
Full year	£35.73m	£39.70m	£60.00m	£58.30m	35.00%	92.74%	32.46%	35.00%	78.54%	27.49%
Adjusted EPS targets ⁽²⁾										
Full year internal target	15.57p	16.32p	18.24p	16.17p	90.00%	44.00%	39.60%	90.00%	73.58%	66.22%
Totals					125.00%	57.65%	72.06%	125.00%	74.97%	93.71%

⁽¹⁾ When bonus is payable, this is paid two-thirds in cash and one-third in deferred shares. The deferred share element of the 2018 bonus was awarded on 7 March 2019 based on a share price of £2.23 and shall ordinarily vest on the third anniversary of the award on 7 March 2022. The deferred element of the 2019 bonus shall be awarded in March 2020 and the details disclosed in the 2020 Remuneration Report.

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

For the free cash flow targets, bonus becomes payable at 90% of the Target, for the internal Adjusted EPS target, bonus becomes payable at 95% of Target.

TOTAL PENSION ENTITLEMENTS (AUDITED INFORMATION)

The 2019 single figure remuneration for pension benefits for David Squires and Bindi Foyle consisted of a cash allowance of £105,000 (2018 – £100,940) and £70,000 (2018 – £67,600) respectively, this being 20% of the respective salaries received.

The Committee will be conducting its triennial review of the Remuneration Policy during 2020. As part of the Policy review, we will consider the prevailing rate offered to employees in comparison to the executive Directors to achieve alignment. Further detail may be found on page 61 in the Policy Review for 2021 AGM section.

PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

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

PERFORMANCE AGAINST PERFORMANCE CONDITIONS FOR LTIP VESTING

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

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

2017 Award, vesting March 2020

Performance condition	Target (25% vesting)	Maximum (100% vesting)	Actual	Percentage of total award achieved
Total shareholder return ranking (50% of Award)	14	7.25	24	0%
Growth in adjusted earnings per share over performance period (50% of Award)	10%	25%	16.0% ⁽¹⁾	55.0%

⁽¹⁾ The growth in adjusted earnings per share of 16.0% was calculated after adjusting for the impact of IFRS 16.

27.5% of the performance condition for the 2017 Awards was achieved and therefore the awards shall vest in 2020 as follows:

	Number of shares awarded	Percentage vesting	Number of shares vesting	Value of shares vesting £000s ⁽¹⁾
David Squires	405,290	27.5%	111,454	202
Bindi Foyle	240,999	27.5%	66,274	120

⁽¹⁾ The estimated value of the vesting shares was calculated using the average of daily closing market value of the shares over the last three months of 2019 of 181.0p.

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED INFORMATION)

Directors	Scheme	Basis of award	Face value £000s	Percentage vesting at threshold performance	Number of shares	Performance period end date
David Squires ⁽¹⁾	LTIP	Annual award	788	25%	353,340	31 December 2021
Bindi Foyle ⁽¹⁾	LTIP	Annual award	525	25%	235,426	31 December 2021

⁽¹⁾ The face value of the awards was calculated using the closing share price on 6 March 2019 of 223.0p, being the trading day immediately prior to the date of the award.

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

The following tables show the current position against performance targets for LTIP awards outstanding from 2018 and 2019.

Performance condition	Conditional share awards granted in 2019			Conditional share awards granted in 2018		
	Target (25% vesting)	Maximum (100% vesting)	Actual to date	Target (25% vesting)	Maximum (100% vesting)	Actual to date
Total shareholder return ranking	50th percentile	75th percentile	7.2nd percentile	50th percentile	75th percentile	11.7th percentile
Growth in adjusted earnings per share over performance period	15%	30%	3.7%(1)	10%	25%	15.8%(2)

⁽¹⁾ Actual to date figure of 3.7% represents the growth in the Adjusted EPS during the first year of the three-year performance period for the 2019 LTIP award.

⁽²⁾ Actual to date figure of 15.8% represents the growth in the Adjusted EPS during the first two years of the three-year performance period for the 2018 LTIP award.

For LTIP awards up to and including the 2017 awards, the Company's TSR performance has been measured relative to a broadly similar comparator group comprising FTSE All Share manufacturing companies within selected business sectors; the comparator group used for the 2017 awards is set out below.

Avon Rubber	Meggitt	Spectris
BAE Systems	Melrose Industries	Spirax-Sarco Engineering
Bodycote	Morgan Advanced Materials	TT electronics
Chemring Group	Oxford Instruments	Ultra Electronics Holdings
Cobham	QinetiQ Group	Vitec Group
Dialight	Renishaw	Voalex
Halma	Rolls-Royce Holdings	Weir Group
Hill & Smith Holdings	Rotork	
IMI	Severfield	

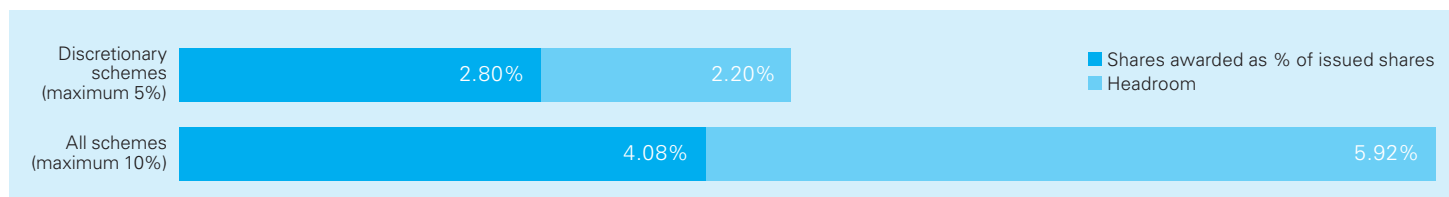
The above group has, over time, reduced in size because of M&A activity. To ensure a suitably broad peer group, the TSR comparator group applicable to the 2018 and 2019 LTIP awards adopted a wider index, the FTSE 350 excluding sectors with limited direct relevance to Senior and those exhibiting high volatility.

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

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

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 2019, awards outstanding and shares issued in the previous 10 years under all share plans (the Senior plc 2005 Long-Term Incentive Plan (the 2005 LTIP), the Senior plc 2014 Long-Term Incentive Plan (the 2014 LTIP), the Restricted Share Award Plan and the 2006 Savings-Related Share Option Plan (the Sharesave Plan)) amounted to 4.08% of the issued ordinary share capital of the Company. At 31 December 2019, awards outstanding and shares issued in the previous 10 years under executive (discretionary) plans (the LTIP and Restricted Share Award Plan) amounted to 2.80% of the issued ordinary share capital of the Company.

During 2019, all share awards were satisfied using market-purchased shares. The Remuneration Committee monitors the flow rates of the Company's share plans, in particular before new share awards are made, to ensure the flow rates remain within the Investment Association dilution guidelines.

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

The Remuneration Committee encourages Directors to own shares in the Company and, in support of this policy, it expects executive Directors to retain at least 50% of the shares that vest under the LTIP and Enhanced SMIS deferred share awards, after allowing for tax liabilities, until a shareholding equivalent in value to 200% of base salary is built up. Included within David Squires' holding are 85,000 shares that he purchased.

The table below shows how each Director complies with this requirement. Shares are valued using the Company's closing share price on 31 December 2019 of 172.9p (31 December 2018 – 189.4p). No options under the Sharesave Plan were exercised by the executive Directors during the year.

	Number of shares required to be held (equivalent to 200% of basic salary at 31 December 2019)	Number of shares held (including unvested deferred shares net of tax) at 31 December 2019	Share ownership requirements met	Unvested awards, subject to performance conditions		Unvested awards, not subject to performance conditions	
				LTIP award ⁽¹⁾		Sharesave	Total deferred share award
Executive Directors							
David Squires	607,287	181,300	No – 29.9%	1,022,594		12,500	146,590
Bindi Foyle	404,858	112,923	No – 27.9%	653,203		11,406	82,236

	Number of shares owned outright (including connected persons) at 1 January 2019	Shares vested during 2019 ⁽²⁾	Shares retained from 2019 vested shares	Shares purchased during 2019	Number of shares owned outright (including connected persons) at 31 December 2019
Executive Directors					
David Squires	71,410	7,198	7,198	25,000	103,608
Bindi Foyle	64,931	8,330	4,407	–	69,338
Non-executive Directors					
Ian King	33,700	–	–	23,597	57,297
Celia Baxter	10,000	–	–	7,500	17,500
Susan Brennan	5,900	–	–	–	5,900
Giles Kerr	10,000	–	–	–	10,000
Rajiv Sharma	–	–	–	–	–
Mark Vernon	18,200	–	–	–	18,200

⁽¹⁾ The Adjusted EPS performance condition attached to David Squires' and Bindi Foyle's 2017 LTIP awards over 405,290 shares, and 240,999 shares respectively (included within their respective LTIP award figures above) was partially achieved; in March 2020, 111,454 shares are due to vest to David Squires and 66,274 shares to Bindi Foyle.

⁽²⁾ In 2019, the following gains were made by David Squires and Bindi Foyle: £16,469 and £19,059 respectively upon the vesting of their Enhanced SMIS deferred awards. The gains were calculated by multiplying the number of shares that vested by Senior's closing mid share price on the day of vesting of 228.0p.

PERFORMANCE GRAPH

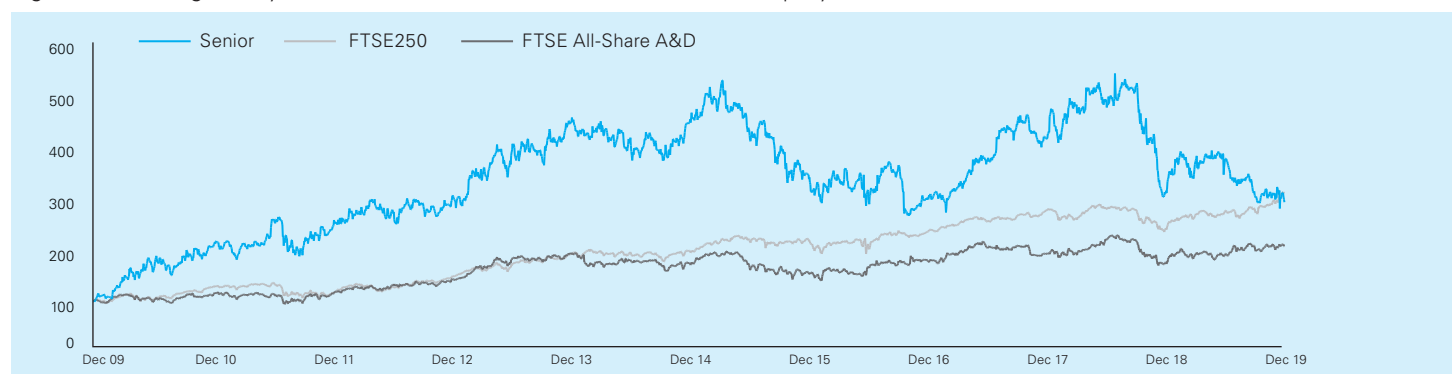
SHARE PRICE PERFORMANCE

The closing middle market price of the shares at 31 December 2019 was 172.9p (2018 – 189.4p). During 2019, the shares traded in the range of 165.7p to 239.2p.

SENIOR PLC TOTAL SHAREHOLDER RETURN

The following TSR graph compares the total shareholder return of the Company's shares against the FTSE All-Share, Aerospace & Defence index,

and the FTSE 250 Index over a ten-year period (where dividends are included gross of tax). This graph allows a comparison to be made against organisations facing broadly similar economic and market conditions as the Company.



REMUNERATION OF GROUP CHIEF EXECUTIVE

	2010	2011	2012	2013	2014	2015 ⁽¹⁾⁽²⁾	2016	2017	2018 ⁽³⁾	2019
CEO single figure of total remuneration (£000s)	899	1,805	1,529	1,726	1,316	1,020	790	1,009	1,107	1,241
Annual variable element award rates against maximum opportunity (%)	100	100	92	65	54	14	31	79	75	58
Long-term incentive vesting rates against maximum opportunity (%)	82	100	100	100	91.8	21	0	0	0	28

⁽¹⁾ The single total figure of remuneration in relation to 2015 has been restated from the figure shown in the 2015 Annual Report & Accounts to reflect the difference in the value of the second tranche of David Squires' One-off Award on the actual date of vesting as detailed in Note 34e on page 114 of these Accounts.

⁽²⁾ During 2015, Mark Rollins retired from the Board on 31 May 2015 and David Squires was appointed a Director on 1 May 2015. The CEO single figure of total remuneration includes the combined 2015 values for Mark Rollins and David Squires.

⁽³⁾ The annual variable maximum opportunity increased to 125% in 2018 (2017 – 105%).

PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS

The table below shows how the percentage change in Directors' salary, benefits and bonus between 2018 and 2019 compares with the percentage change in the average of each of those components of pay for Senior plc employees. Employees who joined or left in either year have been excluded to prevent distortion.

	Salary Percentage change ⁽⁶⁾	Taxable benefit Percentage change ⁽⁵⁾	Bonus Percentage change
Executive Directors			
David Squires	4.08%	10.51%	-20.01%
Bindi Foyle	3.55%	-54.49%	-20.37%
Non-executive Directors			
Ian King ⁽¹⁾	34.86%	—	—
Celia Baxter ⁽²⁾	12.83%	—	—
Susan Brennan	3.00%	—	—
Giles Kerr	2.54%	—	—
Rajiv Sharma ⁽³⁾	N/A	—	—
Mark Vernon ⁽⁴⁾	-7.63%	—	—
Senior plc Employees, exc. Directors	5.62%	16.76%	-25.38%

⁽¹⁾ Ian King was appointed Chairman of the Board in April 2018; the 2018 comparator figure therefore consists of his fees paid for part of the year as a non-executive Director and part of the year as Chairman.

⁽²⁾ Celia Baxter was appointed as Senior Independent Director in April 2019 and her fee was adjusted accordingly.

⁽³⁾ Rajiv Sharma was appointed to the Board on 1 January 2019.

⁽⁴⁾ Mark Vernon was replaced as Senior Independent Director by Celia Baxter in April 2019 and his fee was adjusted accordingly.

⁽⁵⁾ The comparator group for the Taxable benefit figure consisted of Senior plc employees. The decrease in the Taxable benefits for Senior plc employees reflects a gradual move away from using a company car in favour of taking a car allowance. Bindi Foyle's Taxable benefits consisted solely of the receipt of private healthcare insurance.

⁽⁶⁾ The Salary Percentage Change figure also includes any benefit increases awarded to Directors and employees.

CEO PAY RATIO NARRATIVE

The approach taken to calculate the CEO pay ratio is Option B. Taking the gender pay gap data, which is based on Senior UK Limited, we have added the data for the two additional UK entities, and using the same principles as the gender pay data identified the 25th, 50th and 75th percentile, the best equivalents. We have then used available data for the financial year ending December 2019 to calculate the full time equivalents pay and benefits figures for the financial year, for the best equivalents and taken care that they are reasonably representative.

Year	Method ⁽¹⁾	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	B	55 : 1	40 : 1	33 : 1

⁽¹⁾ Method B was selected as the most appropriate basis for selecting the 25th percentile, median and 75th percentile pay ratios because the Gender Pay Gap data was more readily available.

RELATIVE IMPORTANCE OF SPEND ON PAY

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

The following table sets out the percentage change in profit, dividends and overall spend on pay in the financial year ended 31 December 2019 compared with the financial year ended 31 December 2018.

	2019 £m	2018 £m	Percentage change
Employee remuneration costs (excluding social security) ⁽¹⁾	286.0	269.7	6.0%
Adjusted profit before tax	78.5	83.0	-5.4%
Dividends paid	31.2	29.6	5.4%

⁽¹⁾ The 2019 Employee Remuneration costs include those of the following operations which were sold in 2019: Senior Flexonics Blois (February), Senior Flexonics Sao Paulo (September) and Senior Aerospace Absolute Manufacturing (October).

2020 REMUNERATION (NON-AUDITED INFORMATION)

An amended Remuneration Policy was approved by shareholders at the 2018 AGM. No amendments to the Remuneration Policy are to be proposed to shareholders at the AGM in April 2020.

SALARIES AND FEES FOR 2020

	2020 £	2019 £	Percentage change
Executive Directors			
David Squires	540,000	525,000	2.9%
Bindi Foyle	361,000	350,000	3.1%
Non-executive Directors⁽¹⁾			
Chairman	191,000	185,000	3.2%
Non-executive Directors	53,000	51,500	2.9%
Chair of Audit Committee	9,000	9,000	0.0%
Chair of Remuneration Committee	9,000	9,000	0.0%
Senior Independent Director	9,000	9,000	0.0%

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

WEIGHTING OF ANNUAL BONUS KPIs FOR 2020

The individual weightings of the KPIs for the executive Directors for the annual bonus are amended due to the inclusion of a strategic target.

	2020		2019	
	Maximum possible cash award	Enhanced SMIS – maximum share award	Maximum possible cash award	Enhanced SMIS – maximum share award
Free cash flow target:				
Full year	33.33%	16.67%	23.3%	11.7%
Adjusted EPS target:				
Full year internal target	50.00%	25.00%	60.0%	30.0%
Totals	83.3%	41.7%	83.3%	41.7%

The actual targets are currently considered commercially sensitive because of the information that this provides to the Company's competitors. Full disclosure of the 2020 targets will be disclosed in the 2020 Annual Report.

LTIP AWARDS FOR 2020

Quantum of LTIP awards – historically we have made awards to the executive Directors at 150% of their salary. However, having considered the current share price we are reducing this to 125% of salary this year. The relative weightings and thresholds for the Adjusted EPS and Total Shareholder Return ("TSR") performance conditions are set out in the table below:

2020				2019		
Weighting (%)	Target (25% vesting)	Maximum (100% vesting)		Weighting (%)	Target (25% vesting)	Maximum (100% vesting)
Total Shareholder Return ranking	50	Median or higher	Upper quartile or higher	50	Median or higher	Upper quartile or higher
Adjusted earnings per share	50	13.5p	16.5p	50	15% growth over 3-year performance period	30% growth over 3-year performance period

Rather than make any change this year, TSR and Adjusted EPS will continue to have equal weighting. Having considered consensus analysts' forecasts for the next 3 years and the level of 2019 performance, we will set absolute EPS targets rather than percentage growth targets. The TSR comparator group applicable to the 2020 LTIP awards will be the same as the comparator group applicable to the 2019 LTIP awards, namely, the FTSE 350 excluding sectors with limited direct relevance to Senior and those exhibiting high volatility.

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report was approved by the Board on 28 February 2020.

Signed on behalf of the Board

CELIA BAXTER

CHAIR OF THE REMUNERATION COMMITTEE

28 February 2020

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

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

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

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

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

The Directors are responsible for:

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

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

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

We confirm that to the best of our knowledge:

1. the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By Order of the Board

DAVID SQUIRES
GROUP CHIEF EXECUTIVE
28 February 2020

BINDI FOYLE
GROUP FINANCE DIRECTOR
28 February 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENIOR PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Senior plc ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Cash Flow Statement, and the related Notes, including the accounting policies in Note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

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

The period of total uninterrupted engagement is for the three financial years ended 31 December 2019.

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

OVERVIEW

Materiality: Group financial statements as a whole

£3.2m (2018 – £3.2m)

5% of Group profit before tax normalised for this year's loss on disposal (£22.0m), restructuring (£12.1m) and a class action legal claim (£2.6m). (2018 – 5% of Group's profit before tax.)

Coverage

- 85% of Group revenue (2018 – 83%)
- 92% of Group profit before tax (2018 – 87%)
- 91% of Group total assets (2018 – 90%)

Key audit matters

Recurring risks for the Group	Our risk assessment is the same as 2018	- Provisions for uncertain tax positions - Carrying value of work-in-progress and finished goods
Recurring risks for the Parent Company		Recoverability of the Parent Company's investment in subsidiaries

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2018), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

RISKS OF MATERIAL MISSTATEMENT

Provision for uncertain tax positions

£22.5m (2018 – £17.6m)

Refer to the Audit Committee Report in the Governance section on pages 55 to 59, Note 2 (significant accounting policies) and Note 21 (tax balance sheet).

Subjective estimate

The Group operates in a number of different tax jurisdictions and judgment is required to determine tax provisions across the Group, principally in the US.

Determination of provisions for tax uncertainties is subject to judgment in assessing the probable outflow of taxes that will be borne by the entity relating to matters where the relevant tax authority's final assessment of the tax treatment is uncertain.

The tax risk provisions held in connection with transfer pricing, including inter-company royalty charges, is a key risk due to its size and the subjective nature of the arm's length basis to which the pricing should adhere to.

The effect of these matters is that, as part of our risk assessment, we determined that the provision for uncertain tax positions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (Note 21) disclose the range estimated by the Group.

OUR RESPONSE

Our procedures included:

- Our tax expertise:** Use of our own tax specialists to assess the Group's tax positions, the Company's correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine provisions for tax uncertainties. This is based on our knowledge and experiences of the application of the tax legislation, and our understanding of the production activities at the sites where royalty charges are applied. We challenged management on the adequacy of the Group's provision for transfer pricing risks particularly arising in the US.
- Assessing transparency:** Assess the adequacy of the Group's disclosures in respect of tax and uncertain tax positions.

Our results

- We found the level of provisions for tax uncertainties to be acceptable. (2018 result – Acceptable.)

Carrying value of work-in-progress and finished goods

£110.6m (2018 – £116.9m)

Refer to the Audit Committee Report in the Governance section on pages 55 to 59, Note 2 (significant accounting policies) and Note 17 (inventories).

Accounting application

The Group is engaged to manufacture goods that are specific to customers' requirements, and most items are built to order. The markets that the Group serves are price competitive, and new products attract production learning curves that impact manufacturing costs during the early stages of a product's life cycle.

As a consequence, there is a risk that products may cost more than expected to produce compared to the projected cost when the original sales prices were set. There is a risk therefore that the carrying value of certain items of inventory (both work-in-progress and finished goods) could be carried at in excess of net realisable value.

Our procedures included the following:

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

Our results

- We found the carrying value of work-in-progress and finished goods to be acceptable. (2018 result – Acceptable.)

Recoverability of the Parent Company's investment in its subsidiary

£259.9m (2018 – £259.9m)

Refer to Note 36 (accounting policies) and Note 38 (investments in subsidiaries) and Company Balance Sheet.

Low risk, high value

The carrying amount of the Parent Company's investment in its subsidiaries represents 63% of its total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgment. However, due to its materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.

Our procedures included:

- **Tests of detail:** We compared the carrying amount of the investment with the relevant subsidiary's draft statutory balance sheet to identify whether its net assets, being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessed whether the subsidiary has historically been profit-making.
- **Assessing subsidiary audits:** We assessed the work performed by the subsidiary audit teams on all of those subsidiaries and considered the results of that work, on those subsidiaries' profits and net assets.

Our results

- We found the Parent Company's assessment of the recoverability of the investment in subsidiaries to be acceptable. (2018 result – Acceptable.)

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

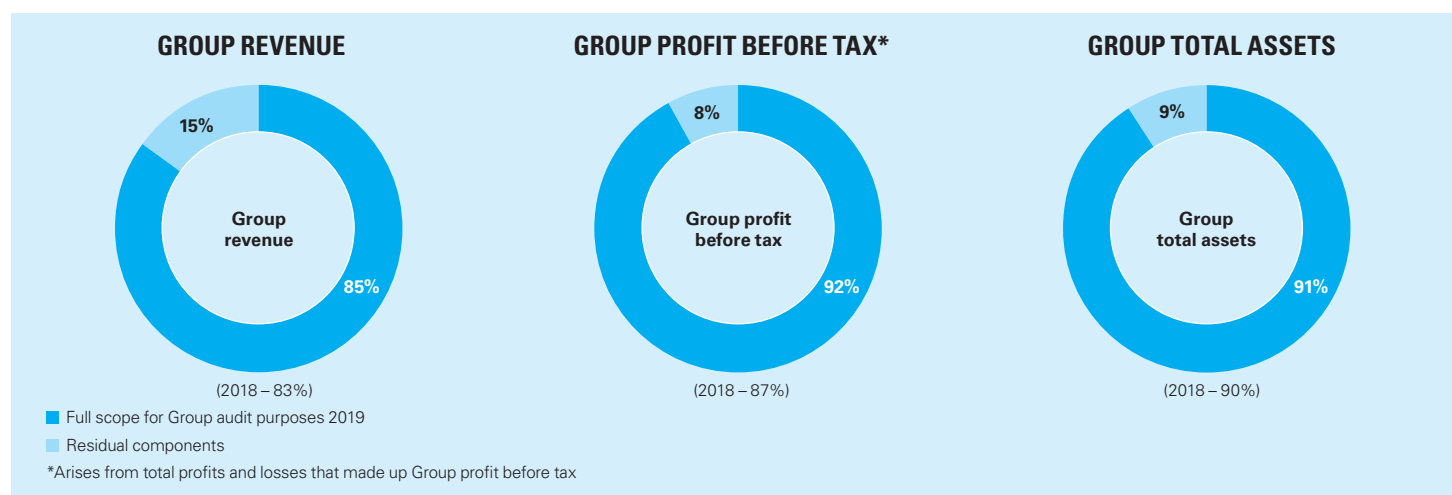
The materiality for the Group financial statements as a whole was set at £3.2m (2018 – £3.2m) determined with reference to a benchmark of Group profit before tax normalised to exclude this year's loss on disposal (£22.0m), restructuring (£12.1m) and a class action legal claim (£2.6m), of £65.4m of which it represents 5% (2018 – 5%, not normalised).

Materiality for the Parent Company financial statements as a whole was £2.9m (2018 – £2.9m), determined with reference to a benchmark of Company total assets, and then capped at 90% (2018 – 90%) of the overall Group materiality.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £162,000 (2018 – £162,000) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 31 (2018 – 34) reporting components (excluding the Parent Company), we subjected 22 components to full scope audits (2018 – 23) for Group purposes.

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

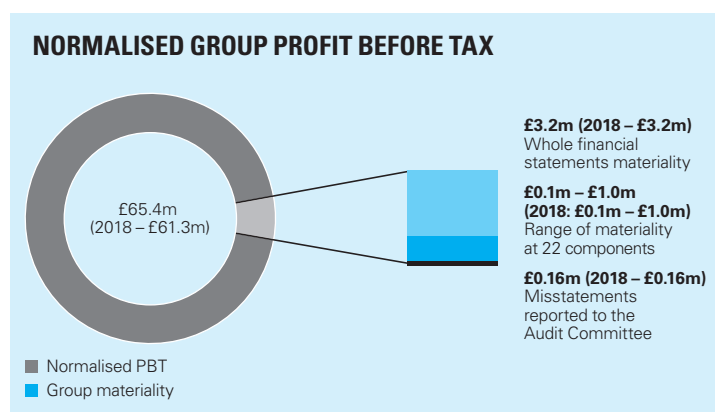


INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENIOR PLC CONTINUED

The remaining 15% of total Group revenue, 8% of Group profit before tax and 9% of total Group assets is represented by 9 reporting components, none of which individually represented more than 5% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group Audit Team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.1m to £1.0m (2018 – £0.1m – £1.0m) (excluding the component materiality for Parent Company, which was set at £2.9m (2018 – £2.9m), having regard to the mix of size and risk profile of the Group across the components. The work on 13 of the 22 components (2018 – 14) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group Audit Team. The Group Audit Team performed procedures on the items excluded from normalised group profit before tax.

The Group Audit Team visited four component locations (2018 – six) to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group Audit Team were discussed in more detail, and any further work required by the Group Audit Team was then performed by the component auditor.



4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

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

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

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

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

- we have anything material to add or draw attention to in relation to the Directors' Statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 39 is materially inconsistent with our audit knowledge.

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

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

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

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

Strategic report and Directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

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

- the Directors' confirmation within the Viability Statement on page 39 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 77 the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

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

Robert Brent (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
28 February 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	Year ended 2019 £m	Year ended 2018 £m (restated)
Revenue	3	1,110.7	1,082.1
Trading profit		61.2	69.3
Share of joint venture profit	15	0.4	0.6
Operating profit ⁽¹⁾	5	61.6	69.9
Investment income	7	0.9	0.6
Finance costs	8	(11.8)	(9.2)
Loss on disposal of businesses	31	(22.0)	–
Profit before tax ⁽²⁾		28.7	61.3
Tax credit/(charge)	10	0.5	(7.8)
Profit for the period		29.2	53.5
Attributable to:			
Equity holders of the parent		29.2	53.5
Earnings per share			
Basic ⁽³⁾	12	7.04p	12.81p
Diluted ⁽⁴⁾	12	7.01p	12.63p
⁽¹⁾ Adjusted operating profit	9	89.4	91.6
⁽²⁾ Adjusted profit before tax	9	78.5	83.0
⁽³⁾ Adjusted earnings per share	12	16.17p	16.08p
⁽⁴⁾ Adjusted and diluted earnings per share	12	16.10p	15.87p

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice – see Note 2, 10 and 21.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Year ended 2019 £m	Year ended 2018 £m (restated)
Profit for the period		29.2	53.5
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on foreign exchange contracts – cash flow hedges during the period		7.2	(8.0)
Reclassification adjustments for (profits)/losses included in profit		(1.0)	1.3
Gains/(losses) on foreign exchange contracts – cash flow hedges	28	6.2	(6.7)
Foreign exchange gain recycled to the Income Statement on disposal of businesses	31	(3.0)	–
Exchange differences on translation of overseas operations	28	(11.5)	20.5
Tax relating to items that may be reclassified	10	(1.2)	1.3
		(9.5)	15.1
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefit pension schemes	34	11.1	5.8
Tax relating to items that will not be reclassified	10	(2.1)	(0.8)
		9.0	5.0
Other comprehensive (expense)/income for the period, net of tax		(0.5)	20.1
Total comprehensive income for the period		28.7	73.6
Attributable to:			
Equity holders of the parent		28.7	73.6

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice – see Note 2, 10 and 21.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Notes	Year ended 2019 £m	Year ended 2018 £m (restated)
Non-current assets			
Goodwill	13	297.1	312.9
Other intangible assets	14	12.9	26.7
Investment in joint venture	15	3.3	3.0
Property, plant and equipment	16	369.3	285.6
Deferred tax assets	21	1.7	2.4
Retirement benefits	34	48.9	30.9
Trade and other receivables	18	0.5	0.5
Total non-current assets		733.7	662.0
Current assets			
Inventories	17	169.3	177.8
Current tax receivables	21	3.5	2.7
Trade and other receivables	18	133.6	165.0
Cash and bank balances	32c	15.8	17.2
Total current assets		322.2	362.7
Total assets		1,055.9	1,024.7
Current liabilities			
Trade and other payables	23	157.3	196.0
Current tax liabilities	21	26.6	21.5
Lease liabilities	22	0.2	0.2
Bank overdrafts and loans	19	15.7	2.7
Provisions	24	19.9	11.3
Total current liabilities		219.7	231.7
Non-current liabilities			
Bank and other loans	19	146.0	167.3
Retirement benefits	34	7.8	12.4
Deferred tax liabilities	21	32.8	38.6
Lease liabilities	22	83.5	–
Provisions	24	1.6	0.2
Others		4.9	2.7
Total non-current liabilities		276.6	221.2
Total liabilities		496.3	452.9
Net assets		559.6	571.8
Equity			
Issued share capital	25	41.9	41.9
Share premium account	26	14.8	14.8
Equity reserve	27	5.5	5.7
Hedging and translation reserve	28	38.9	48.4
Retained earnings	29	472.5	469.0
Own shares	30	(14.0)	(8.0)
Equity attributable to equity holders of the parent		559.6	571.8
Total equity		559.6	571.8

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice – see Note 2, 10 and 21.

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 28 February 2020. They were signed on its behalf by:

DAVID SQUIRES
DIRECTOR

BINDI FOYLE
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		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 (restated)	Retained earnings £m (restated)	Own shares £m	Total equity £m (restated)
Balance at 1 January 2018		41.9	14.8	3.9	33.3	438.8	(1.1)	531.6
Profit for the year 2018		–	–	–	–	50.1	–	50.1
Losses on foreign exchange contracts – cash flow hedges	28	–	–	–	(6.7)	–	–	(6.7)
Exchange differences on translation of overseas operations	28	–	–	–	20.3	–	–	20.3
Actuarial gains on defined benefit pension schemes	34	–	–	–	–	5.8	–	5.8
Tax relating to components of other comprehensive income	10	–	–	–	1.3	(0.8)	–	0.5
Prior year restatement for deferred tax	2	–	–	–	0.2	3.4	–	3.6
Total comprehensive income for the period		–	–	–	15.1	58.5	–	73.6
Share-based payment charge	33	–	–	3.4	–	–	–	3.4
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	(7.2)	(7.2)
Use of shares held by employee benefit trust	30	–	–	–	–	(0.3)	0.3	–
Transfer to retained earnings	29	–	–	(1.6)	–	1.6	–	–
Dividends paid	11	–	–	–	–	(29.6)	–	(29.6)
Balance at 31 December 2018		41.9	14.8	5.7	48.4	469.0	(8.0)	571.8
Profit for the year 2019		–	–	–	–	29.2	–	29.2
Gains on foreign exchange contracts – cash flow hedges	28	–	–	–	6.2	–	–	6.2
Foreign exchange gain recycled to the Income Statement on disposal of businesses	28	–	–	–	(3.0)	–	–	(3.0)
Exchange differences on translation of overseas operations	28	–	–	–	(11.5)	–	–	(11.5)
Actuarial gains on defined benefit pension schemes	34	–	–	–	–	11.1	–	11.1
Tax relating to components of other comprehensive income	10	–	–	–	(1.2)	(2.1)	–	(3.3)
Total comprehensive income for the period		–	–	–	(9.5)	38.2	–	28.7
IFRIC 23 opening balance adjustment		–	–	–	–	(4.8)	–	(4.8)
Share-based payment charge	33	–	–	1.8	–	–	–	1.8
Tax relating to share-based payments		–	–	–	–	(0.4)	–	(0.4)
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	(6.3)	(6.3)
Use of shares held by employee benefit trust	30	–	–	–	–	(0.3)	0.3	–
Transfer to retained earnings	29	–	–	(2.0)	–	2.0	–	–
Dividends paid	11	–	–	–	–	(31.2)	–	(31.2)
Balance at 31 December 2019		41.9	14.8	5.5	38.9	472.5	(14.0)	559.6

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice – see Note 2, 10 and 21.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Notes	Year ended 2019 £m	Year ended 2018 £m
Net cash from operating activities	32a	115.9	100.7
Investing activities			
Interest received		0.2	0.4
Proceeds on disposal of property, plant and equipment		0.7	0.5
Purchases of property, plant and equipment	16	(63.0)	(54.6)
Purchases of intangible assets	14	(1.8)	(1.7)
Proceeds on disposal of businesses net of cash balances	31	(4.8)	—
Loan repayment by joint venture	15	—	0.5
Net cash used in investing activities		(68.7)	(54.9)
Financing activities			
Dividends paid	11	(31.2)	(29.6)
New loans		62.4	111.9
Repayment of borrowings		(65.6)	(114.3)
Repayment of lease liabilities		(7.8)	(0.3)
Purchase of shares held by employee benefit trust		(6.3)	(7.2)
Net cash used in financing activities		(48.5)	(39.5)
Net (decrease)/increase in cash and cash equivalents		(1.3)	6.3
Cash and cash equivalents at beginning of period		17.0	9.7
Effect of foreign exchange rate changes		(0.6)	1.0
Cash and cash equivalents at end of period	32c	15.1	17.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Senior plc is a Company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the inside back cover. The nature of the Group's operations and its principal activities are set out in Note 4 and on pages 1 to 39.

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

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and they therefore comply with Article 4 of the EU IAS Regulation. They have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and retirement benefit costs measured in accordance with IAS 19. They have also been prepared on the going concern basis as set out in the Financial review on pages 36 to 39. The Directors have, at the time of approving these Financial Statements, a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

The Board has adopted a new accounting policy related to deferred tax asset ("DTA") recognition. This is in connection with corporate interest restrictions in the US and follows specific guidance issued in December 2019 that specifically addressed DTA recognition for carried forward interest deductions where the US entity also recognises deferred tax liabilities related to timing differences. Previously, the accounting policy followed was not to recognise a DTA on the basis that there would be no cash tax benefit to the Group. The new accounting policy recognises a DTA to the extent that sufficient taxable temporary differences exist at the balance sheet date. There is no change to the expected cash benefit. The new policy aligns with the new guidance and has been accounted for as a voluntary change in accounting policy as required by IAS 8.

The impact is a credit of £3.6m in the year ended 31 December 2019 in respect of the DTA recognised. The comparative amounts have been restated accordingly with a deferred tax credit of £3.4m excluded from adjusted earnings after tax with a consequential decrease in the net deferred tax liability held at 31 December 2018. The impacts in both years have been excluded from adjusted earnings after tax due to the comparable size to the overall tax charge in both 2018 and 2019. As the impact is related to an accounting policy change, and there is no change to the expected tax cash benefit, the credit has been excluded in our adjusted earnings per share calculation (See Note 12).

CHANGES IN ACCOUNTING POLICIES

At the date of authorisation of these Financial Statements, a number of new standards and amendments to existing standards have been issued, all of which are effective. A summary of the impact from each standard is given below. Only IFRS 16 will have an effect on net cash from operating activities and free cash flow, which is explained in Note 22.

a) IFRS 16 Leases

Effective for annual periods beginning 1 January 2019, IFRS 16 Leases replaced IAS 17 Leases and requires lessees to recognise right-of-use assets and lease liabilities for all leases (be they operating or financing in classification under IAS 17), with optional application for those leases with a term of 12 months or less or where the underlying asset is low value.

The Group has performed the required assessment of its cumulative adjustment on transition to IFRS 16 with effect from 1 January 2019 and applied the standard from the transitional date using the modified retrospective approach and not restating comparatives. As at 1 January

2019, the Group's audited right-of-use assets were £96.7m, lease liabilities were £96.3m and working capital and non-current liabilities decreased by £0.4m in total. A reconciliation between the IAS 17 operating lease commitments disclosed in the Consolidated Financial Statements of the Group as at 31 December 2018 and Lease liabilities recognised on 1 January 2019 is shown in Note 22.

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

b) IFRIC 23 Uncertainty over income tax treatments

This interpretation clarifies the application of the recognition and measurement requirements of IAS 12 where there is uncertainty over income tax treatments. Accordingly the Directors reassessed the basis of the risk provisions for tax uncertainties to apply the principles of IFRIC 23, and on 1 January 2019 have recognised additional current tax liabilities of £3.8m, together with £1m of associated interest, as an opening retained earnings adjustment.

c) Other new standards and amendments to existing standards

There are no other material new standards, amendments to standards or interpretations which are effective for the year ended 31 December 2019.

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 2019. 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 in line with those used by the Group.

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

GOODWILL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

REVENUE RECOGNITION

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

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

Revenue is recognised as the identified performance obligations are satisfied.

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

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

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

INTEREST

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

LEASING

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The assessment of control includes whether the Group has a right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use and the right to direct the use of the asset.

As a lessee, the Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or restore the underlying asset, less any lease incentives received.

Lease payments comprise fixed payments and variable lease payments based on an index or rate.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term includes optional extensions or terminations which are reasonably certain to be exercised by the Group. These optional terms are reassessed periodically. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. Periodically the right-of-use asset is reduced for impairment, if necessary, as well as re-measurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method, which is initially equal to the present value of lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate determined on a lease portfolio basis.

The lease liability is re-measured either as a modification or reassessment. Modification occurs where there is a change in terms, such as rental payments, which did not form part of the original terms of the contract. In this case, the lease liability is re-measured using the revised terms and a revised incremental borrowing rate at the modification date. Reassessment occurs where there are changes within the scope of the original terms of the contract, such as rental payments changes with reference to an index. For reassessment changes, the lease liability is re-measured in the same way as for a modification, except for the incremental borrowing rate, which is not changed from the original commencement date of the contract.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases which have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, several indicators are assessed, such as the present value of the lease payments amounting to at least substantially all of the fair value of the asset. When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. The Group assesses the classification of the sub-lease with reference to the right-of-use asset arising from the head lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

FOREIGN CURRENCIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 2019	Average rates 2018	Year-end rates 2019	Year-end rates 2018
US Dollar	1.28	1.34	1.33	1.28

GOVERNMENT GRANTS

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

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

RETIREMENT BENEFIT COSTS

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

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

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

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation, and as reduced by the fair value of scheme assets.

TAXATION

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

Provisions for tax uncertainties are included within current tax liabilities on the Consolidated Balance Sheet representing Managements' best estimate of the likely cash outflow related to the uncertainty. 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 on an arms length basis and in compliance with OECD transfer pricing principles and the laws of the relevant jurisdictions. The application of OECD principles and local tax laws requires interpretation, and accordingly involves the application of judgment and is open to challenge by the relevant tax authorities. This gives rise to a level of uncertainty. Provisions against uncertainties are established based on management judgment of the range of likely tax outcomes in open years

and in consideration of the strength of technical arguments and are based on amounts that the Company expect to pay following this assessment. When making this assessment, the Group utilises specialist in-house tax knowledge and experience and takes into consideration specialist tax advice from third party advisers on specific items.

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

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

The carrying value of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the Balance Sheet date. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited to Other Comprehensive Income or directly to Equity, in which case the deferred tax is also dealt with in Other Comprehensive Income or Equity.

PROPERTY, PLANT AND EQUIPMENT

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

The Group does not intend to conduct annual revaluations.

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

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

Freehold land	Nil
Freehold buildings	2%
Right-of-use land and buildings	on the same basis as owned assets or, where shorter, over the lease term
Leasehold building improvements	on the same basis as owned assets or, where shorter, over the lease term
Plant and equipment	5% – 33%
Right-of-use plant and equipment	on the same basis as owned assets or, where shorter, over the lease term

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Group primarily leases land and buildings for manufacturing use. The lease term, including options to extend which are reasonably certain, typically range from two to 15 years. The Group also leases plant and equipment, including office equipment, vehicles and manufacturing equipment, with lease terms typically ranging from one to four years.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset at disposal and is recognised in the Consolidated Income Statement.

INTERNALLY GENERATED INTANGIBLE ASSETS – DEVELOPMENT EXPENDITURE

An intangible asset arising from unfunded development work shall be recognised if the following can be demonstrated:

- i. the asset can be separately identified.
- ii. it is probable that the asset created will generate future economic benefits.
- iii. the development cost of the asset can be measured reliably during its development.
- iv. it is technically feasible to complete the asset so that it will be available for use or sale.
- v. there is intention to complete the asset and use or sell it.
- vi. the Group has ability to use or sell the asset.
- vii. the Group has availability of adequate technical, financial and other resources to complete the development work and to use or sell the asset.

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

Costs incurred in relation to funded development work are accumulated in inventory and are recognised when the related billings are made. Any amounts held in inventory are subject to normal inventory valuation principles.

Expenditure on research, design and other development activities, that do not meet the capitalisation criteria above, is recognised as an expense in the period in which it is incurred.

OTHER INTANGIBLE ASSETS

Other intangible assets include computer software and intangible assets acquired as part of a business combination.

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

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each Balance Sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

INVENTORIES

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

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Financial instruments are classified as cash and cash equivalents, bank overdrafts and loans, lease liabilities, trade receivables, trade payables, deferred consideration receivable, other receivables and other payables, as appropriate.

Non-derivative financial assets are categorised as “Financial assets at amortised cost” and non-derivative financial liabilities are categorised as “Financial liabilities at amortised cost”. Derivative financial assets and liabilities that are not designated and effective as hedging instruments are categorised as “financial assets at fair value through profit or loss” and “financial liabilities at fair value through profit or loss”, respectively. The classification depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by loss allowance. The Group has elected to measure loss allowance for trade receivables at an amount equal to the lifetime expected credit losses (ECLs), which are based on quantitative and qualitative credit risk assessments, using historical and forward looking information. Changes in the carrying amounts of the loss allowance are recognised in the Consolidated Income Statement.

Trade receivables in default are considered uncollectible and are written off against the loss allowance. The Group considers a trade receivable to be in default when the customer is experiencing significant financial difficulties, bankruptcy, financial reorganisation or is in default or delinquent in paying its credit obligations to the Group in full. Subsequent recoveries of amounts previously written off are credited against the loss allowance.

Trade receivables are derecognised when factored, without recourse, through third party financial institutions (the Factors).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Non-derivative financial liabilities

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

Equity instruments

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

Derivative financial instruments and hedging

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange contracts and, on occasion, interest rate swap contracts to hedge these exposures. The use of financial derivatives is governed by the Group's Treasury Policies as approved by the Board of Directors, which provides written principles on the use of derivatives. The Group does not use derivative financial instruments for speculative purposes.

Certain derivative instruments do not qualify for hedge accounting. These are categorised as "fair value through profit or loss" and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

The Group designates certain hedging instruments in respect of foreign currency risk as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents, both at hedge inception and on an ongoing basis, whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For the Group's cash flow hedges of highly probable forecast transactions in foreign currencies, the hedged risk is always considered to be 1:1. If the underlying exposure changes over time, either due to commercial factors or timing differences, the hedging instruments will be rebalanced to ensure that the hedge ratio of 1:1 is maintained.

Changes in the fair value of derivative financial instruments that are designated and are effective as a cash flow hedge are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement. Gains or losses from remeasuring the derivative are also recognised in the Consolidated Income Statement. If the hedge is effective, these entries will offset in the Consolidated Income Statement.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in Equity is transferred to the Consolidated Income Statement for the period.

Gains and losses accumulated in Equity are recognised in the Consolidated Income Statement on disposal of the overseas business.

ASSETS AND DISPOSAL GROUPS HELD FOR SALE

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

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, taking into account the risks and uncertainties (such as timing or amount) surrounding the obligation. They are not discounted to present value if the effect is not material.

Provisions for restructuring are recognised when the Group has a detailed formal plan for the restructuring and the plan has been communicated to the affected parties. Provisions for the expected cost for warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products.

SHARE-BASED PAYMENTS

The Group applies the requirements of IFRS 2 Share-based payments.

The Group issues equity-settled share-based payments to certain employees. The fair value (excluding the effect of non-market-related conditions), as determined at the grant date, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market-related conditions.

Fair value is measured by use of a Black-Scholes model for the share option plans, and a binomial model for the share awards under the 2005 Long-Term Incentive Plan.

The liability in respect of equity-settled amounts is included in Equity.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

CRITICAL ACCOUNTING JUDGMENTS

IAS requires disclosure of the judgments Management makes when applying its significant accounting policies and that have the most significant effect on amounts that are recognised in the Group's Financial Statements. In the course of preparing the Financial Statements, no significant critical judgments have been made in the process of applying the Group's accounting policies, other than leases and those involving estimations, which are dealt with separately below. Management makes other judgments in the normal course of conducting business, such as those in relation to contractual and legal matters (see Note 24 for further details).

Leases

Where a lease includes the option for an extension to the lease term, Management makes a judgment as to whether they are reasonably certain the option will be taken. This will take into account the length of time remaining before the option is exercisable, current and forecasted plans for utilising the asset and the level and type of planned future capital investment. As at 31 December 2019, these extension options have an average remaining lease term of seven years. These judgments are reassessed at each reporting period, which could result in a recalculation of the lease liability and a material adjustment to the associated balances.

KEY SOURCES OF ESTIMATION AND UNCERTAINTY

When applying the Group's accounting policies, Management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the Balance Sheet date and the amounts of revenue and expenses recognised during the period. Such assumptions are based upon factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources. The key sources of estimation and uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and beyond include:

Income taxes

In determining the Group provisions for income tax and deferred tax, it is necessary to consider transactions in a small number of key tax jurisdictions for which the ultimate tax determination is uncertain. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to income tax and deferred tax provisions held in the period the determination is made. The carrying amount of net current tax liability and deferred tax liability at 31 December 2019 was £23.1m (2018 – £18.8m) and £31.1m (2018 – £36.2m), respectively. Further details on these estimates are set out in Notes 10 and 21.

Retirement benefits

Management makes assumptions and estimates, for the next financial year and beyond, which affect the value of the carrying amount of the UK Plan retirement benefit obligation at 31 December 2019. Management follows actuarial advice from a third party when determining assumptions and estimates on discount rate, inflation and demography (see Note 34). The carrying amount of the UK Plan's retirement benefits at 31 December 2019 was a surplus of £48.9m (2018 – surplus of £30.9m), being the present value of the defined benefit obligations of £285.8m (2018 – £278.7m) and fair value of plan assets of £334.7m (2018 – £309.6m). Further details and sensitivities from changes in estimates are set out in Note 34g.

Other estimates

The Board has considered the estimation applied to inventory and concluded that there is not a significant risk of a material adjustment arising over the next financial year. Management assesses the carrying value of inventory to ensure that it is held at the lower of cost and net realisable value. Where necessary, Management makes an estimate to write down inventory to its net realisable value. The Group held a net inventory balance at the year-end of £169.3m (2018 – £177.8m).

In determining an estimate of net realisable value, Management has made assumptions in respect of the durability, quality, specificity and order cover, which provide some protection against adverse market conditions, and competitor product development and pricing activity. Inventory held is typically built on a demand basis and is customer specific. In 2019, £3.4m of inventory impairment reflects certain specific programmes where in-year write downs were necessary to reflect challenges in some of our Aerospace and Flexonics markets. Management does not anticipate further material adjustments to inventory to arise over the next financial year, subject to any unforeseen changes in market conditions.

3. REVENUE

Total revenue is disaggregated by market sectors as follows:

	Year ended 2019 £m	Year ended 2018 £m
Civil Aerospace	618.0	563.6
Military Aerospace	149.7	125.6
Other	67.7	71.2
Aerospace	835.4	760.4
Land Vehicles	123.4	167.0
Power & Energy	152.4	155.9
Flexonics	275.8	322.9
Eliminations	(0.5)	(1.2)
Total revenue	1,110.7	1,082.1

Other Aerospace comprises Space and Non-Military Helicopters and other markets, principally including semiconductor, medical, and industrial applications.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

4. SEGMENT INFORMATION

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 and the sales between segments are carried out at arm's length. Adjusted operating profit, as described in Note 9, is the key measure reported to the Group's Executive Committee for the purpose of resource allocation and assessment of segment performance. Investment income, finance costs and tax are not allocated to segments, as this type of activity is driven by the central tax and treasury function.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. SEGMENT INFORMATION CONTINUED

Segment liabilities include directly attributable working capital liabilities. Debt, retirement benefits, deferred and current tax and other financial liabilities (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Group's Executive Committee.

Central costs, assets and liabilities are corporate items not allocated to segments, which is consistent with the format used by the chief operating decision maker.

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

		Aerospace Year ended 2019 £m	Flexonics Year ended 2019 £m	Eliminations/ central costs Year ended 2019 £m	Total Year ended 2019 £m	Aerospace Year ended 2018 £m	Flexonics Year ended 2018 £m	Eliminations/ central costs Year ended 2018 £m	Total Year ended 2018 £m (restated)
Notes									
External revenue		835.2	275.5	–	1,110.7	759.4	322.7	–	1,082.1
Inter-segment revenue		0.2	0.3	(0.5)	–	1.0	0.2	(1.2)	–
Total revenue		835.4	275.8	(0.5)	1,110.7	760.4	322.9	(1.2)	1,082.1
Adjusted trading profit		76.4	26.1	(13.5)	89.0	80.4	26.1	(15.5)	91.0
Share of joint venture profit		–	0.4	–	0.4	–	0.6	–	0.6
Adjusted operating profit		76.4	26.5	(13.5)	89.4	80.4	26.7	(15.5)	91.6
Amortisation of intangible assets from acquisitions		(7.1)	(6.0)	–	(13.1)	(8.3)	(7.1)	–	(15.4)
Restructuring	9	(5.6)	(6.5)	–	(12.1)	–	–	–	–
UK Guaranteed Minimum Pensions	9	–	–	–	–	–	–	(2.4)	(2.4)
US class action lawsuits	9	–	–	(2.6)	(2.6)	–	–	(3.9)	(3.9)
Operating profit		63.7	14.0	(16.1)	61.6	72.1	19.6	(21.8)	69.9
Investment income					0.9				0.6
Finance costs					(11.8)				(9.2)
Loss on disposal of businesses	9				(22.0)				–
Profit before tax					28.7				61.3
Tax	10				0.5				(7.8)
Profit after tax					29.2				53.5

Trading profit and adjusted trading profit is operating profit and adjusted operating profit respectively before share of joint venture profit. See Note 9 for the derivation of adjusted operating profit.

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

	Year ended 2019 £m	Year ended 2018 £m
Assets		
Aerospace	764.3	723.1
Flexonics	215.3	244.1
Segment assets for reportable segments	979.6	967.2
Unallocated		
Central	5.7	4.0
Cash	15.8	17.2
Deferred and current tax	5.2	5.1
Retirement benefits	48.9	30.9
Others	0.7	0.3
Total assets per Consolidated Balance Sheet	1,055.9	1,024.7
Liabilities		
Aerospace	185.8	134.7
Flexonics	56.1	58.3
Segment liabilities for reportable segments	241.9	193.0
Unallocated		
Central	16.2	14.1
Debt	161.7	170.0
Lease liabilities	–	0.2
Deferred and current tax	59.4	60.1
Retirement benefits	7.8	12.4
Others	9.3	3.1
Total liabilities per Consolidated Balance Sheet	496.3	452.9

4. SEGMENT INFORMATION CONTINUED

Following the adoption of IFRS 16 on 1 January 2019, right-of-use assets and lease liabilities are shown under segment assets and liabilities, respectively, for reportable segments.

	Additions to non-current assets Year ended 2019 £m	Additions to non-current assets Year ended 2018 £m	Depreciation and amortisation Year ended 2019 £m	Depreciation and amortisation Year ended 2018 £m
Aerospace	52.0	43.3	46.6	37.3
Flexonics	16.4	12.8	20.5	19.4
Sub-total	68.4	56.1	67.1	56.7
Central	0.3	0.2	0.6	0.2
Total	68.7	56.3	67.7	56.9

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

	Year ended 2019 £m	Year ended 2018 £m
Aerospace – Structures	463.7	424.6
Aerospace – Fluid Systems	371.5	334.8
Aerospace total	835.2	759.4
Land vehicles	123.4	167.0
Power & Energy	152.1	155.7
Flexonics total	275.5	322.7
Group total	1,110.7	1,082.1

Revenue of approximately £126.5m (2018 – £118.9m) arose from sales to the Group's largest customer, revenue of approximately £109.9m (2018 – £108.8m) arose from sales to the Group's second largest customer and revenue of approximately £100.9m (2018 – £113.8m) arose from sales to the Group's third largest customer.

GEOGRAPHICAL INFORMATION

The Groups' 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 2019 £m	Sales revenue Year ended 2018 £m	Segment non-current assets Year ended 2019 £m	Segment non-current assets Year ended 2018 £m
USA	557.8	513.7	350.9	343.4
UK	168.6	178.7	179.7	154.5
Rest of the World	384.3	389.7	201.4	161.7
Sub-total	1,110.7	1,082.1	732.0	659.6
Unallocated amounts	–	–	1.7	2.4
Total	1,110.7	1,082.1	733.7	662.0

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

5. OPERATING PROFIT

Operating profit can be analysed as follows:

	Year ended 2019 £m	Year ended 2018 £m
Revenue	1,110.7	1,082.1
Cost of sales	(892.6)	(857.3)
Gross profit	218.1	224.8
Distribution costs	(9.0)	(8.8)
Administrative expenses	(147.9)	(146.3)
Loss on sale of fixed assets	–	(0.4)
Share of joint venture profit	0.4	0.6
Operating profit	61.6	69.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. OPERATING PROFIT CONTINUED

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

	Year ended 2019 £m	Year ended 2018 £m
Net foreign exchange losses	2.6	0.9
Research and design costs	28.1	29.7
Depreciation of property, plant and equipment	52.5	39.5
Amortisation of intangible assets included in administration expenses	15.2	17.4
Cost of inventories recognised as expense	892.6	857.3
Provision for impairment of doubtful receivables	0.8	0.3
Restructuring provision for impairment of property, plant and equipment and inventories	6.3	–
Restructuring staff and other costs	5.8	–

Staff costs are disclosed in Note 6.

The majority of research and design costs incurred during the year have been expensed in line with Note 2 Significant Accounting Policies.

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

	Year ended 2019 £m	Year ended 2018 £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	1.1	0.8
Total audit fees	1.3	1.0

Fees payable to the Company's Auditor and their associates for non-audit services to the Company are not required to be disclosed because the Consolidated Financial Statements are required to disclose such fees on a consolidated basis.

The Group paid £0.05m (2018 – £0.06m) to the Company's Auditor for audit related services. There were no other advisory services provided to the Group during 2019 and 2018.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the Auditor was used rather than another supplier and how the Auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on pages 55 to 57. No services were provided pursuant to contingent fee arrangements.

6. STAFF COSTS

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

	Year ended 2019 Number	Year ended 2018 Number
Production	6,986	7,019
Distribution	77	75
Sales	315	327
Administration	647	647
Total	8,025	8,068

The actual number of employees at 31 December 2019 was 7,605 (2018 – 8,185).

	Notes	Year ended 2019 £m	Year ended 2018 £m
Their aggregate remuneration comprised:			
Wages and salaries		286.0	269.7
Social security costs		31.4	31.3
Termination benefits		4.4	–
Other pension costs – defined contribution	34a	12.4	10.8
Other pension costs – defined benefit	34e	0.8	0.5
Share based payments	33	1.8	3.5
UK Guaranteed Minimum Pensions	9	–	2.4
Aggregate remuneration		336.8	318.2

The Group also incurred medical and other employee benefit expenses during the year of £28.1m (2018 – £26.3m).

7. INVESTMENT INCOME

	Year ended 2019 £m	Year ended 2018 £m
Interest on bank deposits	0.2	0.1
Net finance income of retirement benefits (Note 34e)	0.7	0.2
Other interest income	–	0.3
Total income	0.9	0.6

Other interest income includes £nil (2018 – £0.3m) relating to foreign exchange contracts – held for trading.

8. FINANCE COSTS

	Year ended 2019 £m	Year ended 2018 £m
Interest on bank overdrafts and loans	1.2	0.9
Interest on other loans and other finance costs	7.1	8.3
Interest on lease liabilities	3.5	–
Total finance costs	11.8	9.2

9. ADJUSTED OPERATING PROFIT AND ADJUSTED PROFIT BEFORE TAX

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, have been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, restructuring, the UK Guaranteed Minimum Pensions charge, the costs associated with the US class action lawsuits and loss on disposal of businesses. The Board has adopted a policy to separately disclose those items that it considers are outside the results for the particular year under review and against which the Board measures and assesses the performance of the business.

The adjustments are made on a consistent basis and also reflect how the business is managed on a day-to-day basis.

The amortisation charge relates to prior years' acquisitions. It is charged on a straight-line basis and reflects a non-cash item for the reported year. The Group implemented a restructuring programme in 2019. The UK Guaranteed Minimum Pensions charge is isolated and one-off in nature. The US class action lawsuits relate to historic legal matters. None of these charges, including the loss on disposal of businesses, are reflective of in-year performance. They are therefore excluded by the Board and Executive Committee when measuring the performance of the businesses.

	Notes	Year ended 2019 £m	Year ended 2018 £m
Operating profit		61.6	69.9
Amortisation of intangible assets from acquisitions		13.1	15.4
Restructuring		12.1	–
UK Guaranteed Minimum Pensions		–	2.4
US class action lawsuits		2.6	3.9
Adjusted operating profit		89.4	91.6
Profit before tax		28.7	61.3
Adjustments to profit before tax as above		27.8	21.7
Loss on disposal of businesses	31	22.0	–
Adjusted profit before tax		78.5	83.0

RESTRUCTURING

In 2019, as part of a strategic review, the Group has reviewed the portfolio of programmes and in particular where there is risk over the level of Senior's contribution to production in future periods and in recognition of the challenges in some of our Flexonics and Aerospace markets. The restructuring involves headcount reductions and other efficiency improvements. As a result, £12.1m has been charged to the Consolidated Income Statement and presented as an adjusted item as it is not reflective of in-year performance. The total charge comprises £4.4m headcount reduction and £1.4m consultancy and other costs. For certain specific programmes, and in conjunction with the focus on restructuring, management has also identified inventory and property, plant and equipment that have been impaired in 2019 with a total charge of £3.4m and £2.9m respectively. These relate to programmes where Senior will no longer participate, and where there are no alternative uses for the inventory or assets. Total cash outflow in 2019 is £2.9m (see Note 32). A restructuring provision of £2.9m is held on the Consolidated Balance Sheet at the year-end in current liabilities, which is expected to be utilised in 2020.

UK GUARANTEED MINIMUM PENSIONS

In October 2018 the High Court ruled on the Guaranteed Minimum Pensions (GMPs) which required an equalisation payment to be made to remedy historical discrimination and inequality between male and female members. GMP has widely been interpreted as the High Court instructing trustees to make amendments to pension schemes with any associated payments treated as past service costs (being a plan amendment, i.e. change to benefits entitlement). Accordingly the resulting £2.4m charge was taken through the Consolidated Income Statement in 2018 and presented as an adjusted item, as it is one-off in nature, relates to past service costs and is therefore not reflective of 2018 performance.

US CLASS ACTION LAWSUITS

In May 2015, Senior Aerospace Ketema was named as co-defendant in a putative class action lawsuit and a related lawsuit alleging property damage filed against Ametek, Inc. in the USA. Subsequently, Senior Aerospace Ketema was named as a co-defendant in a number of similar lawsuits filed by additional plaintiffs. Each of the lawsuits claim that Ametek had polluted the groundwater during its tenure as owners of the site where Senior

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. ADJUSTED OPERATING PROFIT AND ADJUSTED PROFIT BEFORE TAX CONTINUED

Aerospace Ketema is currently located, allegedly causing harm to neighbouring properties and/or creating health risks. In February 2020, the Company agreed settlement and related costs of £2.6m, which is charged to the Consolidated Income Statement in 2019. At 31 December 2019, the carrying amount is a provision of £2.5m, which includes a favourable exchange effect of £0.1m. The charge was reported as an adjusted item in 2019 given its nature and materiality and the fact that it is related to prior years and not reflective of 2019 performance. Court approval of the settlements is expected in 2020.

As previously reported, in March 2018 a wage and hour class action lawsuit was filed against Steico Industries, Inc and Senior Aerospace SSP in California, USA. This alleged breaches of regulations concerning meal and rest breaks, unpaid wages and related penalties covering the period 2014 to 2016. Mediations took place in the second half of 2018, resulting in a Company agreed settlement and related costs of £3.9m, charged to the Consolidated Income Statement in 2018, of which £0.2m was paid in 2018. At 31 December 2018 the carrying amount was a provision of £3.9m which included an adverse exchange effect of £0.2m. The charge was reported as an adjusted item in 2018 given its nature and materiality and the fact that it is related to prior years and not reflective of 2018 performance. Court approval of the settlements for both lawsuits is expected in the first half of 2020.

10. TAXATION

	Year ended 2019 £m	Year ended 2018 £m (restated)
Current tax:		
Current year	11.1	11.7
Adjustments in respect of prior periods	(4.1)	(6.3)
	7.0	5.4
Deferred tax (Note 21):		
Current year	(5.4)	1.1
Adjustments in respect of prior periods	(2.1)	1.3
	(7.5)	2.4
Total tax (credit)/charge	(0.5)	7.8

The Finance (No.2) Act 2015 and Finance Act 2016 provide for reductions in the main rate of Corporation Tax from 20% to 19% for the financial year beginning 1 April 2017 and to 17% for the financial year beginning 1 April 2020. UK deferred tax at the Balance Sheet date has been calculated at substantively enacted tax rates that are expected to apply to the period when assets are realised or liabilities are settled.

UK Corporation Tax is calculated at an effective rate of 19.0% (2018 – 19.0%) of the estimated assessable profit for the year. Included within the total tax charge is £nil (2018 – £0.8m) in respect of current year UK Corporation Tax. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The comparative figures for 2018 have been restated to reflect the recognition of a deferred tax credit of £3.4m, which has had the effect of reducing the total tax charge from £11.2m as originally stated to £7.8m. The current year tax charge similarly includes a credit for deferred tax of £3.6m. See Note 2.

Adjustments in respect of prior periods arise from true-ups to amounts provided following the filing of tax returns, the expiration of statutes of limitation and the closure of tax authority audits. The total tax credit of £6.2m (2018 – £5.0m) includes a one off benefit arising from the clarification of tax incentives available on historical profits of our Malaysian aerospace business, as well as additional research and development tax relief recognised in the US.

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

	Year ended 2019 £m	Year ended 2019 %	Year ended 2018 £m (restated)	Year ended 2018 % (restated)
Profit before tax	28.7		61.3	
Expected tax at the UK standard corporation tax rate 19%	5.5		11.6	
Effect of different statutory rates of overseas jurisdictions	(0.5)		0.5	
Tax incentives and credits	(1.1)		(2.2)	
Non-tax deductible expenses including acquisition costs	0.3		1.0	
Deferred tax impact of unrecognised timing differences including losses	(3.1)		0.1	
Impact of share options	0.2		0.8	
Effect of difference in treatment of financing activities between jurisdictions	(0.7)		(0.8)	
Other permanent differences	1.5		1.7	
Withholding taxes	0.1		0.2	
Effect of taxation of associates and joint ventures reported within operating profit	–		(0.1)	
Non tax deductible loss on disposal of businesses	3.5		–	
Adjustments in respect of prior periods	(6.2)		(5.0)	
Tax (credit)/charge and effective tax rate for the year	(0.5)	(1.7%)	7.8	12.7%

10. TAXATION CONTINUED

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

	Year ended 2019 £m	Year ended 2018 £m
Deferred tax:		
Items that will not be reclassified subsequently to profit and loss		
Tax on actuarial items	(2.1)	(0.8)
Items that may be reclassified subsequently to profit or loss		
Tax on foreign exchange contracts – cash flow hedges	(1.2)	1.3
Total tax (charge)/credit recognised directly in other comprehensive income	(3.3)	0.5

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 2019 £m	Year ended 2018 £m
Current tax:		
Excess tax deductions related to share-based payments in exercised options	–	
Deferred tax:		
Excess tax deductions related to share-based payments in exercised options	(0.4)	–
Change in estimated excess tax deductions related to share-based payments	–	–
Total tax charge recognised directly in equity	(0.4)	–
Deferred tax (Note 21)	(3.7)	0.5

11. DIVIDENDS

	Year ended 2019 £m	Year ended 2018 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2018 of 5.23p (2017 – 4.90p) per share	21.7	20.5
Interim dividend for the year ended 31 December 2019 of 2.28p (2018 – 2.19p) per share	9.5	9.1
	31.2	29.6
Proposed final dividend for the year ended 31 December 2019 of 5.23p (2018 – 5.23p) per share	21.7	21.8

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting for 2019 on 24 April 2020 and has not been included as a liability in these Financial Statements.

12. EARNINGS PER SHARE

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

	Year ended 2019 Million	Year ended 2018 Million
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	415.0	417.8
Effect of dilutive potential ordinary shares:		
Share options	1.8	5.7
Weighted average number of ordinary shares for the purposes of diluted earnings per share	416.8	423.5

	Notes	Year ended 2019		Year ended 2018	
		Earnings £m	EPS pence	Earnings £m (restated)	EPS pence (restated)
Earnings and earnings per share					
Profit for the period		29.2	7.04	53.5	12.81
Adjust:					
Amortisation of intangible assets from acquisitions net of tax of £2.9m (2018 – £3.2m)		10.2	2.45	12.2	2.93
Restructuring net of tax of £3.0m (2018 – £nil)	9	9.1	2.20	–	–
UK Guaranteed Minimum Pensions net of tax of £nil (2018 – £0.4m)	9	–	–	2.0	0.47
US class action lawsuits net of tax of £0.7m (2018 – £1.0m)	9	1.9	0.46	2.9	0.69
Loss on disposal of businesses net of tax of £1.7m (2018 – £nil)	31	20.3	4.89	–	–
Non-cash deferred tax credit of £3.6m (2018 restated – £3.4m)	10	(3.6)	(0.87)	(3.4)	(0.82)
Adjusted earnings after tax		67.1	16.17	67.2	16.08
Earnings per share					
– basic			7.04p		12.81p
– diluted			7.01p		12.63p
– adjusted			16.17p		16.08p
– adjusted and diluted			16.10p		15.87p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. EARNINGS PER SHARE CONTINUED

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, with no impact before 1 January 2018. Before the restatement, basic, diluted, adjusted and adjusted and diluted earnings per share was 11.99p, 11.83p, 16.08p and 15.87p respectively. See Note 2, 10 and 21.

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2018 – £nil). The denominators used for all basic, diluted and adjusted earnings per share are as detailed in the table above.

The presentation of adjusted earnings per share, derived in accordance with the table above, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, restructuring, the UK Guaranteed Minimum Pensions charge, the costs associated with the US class action lawsuits, loss on disposal of businesses and Non-cash deferred tax credit. The Board has adopted a policy to separately disclose those items that it considers are outside the earnings for the particular year under review and against which the Board measures and assesses the performance of the business. See Note 9 for further details.

13. GOODWILL

	Year ended 2019 £m	Year ended 2018 £m
Cost		
At 1 January	370.9	357.9
Exchange differences	(9.5)	13.0
Disposal of businesses	(8.1)	–
At 31 December	353.3	370.9
Accumulated impairment losses		
At 1 January	58.0	55.5
Exchange differences	(1.8)	2.5
At 31 December	56.2	58.0
Carrying amount at 31 December	297.1	312.9

Goodwill is allocated to the group of CGUs (CGU groups) within the two Aerospace sub-divisions (Aerostructures and Fluid Systems) and Flexonics, reflecting the lowest level at which management exercises oversight and monitors the Group's performance. The table below highlights the carrying amount of goodwill allocated to these CGU groups, all of which are considered significant in comparison with the total carrying amount of goodwill.

	Year ended 2019 £m	Year ended 2018 £m
Aerostructures	149.9	161.3
Fluid Systems	72.4	73.5
Flexonics	74.8	78.1
Total	297.1	312.9

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The 2019 goodwill impairment review was undertaken as at 30 September 2019 to coincide with the Board review of the most recent financial strategy. The recoverable amounts are determined from value in use calculations. The key assumptions on which the value in use calculations are based relate to business performance over the next five years, long-term growth rates beyond 2024 and the discount rates applied. The key estimates are the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flow in each year. The forecast compound annual growth rate in revenue to 2024 are in the range from 2% to 4% (2018 – 4% to 7%).

Forecasts used in the cash flow are based on the most recent financial strategy, as approved by management for the next five years to 2024. These estimates up to 2024, where appropriate, take account of the current economic environment as set out in the Strategic Report on pages 1 to 39.

Cash flows after 2024 have been extrapolated based on estimated long-term growth rates into perpetuity, which has been determined by the lower of the long-term market growth rates and the historical forecast compound annual growth in revenue to 2024. For Aerostructures and Fluid Systems, the long-term market growth rates are 3.1% per annum (2018 – 3.1%), which do not exceed the long-term average growth rate forecasts for the aerospace market as included in market outlooks from Boeing and Airbus. For Flexonics, the long-term market growth rates are 1.6% per annum (2018 – 1.5%), which are based on world long-term forecast GDP growth for advanced economies.

The pre-tax discount rates applied to discount the pre-tax cash flows for Aerostructures, Fluid Systems and Flexonics are 10.3%, 9.7% and 11.1% respectively (2018 – 10.8%, 10.3% and 12.0%; these discount rates include CGU group specific risk adjustments) which are the measurements used by management in assessing investment appraisals specific to each CGU group.

Sensitivities reflecting reasonably possible change have also been considered for each CGU group in relation to the value in use calculations: the long-term growth rate assumption was reduced to 1 percentage point and the discount rate was increased by 1 percentage point. This did not result in the carrying amount of the CGU groups exceeding their recoverable amount.

14. OTHER INTANGIBLE ASSETS

	Intangible assets from acquisitions Year ended 2019 £m	Computer software and others Year ended 2019 £m	Total Year ended 2019 £m	Intangible assets from acquisitions Year ended 2018 £m	Computer software and others Year ended 2018 £m	Total Year ended 2018 £m
Cost						
At 1 January	134.7	21.4	156.1	130.3	19.3	149.6
Additions	–	1.8	1.8	–	1.7	1.7
Disposals	–	(0.2)	(0.2)	–	(0.3)	(0.3)
Disposed on disposal of businesses	(0.4)	(0.6)	(1.0)	–	–	–
Exchange differences	(3.3)	(0.6)	(3.9)	4.4	0.7	5.1
At 31 December	131.0	21.8	152.8	134.7	21.4	156.1
Amortisation						
At 1 January	113.8	15.6	129.4	94.7	13.3	108.0
Charge for the year	13.1	2.1	15.2	15.4	2.0	17.4
Disposals	–	(0.2)	(0.2)	–	(0.3)	(0.3)
Disposed on disposal of businesses	(0.4)	(0.6)	(1.0)	–	–	–
Exchange differences	(3.0)	(0.5)	(3.5)	3.7	0.6	4.3
At 31 December	123.5	16.4	139.9	113.8	15.6	129.4
Carrying amount at 31 December	7.5	5.4	12.9	20.9	5.8	26.7

As at 31 December 2019, the carrying amount of intangible assets from acquisitions consists of £4.4m for customer relationships (2018 – £11.1m), £1.9m for customer contracts (2018 – £6.7m) and £1.2m for trade names (2018 – £3.1m).

15. INVESTMENT IN JOINT VENTURE

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

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

The Group's investment of £3.3m represents the Group's share of the joint venture's net assets as at 31 December 2019 (2018 – £3.0m). The loan provided by the Group to the joint venture was repaid in full during 2018 and the balance outstanding at 31 December 2019 was therefore £nil (31 December 2018 – £nil).

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 2019 and December 2018.

	2019 £m	2018 £m
Revenue	7.6	7.5
Expenses	(6.8)	(6.2)
Profit	0.8	1.3
Total assets	9.3	8.5
Total liabilities	(2.5)	(2.3)
Net assets	6.8	6.2
Group's share of profit	0.4	0.6
Group's share of net assets	3.3	3.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings Year ended 2019 £m	Leasehold building improve- ments Year ended 2019 £m	Plant and equipment Year ended 2019 £m	Right- of-use land and buildings Year ended 2019 £m	Right- of-use plant and equipment Year ended 2019 £m	Total Year ended 2019 £m	Freehold land and buildings Year ended 2018 £m	Leasehold building improve- ments Year ended 2018 £m	Plant and equipment Year ended 2018 £m	Total Year ended 2018 £m
Cost or valuation										
At 1 January	110.1	4.3	528.9	–	–	643.3	95.7	4.0	469.0	568.7
Reclassification	–	–	(0.6)	–	0.6	–	–	–	–	–
IFRS 16 Opening adjustment	–	–	–	93.3	3.2	96.5	–	–	–	–
Additions	9.3	0.4	53.3	2.0	1.9	66.9	2.1	0.1	52.4	54.6
Lease Modifications	–	–	–	(1.8)	(0.1)	(1.9)	–	–	–	–
Exchange differences	(3.5)	(0.1)	(15.6)	(2.3)	0.2	(21.3)	4.3	0.2	14.3	18.8
Disposed on disposal of businesses	(3.5)	(0.4)	(28.4)	(4.6)	(0.2)	(37.1)	–	–	–	–
Disposals	(0.1)	–	(4.9)	–	–	(5.0)	(0.1)	–	(6.8)	(6.9)
Restructuring impairment and disposals	–	–	(0.9)	–	–	(0.9)	–	–	–	–
Reclassified from held for sale	–	–	–	–	–	–	8.1	–	–	8.1
At 31 December	112.3	4.2	531.8	86.6	5.6	740.5	110.1	4.3	528.9	643.3
Accumulated depreciation and impairment										
At 1 January	33.3	3.2	321.2	–	–	357.7	25.0	2.7	284.9	312.6
Reclassification	–	–	(0.4)	–	0.4	–	–	–	–	–
Charge for the year	2.3	0.4	39.6	9.0	1.2	52.5	2.5	0.4	36.6	39.5
Exchange differences	(1.2)	–	(10.0)	(0.3)	–	(11.5)	1.2	0.1	5.7	7.0
Eliminated on disposal of businesses	(1.9)	(0.4)	(22.5)	(0.4)	–	(25.2)	–	–	–	–
Eliminated on disposals	(0.1)	–	(4.2)	–	–	(4.3)	–	–	(6.0)	(6.0)
Restructuring impairment and disposals	–	–	2.0	–	–	2.0	–	–	–	–
Reclassified from held for sale	–	–	–	–	–	–	4.6	–	–	4.6
At 31 December	32.4	3.2	325.7	8.3	1.6	371.2	33.3	3.2	321.2	357.7
Carrying amount at 31 December	79.9	1.0	206.1	78.3	4.0	369.3	76.8	1.1	207.7	285.6

At 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £4.7m (2018 – £16.5m).

17. INVENTORIES

	Year ended 2019 £m	Year ended 2018 £m
Raw materials	58.7	60.9
Work-in-progress	74.1	78.1
Finished goods	36.5	38.8
Total	169.3	177.8

Inventory write-downs recognised as an expense in 2019 were £3.4m (2018 – £nil) relating to restructuring (see Note 9), £2.1m (2018 – £nil) relating to one off production overhead allocations and £3.8m (2018 – £2.5m) of other items. There was no material reversal of any write down to net realisable value during this year or the prior year.

18. TRADE AND OTHER RECEIVABLES

Trade and other receivables at 31 December comprise the following:

	Year ended 2019 £m	Year ended 2018 £m
Non-current assets		
Other receivables	0.5	0.5
	0.5	0.5
Current assets		
Trade receivables	118.4	149.2
Value added tax	2.4	3.2
Foreign exchange contracts	2.9	1.1
Prepayments	8.5	10.1
Other receivables	1.4	1.4
	133.6	165.0
Total trade and other receivables	134.1	165.5

Other receivables includes £0.7m (2018 – £nil) of deferred consideration, £0.3m as a current asset and £0.4m as a non-current asset.

18. TRADE AND OTHER RECEIVABLES CONTINUED

CREDIT RISK

The Group's principal financial assets are bank balances and cash and trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables. There are no other credit or impairment losses for other classes of financial assets.

Further disclosures on credit risk are included in Note 20.

The average credit period taken on sales of goods is 51 days (2018 – 54 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.5m (2018 – £1.5m). 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, £6.5m (2018 – £4.6m) is due from the Group's largest customer, £13.7m (2018 – £18.0m) is due from the Group's second largest customer and £8.5m (2018 – £20.7m) is due from the Group's third largest customer. The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the Directors believe that there is no further credit provision risk in excess of the allowance for doubtful receivables.

EXPECTED CREDIT LOSS

	Year ended 2019 £m	Year ended 2018 £m
Movements in allowance for doubtful receivables:		
At 1 January	1.5	2.0
Provision for impairment	0.8	0.3
Disposal of businesses	(0.1)	–
Amounts written off as uncollectible	–	–
Amounts recovered	(0.6)	(0.7)
Exchange differences	(0.1)	(0.1)
At 31 December	1.5	1.5
Ageing analysis of past due but not impaired trade receivables:		
Up to 30 days past due	12.8	13.1
31 to 60 days past due	3.9	4.0
61 to 90 days past due	1.3	1.9
91 to 180 days past due	2.2	1.2
Total past due but not impaired	20.2	20.2
Not past due	98.2	129.0
Total current trade receivables	118.4	149.2

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 2019 £m	Year ended 2018 £m
Bank overdrafts	0.7	0.2
Bank loans	13.0	16.4
Other loans	148.0	153.4
	161.7	170.0
The borrowings are repayable as follows:		
On demand or within one year	15.7	2.7
In the second year	6.8	15.6
In the third to fifth years inclusive	21.2	29.5
After five years	118.0	122.2
	161.7	170.0
Less: amount due for settlement within 12 months (shown under current liabilities)	(15.7)	(2.7)
Amount due for settlement after 12 months	146.0	167.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. BANK OVERDRAFTS AND LOANS CONTINUED

ANALYSIS OF BORROWINGS BY CURRENCY

31 December 2019

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
Bank overdrafts	0.7	3.0	(1.8)	(0.5)	–
Bank loans	13.0	6.2	–	6.8	–
Other loans	148.0	26.9	23.6	97.5	–
	161.7	36.1	21.8	103.8	–

31 December 2018

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
Bank overdrafts	0.2	–	–	–	0.2
Bank loans	16.4	2.1	–	14.3	–
Other loans	153.4	26.9	25.2	101.3	–
	170.0	29.0	25.2	115.6	0.2

The weighted average interest rates paid were as follows:

	Year ended 2019 %	Year ended 2018 %
Bank loans and overdrafts	2.44	2.47
Other loans	3.49	3.49

Bank overdrafts include credit balances (Euros and US dollars) that have a legally enforceable right of offset with debit balances.

Bank loans and overdrafts of £13.7m (2018 – £16.6m) are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Other borrowings are mainly arranged at fixed interest rates and expose the Group to fair value interest rate risk. No interest rate swaps were taken out in 2018 or 2019.

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

	Year ended 2019 £m	Year ended 2018 £m
Bank loans and overdrafts	13.7	16.6
Other loans	154.9	155.5
	168.6	172.1

The fair value of Other loans has been determined by applying a make-whole calculation using the prevailing treasury bill yields plus the applicable credit spread for the Group (level 2 of the fair value hierarchy as defined in Note 20).

The other principal features of the Group's borrowings are as follows:

Bank overdrafts are repayable on demand. The effective interest rates on bank overdrafts are determined based on appropriate LIBOR rates plus applicable margin.

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

- Loan notes of \$20m, 2019 £15.0m (2018 – £15.6m), taken out in October 2008, carry interest at the rate of 6.94% and are due for repayment in October 2020.
- Loan notes of €28m, 2019 £23.7m (2018 – £25.2m) were taken out in January 2017, carry interest at the rate of 1.51% and mature on 1 February 2027.
- Loan notes of \$20m, 2019 £15.0m (2018 – £15.6m) 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.
- Loan notes of \$60m, 2019 £45.2m (2018 – £47.0m) 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.
- Loan notes of £27m were drawn down in January 2018, carry interest at a rate of 2.35% and are due for repayment in January 2025.
- Loan notes of \$30m, 2019 £22.6m (2018 – £23.4m) were taken out in September 2018, carry interest at the rate of 4.18% and are due for repayment in September 2028.

Transaction costs of £0.5m, directly attributable to the GBP notes (£0.1m), the Euro notes (£0.1m) and the US dollar notes (£0.3m), have been deducted from their carrying value.

The Group also has two revolving credit facilities.

19. BANK OVERDRAFTS AND LOANS CONTINUED

In February 2019, the Group refinanced its main UK revolving credit facilities of £80m in an amend and extend transaction. The size of the committed facilities increased to £120m and the tenor was extended to February 2024. Allowing for this transaction and the related cancellation of £80m committed revolving credit facilities (£20m that had been due to mature in March 2019 and £60m that had been due to mature in November 2021), the weighted average maturity of the Group's committed facilities at 31 December 2019 is 4.4 years. At 31 December 2019, £7.0m was outstanding under the £120m facility. At 31 December 2018, £2.5m was drawn under the £20m facility.

A committed \$50m single bank (£37.6m) loans and letter of credit facility was amended in June 2018 and matures in June 2021. There were \$9.1m (£6.8m) loans drawn under the facility on 31 December 2019 and \$18.3m (£14.3m) loans drawn on 31 December 2018 and there were letters of outstanding credit of \$1.5m (£1.1m) (2018 – £1.9m).

Transaction costs of £0.8m have been deducted from the revolving credit facility carrying value.

As at 31 December 2019, the Group had available £142.7m (2018 – £100.4m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

20. FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The Group manages its capital structure to safeguard its ability to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the balance between debt and equity. In considering the appropriate level of net debt, the Group pays close attention to its level as compared to the cash generation potential of the Group, 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, less cash and cash equivalents (see Note 32c). Lease liabilities (under IFRS 16) are excluded from net debt in calculating the gearing ratio. Total capital is the equity shown in the Consolidated Balance Sheet.

The Group's strategy in respect of gearing is to target a long-term gearing ratio within the range of 30% to 60%. The gearing ratio for the Group at the end of 2019 was 26% (2018 – 27%).

All of the Group's external borrowing facilities at 31 December 2019 have a requirement for the ratio of net debt to EBITDA to be less than 3.0x or 3.5x. The net debt to EBITDA covenant threshold changed during 2018 for all loans classed as Group debt. The new UK Revolving Credit Facility has a net debt to EBITDA covenant of 3.5x. The existing US Revolving Credit Facility and the existing US Private Placements have been amended to include an acquisition spike which allows a temporary increase in the net debt to EBITDA covenant between 3.0x and 3.5x if certain conditions are met. The adoption of IFRS 16 does not impact the Group's lending covenants as these are currently based on frozen GAAP, hence figures quoted below exclude the impact of IFRS 16 on net debt, net interest and EBITDA. As required by covenant definition: net debt is restated using 12-month average exchange rates (the same exchange rates used in the consolidation of EBITDA). Internally the Group aims for this ratio to be between 0.5x and 1.5x. At 31 December 2019, net debt was 1.1x the Group's level of EBITDA (31 December 2018 – 1.1x).

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 2019 EBITDA was 16.9x the level of net interest (31 December 2018 – 15.2x). Therefore, the Group currently has considerable funding headroom.

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.

Translation risk

The Group derived 85% 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 the Pound Sterling would have increased (or decreased) 2019 Group operating profit by £9.0m (£6.5m of which would have been due to the US dollar movement) and would have increased (or decreased) equity by £41.4m (£24.5m of which would have been due to the US dollar movement).

Transaction risk

The Group has a number of transaction-related foreign currency exposures, particularly between the US dollar and the Pound Sterling, Thai Baht and Malaysian Ringgit. The Group seeks to hedge between 0% to 100% of transaction-related exposures mainly on a rolling 15 to 18-month forward basis, but in some cases for periods of up to 60 months and applies hedge accounting where the forwards can be designated in a qualifying cash flow hedge relationship. Based on the net of the annual sales and purchase-related exposures, all transaction-related foreign currency exposures to Group profit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS CONTINUED

after hedging in existence at 31 December 2019 are immaterial. The impact on equity is determined by the unrecognised portion of open forward contracts at the year-end. A 10% appreciation (or depreciation) of the US dollar against the Pound Sterling, Thai Baht and the Malaysian Ringgit would have decreased (or increased) equity by £9.8m, £1.3m and £1.3m, 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 2019, the percentage of debt at fixed interest was 91% (2018 – 90%), excluding IFRS 16 lease liabilities from debt.

The following sensitivity analysis of the Group's exposure to interest rate risk in 2019 has been retrospectively determined based on the exposure to applicable interest rates on financial assets and liabilities held throughout the financial year, with all other variables held constant (such as foreign exchange rates). The sensitivity assumptions are based on analysis reviewed by the Group's Treasury Committee. If variable interest rates had been 0.5% lower (or higher), the Group's profit before tax would have increased (or decreased) by £0.3m. Any fixed interest debt is held to maturity and not fair value adjusted through the Consolidated Income Statement. An increase (or decrease) of 0.5% in the market interest rate for the fixed rate debt held up to maturity would have decreased (or increased) the fair value of the Group's borrowings by £3.8m. 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 five leases in the UK, three of which arose on the disposal of a former Group-owned subsidiary.

Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group derecognises trade receivables through non-recourse factoring arrangements, which were £30.9m at 31 December 2019 (31 December 2018 – £18.5m).

LIQUIDITY RISK MANAGEMENT

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and revolving credit facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash flow forecasts are produced monthly, together with appropriate capacity planning and scenario analysis, to ensure that bank covenant and liquidity targets will be met. The Directors also regularly assess the balance of capital and debt funding of the Group, as part of a process to satisfy the Group's long-term strategic funding requirements.

As noted in the Financial Review on pages 36 to 39, the Group is currently in a well-funded position, with significant headroom under its committed borrowing facilities. It is considered unlikely that the Group will face any significant funding issues in the foreseeable future.

CATEGORIES OF FINANCIAL INSTRUMENTS

	Year ended 2019 £m	Year ended 2018 £m
Carrying value of financial assets:		
Cash and cash equivalents	15.8	17.2
Trade receivables	118.4	149.2
Other receivables	1.9	1.9
Financial assets at amortised cost	136.1	168.3
Foreign exchange contracts – cash flow hedges	2.9	1.1
Total financial assets	139.0	169.4
Carrying value of financial liabilities:		
Bank overdrafts and loans	161.7	170.0
Lease liabilities	83.7	0.2
Trade payables	86.2	109.0
Other payables	54.2	63.0
Financial liabilities at amortised cost	385.8	342.2
Foreign exchange contracts – cash flow hedges	5.0	10.4
Total financial liabilities	390.8	352.6
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	171.8	178.1
In the second to fifth years inclusive	78.0	63.6
After five years	199.4	135.6
	449.2	377.3
Less: future finance charges	(63.4)	(35.1)
Financial liabilities at amortised cost	385.8	342.2

20. FINANCIAL INSTRUMENTS CONTINUED

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.

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on the operation's trading activities in foreign currencies in accordance with the Group's accounting policy as set out in Note 2. At the Balance Sheet date, total notional amounts and fair values of outstanding forward foreign exchange contracts that the Group have committed are given below:

	Year ended 2019 £m	Year ended 2018 £m
Notional amounts:		
Foreign exchange contracts – cash flow hedges	180.5	189.4
Total	180.5	189.4
Less: amounts maturing within 12 months	(103.8)	(109.7)
Amounts maturing after 12 months	76.7	79.7
Contractual maturity:		
Cash flow hedges balances due within one year:		
Outflow	104.6	113.5
Inflow	(104.3)	(109.9)
Cash flow hedges balances due between one and two years:		
Outflow	31.7	30.0
Inflow	(31.0)	(27.0)
Cash flow hedges balances due between two and five years:		
Outflow	48.0	58.3
Inflow	(45.7)	(52.7)
Fair values:		
Foreign exchange contracts – cash flow hedges	(2.1)	(9.3)
Total liability	(2.1)	(9.3)

These fair values are based on market values of equivalent instruments at the Balance Sheet date, comprising £2.9m (2018 – £1.1m) assets included in trade and other receivables and £5.0m (2018 – £10.4m) included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to £1.8m loss (2018 – £8.0m loss) has been deferred in equity.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS CONTINUED

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
31 December 2019				
Assets				
Foreign exchange contracts – cash flow hedges	–	2.9	–	2.9
Total assets	–	2.9	–	2.9
Liabilities				
Foreign exchange contracts – cash flow hedges	–	5.0	–	5.0
Total liabilities	–	5.0	–	5.0
31 December 2018				
Assets				
Foreign exchange contracts – cash flow hedges	–	1.1	–	1.1
Total assets	–	1.1	–	1.1
Liabilities				
Foreign exchange contracts – cash flow hedges	–	10.4	–	10.4
Total liabilities	–	10.4	–	10.4

An amount of £1.0m profit (2018 – £1.3m loss) has been transferred to the Consolidated Income Statement, and is included within operating profit. There was no ineffectiveness to be recorded from foreign exchange cash flow hedges.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above foreign exchange contracts this may arise if the timing of the transaction changes from what was originally estimated.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 60 months. Amounts deferred in equity are recognised in the Consolidated Income Statement in the same period in which the hedged items affect profit or loss, which is generally within 12 months from the Balance Sheet date.

21. TAX BALANCE SHEET

CURRENT TAX

The current tax receivable of £3.5m (2018 – £2.7m) 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 £26.6m (2018 – £21.5m) represents £4.1m (2018 – £3.9m) tax due on profits of the current and prior years as well as £22.5m (2018 – £17.6m) provisions for tax uncertainties that represent amounts expected to be paid but by their nature, there is uncertainty over timing and eventual settlement. The increase in provision held over the year includes an additional tax creditor of £3.8m recognised through retained earnings on 1 January 2019 following the measurement criteria of IFRIC 23.

The Group recognises provisions in respect of tax for items which are considered to have a range of possible tax outcomes. The outcomes considered by the Board include a range of estimates that could increase those liabilities by £9.2m (2018 – £14.1m). These uncertainties exist due to a number of factors including differing interpretations of local tax laws and the determination of appropriate arm's length pricing in accordance with OECD transfer pricing principles on internal transactions and financing arrangements. In calculating the carrying amount of provisions, management estimates the tax which could become payable as a result of differing interpretations and decisions by tax authorities in respect of transactions and events whose treatment for tax purposes is uncertain and establish provisions based on an assessment of the expected outcome.

DEFERRED TAX LIABILITIES AND ASSETS

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Unrealised FX gains £m	Goodwill and intangible amortisation £m	Retirement benefits £m	Other temporary differences £m (restated)	Tax losses £m	Total £m (restated)
At 1 January 2018	14.3	0.4	28.2	(0.5)	(7.1)	(2.6)	32.7
Charge/(credit) to Consolidated Income Statement	2.1	(0.2)	–	1.7	(3.8)	2.6	2.4
(Credit)/charge to other comprehensive income	–	(1.3)	–	1.0	(0.2)	–	(0.5)
Exchange differences	0.4	(0.1)	0.5	0.2	0.6	–	1.6
At 1 January 2019	16.8	(1.2)	28.7	2.4	(10.5)	–	36.2
Charge/(credit) to Consolidated Income Statement	3.9	–	(2.0)	2.0	(11.2)	(0.2)	(7.5)
Charge to other comprehensive income and equity	–	1.2	–	2.1	0.4	–	3.7
Balances acquired/disposed	(0.4)	(0.4)	–	0.6	–	–	(0.2)
Exchange differences	(0.9)	–	(1.1)	0.1	0.8	–	(1.1)
As at 31 December 2019	19.4	(0.4)	25.6	7.2	(20.5)	(0.2)	31.1

21. TAX BALANCE SHEET CONTINUED

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

Other temporary differences have been restated to reflect the recognition of an additional deferred tax asset at 31 December 2018 of £3.6m in respect of temporary differences for interest expense. As a result, the net deferred tax liability at 31 December 2018 has reduced from £39.8m to £36.2m. At 31 December 2019 the deferred tax asset on temporary differences for interest expense totals £6.9m. See Note 2.

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 2019 £m	Year ended 2018 £m
Deferred tax liabilities	32.8	38.6
Deferred tax assets	(1.7)	(2.4)
	31.1	36.2

At the Balance Sheet date, the Group has unused tax losses of £16.8m (2018 – £29.5m) available for offset against future profits and a deferred tax asset has been recognised in respect of £0.7m (2018 – £nil) of such losses arising in the year. Due to the unpredictability of future taxable profit streams, tax losses of £16.2m (2018 – £29.5m) have not been recognised. Included in unrecognised tax losses are losses of £4.0m (2018 – £4.1m) that will expire over a period of one to nine years. Other losses may be carried forward indefinitely.

At the Balance Sheet date, a deferred tax liability of £0.1m (2018 – £0.2m) has been recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries expected to reverse in the foreseeable future. No temporary difference has been recognised in respect of £48.6m (2018 – £49.1m) of undistributed earnings, which may be subject to a withholding tax, as the Group is in a position to control the timing of the reversal of the temporary differences and it is not probable that such differences will reverse in the foreseeable future.

At the Balance Sheet date, the Group had £5.0m (2018 – £5.0m) of surplus Advanced Corporation Tax ("ACT"), previously written off, for which no deferred tax asset has been recognised as it is unlikely to be recovered in the foreseeable future due to the UK earnings profile. The Group also has £18.0m (2018 – £18.0m) of unused capital losses, as reduced by gains rolled over, available for offset against future capital gains for which no deferred tax asset has been recognised as no such capital gains are anticipated to arise in the foreseeable future.

22. LEASE LIABILITIES

IFRS 16 TRANSITION

On transition to IFRS 16 on 1 January 2019, the Group recognised right-of-use assets of £96.7m, lease liabilities of £96.3m, with working capital and non-current liabilities decreasing by £0.4m in total. Right-of-use assets were initially measured equal to the lease liabilities, adjusted by prepaid or accrued lease payments.

The adoption of IFRS 16 from 1 January 2019 resulted in £10.2m increase in depreciation, £11.3m reduction in lease expenses and £3.5m increase in finance costs recognised in the Consolidated Income Statement during the year ended 31 December 2019; and £82.3m right-of-use assets and £83.7m lease liabilities recognised in the Consolidated Balance Sheet at 31 December 2019.

In the Consolidated Cash Flow Statement during the year ended 31 December 2019, cash generated by operations and free cash flow (as defined in Note 32) has increased by £11.3m and £7.8m respectively as a result of IFRS 16; while capital repayments of lease liabilities are classified to net cash used in financing activities, resulting in a neutral effect on the movement in cash and cash equivalents. The adoption of IFRS 16 does not impact the Group's lending covenants, as these are currently based on frozen GAAP.

When measuring lease liabilities, the Group discounted lease payments using incremental borrowing rates (IBR), determined on a lease portfolio basis at 1 January 2019. The weighted average of all IBRs at 1 January 2019 was 3.9%.

The table below reconciles the IAS 17 operating lease commitments disclosed in the Consolidated Financial Statements of the Group as at 31 December 2018 to the IFRS 16 Lease liabilities recognised on 1 January 2019:

RECONCILIATION OF IAS 17 TO IFRS 16:

	£m
Operating lease commitments at 31 December 2018	65.9
Recognition exemption for:	
Short term leases	(0.4)
Low value leases	–
Maintenance fees	(1.3)
Extension/Termination options reasonably certain to be exercised	74.5
Undiscounted IFRS 16 commitments at 31 December 2018	138.7
Discounting using incremental borrowing rates at 1 January 2019	(42.6)
Additional lease liabilities recognised at 1 January 2019	96.1
Finance leases at 31 December 2018	0.2
Total lease liabilities at 1 January 2019	96.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. LEASE LIABILITIES CONTINUED

The following practical expedients and elections for IFRS 16 were taken on the transition date:

- the Group did not reassess whether existing contracts are, or contain, a lease and applied IFRS 16 only to existing contracts that were previously identified as leases under IAS 17;
- the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- leases with a remaining term of less than 12 months from the transition date and low value leases are expensed on a straight-line basis to the Consolidated Income Statement.

UNDISCOUNTED CONTRACTUAL MATURITY OF LEASE LIABILITIES:

	Year ended 2019 £m
Amounts payable:	
On demand or within one year	10.6
In the second to fifth years inclusive	34.1
After five years	74.4
	119.1
Less: future finance charges	(35.4)
Lease liabilities	83.7

AMOUNTS RECOGNISED IN PROFIT OR LOSS:

	Year ended 2019 £m
Interest on lease liabilities	3.5
Income from sub-leasing right-of-use assets	(0.1)
Expenses relating to short-term leases	0.4
Expenses relating to low value leases, excluding short-term leases of low value assets	–
	3.8

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS:

	Year ended 2019 £m
Total cash outflow for leases	11.3

23. TRADE AND OTHER PAYABLES

Trade and other payables at 31 December comprise the following:

	Year ended 2019 £m	Year ended 2018 £m
Current liabilities		
Trade payables	86.2	109.0
Social security and PAYE	3.7	4.9
Value added tax	1.1	1.8
Foreign exchange contracts	5.0	10.4
Accrued expenses	61.3	69.9
Total trade and other payables	157.3	196.0

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

The average credit period taken for trade purchases is 55 days (2018 – 59 days).

24. PROVISIONS

	Warranties £m	Restructuring £m	Other £m	Total £m
At 1 January 2018	3.9	–	1.8	5.7
Additional provision in the year	2.8	–	5.7	8.5
Utilisation of provision	(1.4)	–	(0.7)	(2.1)
Release of unused amounts	(0.1)	–	(0.9)	(1.0)
Exchange differences	0.3	–	0.1	0.4
At 1 January 2019	5.5	–	6.0	11.5
Additional provision in the year	2.2	4.2	11.8	18.2
Utilisation of provision	(0.7)	(1.3)	(3.3)	(5.3)
Release of unused amounts	(0.7)	–	(1.4)	(2.1)
Exchange differences	(0.3)	–	(0.5)	(0.8)
At 31 December 2019	6.0	2.9	12.6	21.5
Included in current liabilities	4.5	2.9	12.5	19.9

24. PROVISIONS CONTINUED

WARRANTY

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

RESTRUCTURING

The Group implemented a restructuring programme in 2019, discussed in further detail in Note 9.

OTHER

Other provisions include expected costs associated with legal settlements of £3.7m (2018 – £3.9m) associated with the wage and hour class action lawsuit and £2.5m for costs associated with class action lawsuits claiming that Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located (2018 – £nil). Both provisions are expected to be settled in 2020, of which £2.4m cash has been paid in February 2020. The remaining provision of £6.4m (2018 – £1.8m) relates to contractual matters that have arisen in the ordinary course of business. Management exercises judgment to determine the estimated liability and amounts are recorded for known issues based on past experience of similar items and other known factors and circumstances. The provisions reflect the best estimate of the most likely outcome, having considered each provision separately and the possible range of outcomes. The settlement of provisions for expected legal costs and contractual matters that have arisen in the ordinary course of business is subject to ongoing discussion and are likely to take a number of reporting periods to complete. As with any judgment there is a high degree of inherent uncertainty, particularly with legal proceedings and claims, and the actual amounts of the settlement could differ from the amount provided.

25. SHARE CAPITAL

	Year ended 2019 £m	Year ended 2018 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	41.9	41.9

At 31 December 2018, the issued and fully paid up share capital was 419.4 million ordinary shares of 10p each. No shares were issued during 2019 and 2018. The Company has one class of ordinary shares which carry no right to fixed income.

26. SHARE PREMIUM ACCOUNT

	Year ended 2019 £m	Year ended 2018 £m
Balance at 1 January	14.8	14.8
Movement in year	–	–
Balance at 31 December	14.8	14.8

27. EQUITY RESERVE

	Year ended 2019 £m	Year ended 2018 £m
Balance at 1 January	5.7	3.9
Transfer to retained earnings reserve	(2.0)	(1.6)
Movement in year	1.8	3.4
Balance at 31 December	5.5	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 is £1.8m (2018 – £3.4m) in respect of the share-based payment charge for the year.

28. HEDGING AND TRANSLATION RESERVES

	Hedging reserve Year ended 2019 £m	Translation reserve Year ended 2019 £m	Total Year ended 2019 £m	Hedging reserve Year ended 2018 £m	Translation reserve Year ended 2018 £m (restated)	Total Year ended 2018 £m (restated)
Balance at 1 January	(46.7)	95.1	48.4	(41.3)	74.6	33.3
Exchange differences on translation of overseas operations	–	(11.5)	(11.5)	–	20.5	20.5
Foreign exchange losses/(gains) recycled to the Income Statement on disposal of businesses	1.5	(4.5)	(3.0)	–	–	–
Change in fair value of hedging derivatives	6.2	–	6.2	(6.7)	–	(6.7)
Tax on foreign exchange contracts – cash flow hedges	(1.2)	–	(1.2)	1.3	–	1.3
Balance at 31 December	(40.2)	79.1	38.9	(46.7)	95.1	48.4

HEDGING RESERVE

The Group uses foreign currency forward contracts to manage its foreign currency risk associated with its highly probable forecast transactions, as described within Note 20. These contracts are designated as cash flow hedge relationships. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the hedging reserve.

COSTS OF HEDGING

The Group designates the forward component of foreign currency forward contracts as hedging instruments in cash flow hedge relationships.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. RETAINED EARNINGS

	Year ended 2019 £m	Year ended 2018 £m (restated)
Balance at 1 January	469.0	438.8
IFRIC 23 opening balance adjustment	(4.8)	–
Dividends paid	(31.2)	(29.6)
Profit for the year	29.2	53.5
Pension actuarial gain	11.1	5.8
Transfer from equity reserve	2.0	1.6
Transfer from own share reserve	(0.3)	(0.3)
Tax on deductible temporary differences	(2.5)	(0.8)
Balance at 31 December	472.5	469.0

30. OWN SHARES

	Year ended 2019 £m	Year ended 2018 £m
Balance at 1 January	(8.0)	(1.1)
Transfer to retained earnings reserve	0.3	0.3
Purchase of new shares	(6.3)	(7.2)
Balance at 31 December	(14.0)	(8.0)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 33).

31. DISPOSAL OF BUSINESSES

In February 2019, the Group sold its Flexonics operating company in France, Senior Flexonics Blois SAS ("Blois") that focused on the European passenger vehicles end market. In September 2019, the Group disposed its Flexonics operating company in Brazil, Senior Flexonics Brasil Ltda ("São Paulo"), serving the local automotive and power & energy markets. In October 2019, the Group sold its Aerospace business unit Senior Aerospace Absolute Manufacturing ("Absolute") based in Washington state, USA that focused on small build-to-print precision machined components. These transactions fit with the Prune To Grow strategy and enable Management to have greater focus on opportunities in its core activities and to deploy capital in other parts of the Group with higher returns.

For the year ended 31 December 2019, the external revenue of these disposed businesses was £16.1m (31 December 2018 – £36.9m) and their adjusted operating loss was £2.4m (31 December 2018 – £2.4m). A charge of £22.0m arose on disposal after taking into account £0.9m of professional fees incurred in connection with disposal activities and the fair value of net assets disposed after costs (£27.7m including £8.1m of goodwill, £11.9m of property, plant and equipment, £5.4m of inventories, £7.7m of cash balances, £4.5m of lease liabilities), offset by cash considerations of £2.9m, deferred consideration of £0.7m and previously recorded foreign exchange gain that has been recycled to the Income Statement of £3.0m.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

A) RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	Year ended 2019 £m	Year ended 2018 £m
Operating profit	61.6	69.9
Adjustments for:		
Depreciation of property, plant and equipment	52.5	39.5
Amortisation of intangible assets	15.2	17.4
Loss on sale of fixed assets	–	0.4
Share-based payment charges	1.8	3.4
Pension payments in excess of service cost	(8.7)	(10.3)
Pension curtailment gain	–	(0.4)
Costs on disposal of businesses	(3.4)	–
UK Guaranteed Minimum Pensions	–	2.4
Share of joint venture	(0.4)	(0.6)
Increase in inventories	(1.9)	(16.8)
Decrease/(increase) in receivables	24.5	(7.6)
(Decrease)/increase in payables and provisions	(12.9)	13.3
Restructuring Impairment of property, plant and equipment	2.9	–
US class action lawsuits	2.6	3.7
Working capital and provisions currency movements	(1.4)	1.7
Cash generated by operations	132.4	116.0
Income taxes paid	(5.3)	(6.0)
Interest paid	(11.2)	(9.3)
Net cash from operating activities	115.9	100.7

B) FREE CASH FLOW

Free cash flow, a non-statutory item, enhances the reporting of the cash-generating ability of the Group prior to corporate activity such as acquisitions, restructuring, disposal of businesses, financing and transactions with shareholders. It is used as a performance measure by the Board and Executive Committee and is derived as follows:

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT CONTINUED

	Year ended 2019 £m	Year ended 2018 £m
Net cash from operating activities	115.9	100.7
Costs on disposal of businesses	3.4	—
Restructuring cash paid	2.9	—
Interest received	0.2	0.4
Proceeds on disposal of property, plant and equipment	0.7	0.5
Purchases of property, plant and equipment	(63.0)	(54.6)
Purchases of intangible assets	(1.8)	(1.7)
Free cash flow	58.3	45.3

C) ANALYSIS OF NET DEBT

Notes	At 31 December 2018 £m	IFRS 16 Opening balance £m	At 1 January 2019 £m	Cash flow £m	Non cash £m	Exchange movement £m	Other lease movements £m	At 31 December 2019 £m
Cash and bank balances	17.2	—	17.2	(0.8)	—	(0.6)	—	17.2
Overdrafts	(0.2)	—	(0.2)	(0.5)	—	—	—	(0.2)
Cash and cash equivalents	17.0	—	17.0	(1.3)	—	(0.6)	—	17
Debt due within one year	(2.5)	—	(2.5)	2.5	(15.6)	0.6	—	(15.0)
Debt due after one year	(167.3)	—	(167.3)	0.7	15.6	5.0	—	(146.0)
Lease liabilities	22 (0.2)	(96.1)	(96.3)	7.8	—	2.3	2.5	(83.7)
Total	(153.0)	(96.1)	(249.1)	9.7	—	7.3	2.5	(229.6)

Other lease movements include £2.0m of lease additions and modifications and £4.5m of leases disposed on disposal of businesses.

	At 1 January 2018 £m	Cash movement £m	Exchange movement £m	At 31 December 2018 £m
Cash and bank balances	12.6	3.6	1.0	17.2
Overdrafts	(2.9)	2.7	—	(0.2)
Cash and cash equivalents	9.7	6.3	1.0	17.0
Debt due within one year	(57.6)	56.8	(1.7)	(2.5)
Debt due after one year	(106.7)	(54.4)	(6.2)	(167.3)
Finance leases	(0.5)	0.3	—	(0.2)
Foreign exchange contracts – held for trading	(0.2)	—	0.2	—
Total	(155.3)	9.0	(6.7)	(153.0)

	Year ended 2019 £m	Year ended 2018 £m
Cash and cash equivalents comprise:		
Cash and bank balances	15.8	17.2
Overdrafts	(0.7)	(0.2)
Total	15.1	17.0

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

33. SHARE-BASED PAYMENTS

The Group recognised total expenses of £1.7m (2018 – £3.5m) related to share-based payments, of which £1.8m (2018 – £3.4m) related to equity-settled share-based payments, and £0.1m credit (2018 – £0.1m) related to social security costs on share-based payments. As at 31 December 2019, the Group had a liability of £0.1m (2018 – £0.3m) arising from share-based payments relating to social security costs.

A) 2005 LONG-TERM INCENTIVE PLAN

Equity-settled Long-Term Incentive Plans

On 7 March 2019, 2,437,086 shares were awarded under the 2005 Long-Term Incentive Plan. Awards under this plan have a three-year vesting period, subject to earnings per share (EPS) and total shareholder return (TSR) performance conditions being met. Half the awards have an attaching performance target for EPS growth over the three-year performance period of at least 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, excluding for the Executive Directors, with EPS conditions is 223.00p, which is the share price at the date of grant. The estimated fair value for the awards granted in the year, excluding for the Executive Directors, with TSR conditions is 99.10p per share reflecting an adjustment of 56% to the fair value of the awards with EPS conditions due to the stringent TSR condition. The respective fair values for awards made to the Executive Directors is 202.90p and 90.20p reflecting the two year retention period.

These fair values were calculated by applying a binomial option pricing model. This model incorporates a technique called "bootstrapping", which models the impact of the TSR condition. The model inputs at the date of grant were the share price (223.00p for the main award), expected volatility of 29% per annum, and the performance conditions as noted above. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. SHARE-BASED PAYMENTS CONTINUED

The following share awards were outstanding as at 31 December 2019 and 2018:

	Year ended 2019 Number of shares	Year ended 2018 Number of shares
Outstanding at 1 January	5,732,305	4,857,368
Granted	2,437,086	1,676,130
Exercised	—	—
Forfeited	(1,799,186)	(801,193)
Outstanding at 31 December	6,370,205	5,732,305

B) ENHANCED SMIS DEFERRED SHARE AWARD

On 7 March 2019, 610,291 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 223.00p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2019 and 2018:

	Year ended 2019 Number of shares	Year ended 2018 Number of shares
Outstanding at 1 January	771,170	484,376
Granted	610,291	403,123
Exercised	(140,949)	(116,329)
Forfeited	(52,843)	—
Outstanding at 31 December	1,187,669	771,170

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 8 May 2019.

The following options were outstanding as at 31 December 2019 and 2018:

	Year ended 2019		Year ended 2018	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	3,642,782	218.60p	4,542,625	226.17p
Granted	2,764,050	219.30p	—	—
Exercised	(12,902)	220.96p	(28,837)	218.83p
Forfeited	(1,869,647)	218.45p	(812,040)	252.46p
Expired	(134,058)	321.70p	(58,966)	335.80p
Outstanding at 31 December	4,390,225	215.95p	3,642,782	218.60p
Exercisable at 31 December	566,066	222.00p	117,447	335.80p

12,902 shares were exercised in 2019. 28,837 shares were exercised in 2018. The weighted average share price at the date of exercise for share options exercised during 2019 was 224.41p. The options outstanding at 31 December 2019 had an exercise price of 219.30p, 207.20p, and 222.00p per share, and a weighted average remaining contractual life of 2.0 years. The options outstanding at 31 December 2018 had exercise prices of 207.20p, 222.00p and 335.80p per share, and a weighted average remaining contractual life of 1.4 years.

D) RESTRICTED SHARE AWARDS

On 7 March 2019, 70,000 shares were awarded under this plan. Shares granted under this award have a three-year deferral period and would be subject to forfeiture by a “bad leaver” over that deferral period. There are no performance criteria for this award. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year is 223.00p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2019 and 2018:

	Year ended 2019 Number of shares	Year ended 2018 Number of shares
Outstanding at 1 January	100,000	25,000
Granted	70,000	75,000
Exercised	—	—
Forfeited	—	—
Outstanding at 31 December	170,000	100,000

34. RETIREMENT BENEFIT SCHEMES

The Group operates a number of pension plans in the UK, North America and Europe. These include both defined contribution arrangements and defined benefit arrangements. The Senior plc Pension Plan ("the UK Plan"), which is a funded scheme in the UK and closed to future accrual at the end of 6 April 2014, has the largest pension obligation in the Group and Company. This plan provides benefits based on final pensionable emoluments for the employees of the Group and Company. The latest full actuarial valuation was carried out as at 5 April 2019 and, for the purposes of accounting under IAS 19, this valuation has been rolled forward to 31 December 2019.

In addition, the Group operates two defined benefit plans in the US, one of which was closed to future accrual from October 2009. The second plan was closed to future participants from September 2013, and the Executive section was also closed to future accruals from December 2013. Separate disclosure is made for the funded UK and US defined benefit arrangements. In both the UK and US, the assets of funded plans are held in separate trustee administered funds managed by independent financial institutions and have pension costs assessed by consulting actuaries using the Projected Unit Method. The Trustees are required to act in the best interests of the plans' beneficiaries.

The Group also has a small number of unfunded post-retirement plans, including a closed healthcare scheme in the US. Separate disclosure is provided for these arrangements.

Further details on the arrangement of the UK Plan are given below.

The Trustee of the UK Plan is Senior Trustee Limited. The appointment of the Directors to the Board is determined by the articles of association of Senior Trustee Limited. There are six Trustee Directors in total and in accordance with statutory requirements under the Pensions Act 2004 at least two must be a Member Nominated Director. Currently, there are two Member Nominated Directors and four Directors who have been nominated by the Company, of which the Chairman and one other Director are viewed as independent.

The UK Plan exposes the Company to a number of risks. In particular:

- Uncertainty in benefit payments – the value of the obligations will ultimately depend on the amount of benefits paid out. This in turn will depend on the level of inflation and how long individuals live.
- Volatility in asset values – the value of the assets held to meet future benefit payments is volatile due to changes in stock markets and interest rates.
- Uncertainty in cash funding – movements in the value of the UK Plan's obligations or assets may result in the Company being required to provide higher levels of cash funding.

The investment strategy for the UK Plan is decided by the Trustee in consultation with Senior plc. The primary investment objective is for the plan to be able to meet benefit payments as they fall due. The UK Plan's average duration is around 15 years and benefits are expected to be paid for the next 60 to 70 years. These cash flow payments are expected to reach a peak around 2028, and gradually decline thereafter as the membership matures. In setting this strategy, the Trustee considers a wide range of asset classes, the risk and rewards of a number of possible asset allocation options, the sustainability of each asset class within each strategy, and the need for appropriate diversification between different asset classes. The primary investment objective is implemented by setting strategic asset allocations using a "linear de-risking" approach. Under this approach, the scheme's current asset strategy of 77% invested in low-risk matching assets, such as "liability driven investments" (LDI) and bonds, and 23% in higher-risk return seeking assets, such as equities, is expected to be linearly moved into 100% matching assets over the period from April 2021 to April 2036. LDI's help to mitigate investment risk for the UK Plan by minimising the fluctuations in the UK Plan's funding levels due to changes in the value of the liabilities. This is achieved through hedging movements in the funding liabilities caused by changes in interest rates and inflation expectations. The Trustee continues to review its investment strategy and has also implemented a switching mechanism to secure any outperformances of equities relative to bonds, by selling equities to buy bonds.

While the UK Plan was in a deficit position of £10.2m as at 5 April 2019 when measured on the Trustee's funding basis, the UK Plan is in a surplus position of £48.9m as at 31 December 2019 (2018 – £30.9m surplus, 2017 – £19.4m surplus) when measured on an IAS 19 basis. The difference between the triennial funding and annual IAS 19 valuation relates to the assumptions used. For example, the funding discount rate is based on the UK Plan's stated investment strategy, as opposed to the yields available on corporate bonds for the IAS 19 discount rate.

The IAS 19 surplus position on the UK Plan is recognised as an asset on the Consolidated and Company Balance Sheet, with no requirement to recognise an additional liability on the UK Plan, on the grounds that the Company has an unconditional right to a refund, assuming the gradual settlement of Plan liabilities over time until all members have left. In considering this, the Company has taken into account that the Trustees do not have unilateral powers to wind up the Plan or modify benefits. The IASB is considering amendments to pension accounting (IFRIC 14) as published in an exposure draft in June 2015. If implemented by the IASB, some of these amendments could result in derecognition of the UK Plan's IAS 19 surplus, or recognition of additional liabilities. The Group will reconsider the implications of any amendment to IFRIC 14 and IAS 19 if and when it has been finalised and published.

Cash contributions to the UK Plan are set by agreement between the Company and the Trustee of the UK Plan. These are set in accordance with legislation and take account of the intention to further reduce the risk associated with the UK Plan's investment strategy, as set out above. The contributions were last reviewed as at 5 April 2019 and were based on a forecast deficit at that time, as part of the 2019 triennial funding valuation. The Company has agreed with the Trustee of the UK Plan to make scheduled contributions over the three year period from April 2019 to March 2022. Annual cash funding contributions of £5.5m are expected over this period, subject to review and amendment as appropriate, at the next funding valuation in 2022. The estimated contributions expected to be paid during 2020 in the US funded plans is £2.3m (2018 – £2.5m).

The Group is ultimately responsible for making up any shortfall in the UK Plan over a period agreed with the Trustees. To the extent that actual experience is different from that assumed, the funding position will be better or worse than anticipated. As such, the contributions required by the Group could vary in the future.

A) DEFINED CONTRIBUTION SCHEMES

The Group has a number of different defined contribution and government-sponsored arrangements in place in the countries in which it operates. None of these are individually material to the Group and the aggregate cost of such schemes for the period was £12.4m (2018 – £10.8m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. RETIREMENT BENEFIT SCHEMES CONTINUED

B) DEFINED BENEFIT SCHEMES

The amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its defined benefit plans is set out below.

	31 December 2019				31 December 2018			
	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	(285.8)	(54.6)	(6.9)	(347.3)	(278.7)	(52.5)	(8.0)	(339.2)
Fair value of plan assets	334.7	52.6	1.1	388.4	309.6	47.3	0.8	357.7
Plan surplus/(deficit) per Consolidated Balance Sheet	48.9	(2.0)	(5.8)	41.1	30.9	(5.2)	(7.2)	18.5

C) MOVEMENTS IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS WERE AS FOLLOWS:

Notes	31 December 2019				31 December 2018			
	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	278.7	52.5	8.0	339.2	301.8	54.3	7.9	364.0
Current service cost	–	0.3	0.5	0.8	–	0.4	0.1	0.5
Past service cost	9	–	–	–	2.4	–	–	2.4
Interest cost	7.6	2.1	0.1	9.8	7.0	1.9	0.1	9.0
Experience on benefit obligations	(1.3)	(1.1)	–	(2.4)	0.5	–	–	0.5
Actuarial losses/(gains) – financial	26.5	5.7	0.3	32.5	(16.6)	(4.1)	0.1	(20.6)
Actuarial losses/(gains) – demographic	(12.5)	(0.5)	–	(13.0)	(1.9)	(0.5)	–	(2.4)
Benefits paid	(13.2)	(2.3)	–	(15.5)	(14.5)	(2.2)	–	(16.7)
Curtailment credit	–	–	–	–	–	–	(0.4)	(0.4)
Disposal of businesses	–	–	(1.7)	(1.7)	–	–	–	–
Exchange differences	–	(2.1)	(0.3)	(2.4)	–	2.7	0.2	2.9
At 31 December	285.8	54.6	6.9	347.3	278.7	52.5	8.0	339.2

The UK Plan past service cost of £2.4m in 2018 relates to the UK Guaranteed Minimum Pensions (see Note 9).

D) MOVEMENTS IN THE FAIR VALUE OF PLAN ASSETS WERE AS FOLLOWS:

	31 December 2019				31 December 2018			
	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	309.6	47.3	0.8	357.7	321.2	47.1	0.4	368.7
Interest on plan assets	8.6	1.9	–	10.5	7.6	1.6	–	9.2
Actual return on plan assets less interest	22.8	5.4	–	28.2	(12.9)	(3.8)	–	(16.7)
Contributions from employer	7.3	2.4	0.3	10.0	8.6	2.2	0.4	11.2
Benefits paid	(13.2)	(2.3)	–	(15.5)	(14.5)	(2.2)	–	(16.7)
Running costs	(0.4)	(0.1)	–	(0.5)	(0.4)	–	–	(0.4)
Exchange differences	–	(2.0)	–	(2.0)	–	2.4	–	2.4
At 31 December	334.7	52.6	1.1	388.4	309.6	47.3	0.8	357.7

E) AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT IN RESPECT OF THESE DEFINED BENEFIT SCHEMES ARE AS FOLLOWS:

	31 December 2019				31 December 2018			
	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	–	0.3	0.5	0.8	–	0.4	0.1	0.5
Running costs	0.4	0.1	–	0.5	0.4	–	–	0.4
Past service cost	–	–	–	–	2.4	–	–	2.4
Curtailment credit	–	–	–	–	–	–	(0.4)	(0.4)
Charge/(income) included within operating profit	0.4	0.4	0.5	1.3	2.8	0.4	(0.3)	2.9
Included within finance (income)/costs	(1.0)	0.2	0.1	(0.7)	(0.6)	0.3	0.1	(0.2)
Amount recognised in the Income Statement	(0.6)	0.6	0.6	0.6	2.2	0.7	(0.2)	2.7

34. RETIREMENT BENEFIT SCHEMES CONTINUED

F) AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME ARE AS FOLLOWS:

	31 December 2019				31 December 2018			
	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	(26.5)	(5.7)	(0.3)	(32.5)	16.6	4.1	(0.1)	20.6
– Change in demographic assumptions	12.5	0.5	–	13.0	1.9	0.5	–	2.4
– Experience adjustments on benefit obligations	1.3	1.1	–	2.4	(0.5)	–	–	(0.5)
Actual return on plan assets less interest on benefit obligations	22.8	5.4	–	28.2	(12.9)	(3.8)	–	(16.7)
Gains/(losses) recognised in other comprehensive income	10.1	1.3	(0.3)	11.1	5.1	0.8	(0.1)	5.8

Actuarial gains of £11.1m (2018 – £5.8m) 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 2019 is £31.3m (2018 – £42.4m).

G) ASSETS AND ASSUMPTIONS IN FUNDED PLANS

	UK plans funded		US plans funded	
	2019 £m	2018 £m	2019 £m	2018 £m
Fair value of plan assets				
Equities	29.4	23.5	–	–
Bonds	120.5	93.7	52.6	47.3
Gilts	137.6	131.8	–	–
Diversified growth fund	41.1	39.9	–	–
Cash and net current assets	6.1	20.7	–	–
Total	334.7	309.6	52.6	47.3
Actual return on plan assets	31.4	(5.3)	7.3	(2.2)

The UK Plan's assets are invested in pooled funds, which are invested exclusively within instruments with quoted market prices in an active market, with the exception of the Plan's holdings in insurance annuity policies, valued at £5.0m (2018 – £6.0m). The value of the invested assets has been measured at bid value and the value of the insurance annuity policies has been set equal to the value of the corresponding obligations.

The Plan's equities are broadly split equally between UK and overseas companies. The UK equities are passively invested in line with the FTSE All-Share Index and the overseas equities are passively invested in line with the FTSE World ex-UK GBP Hedged Index. Therefore, the Plan is exposed to a typical breakdown of industries within those equity indices. The Plan's bonds are actively invested in investment grade UK corporate bonds, and are exposed to a fairly typical range of UK businesses. The majority of the Plan's gilts are passively invested in a range of UK index-linked government bonds, with the remainder actively invested in a range of swap instruments linked to movements in government bond prices. The risks associated with the Plan's bond and gilt investments are largely offset by corresponding risks present within the pricing of the Plan's benefit obligations. The diversified growth fund is an investment in Pyrford's absolute return fund. This fund is composed of positions in a range of assets, including bonds and equities. These positions vary over time according to Pyrford's views. The fund looks to generate equity-like returns, with reduced volatility, whilst also providing diversification benefits to the Plan's other investments.

The UK Plan does not invest directly in property occupied by the Company or in financial securities issued by the Company.

	UK plans funded		US plans funded	
	2019	2018	2019	2018
Major assumptions (per annum %)				
Inflation	3.00%	3.20%	N/A	N/A
Increase in salaries	N/A	N/A	N/A	N/A
Increase in pensions	2.90%	3.10%	0.00%	0.00%
Increase in deferred pensions	3.00%	3.20%	0.00%	0.00%
Rate used to discount plan liabilities	2.00%	2.90%	3.30%	4.20%
Life expectancy of a male aged 65 at the year-end	20.6	21.8	19.7	20.0
Life expectancy of a male aged 65, 20 years after the year-end	22.0	23.2	21.3	21.7

Benefits under the US funded plans are not linked to inflation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. RETIREMENT BENEFIT SCHEMES CONTINUED

The UK plan retirement benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The assumption for estimating future Retail Prices Index (RPI) inflation is based on the difference in yields on fixed-interest and index-linked gilts. Demographic assumptions are set broadly in line with the most recent actuarial valuation of the UK plan. The mortality assumption is 95% of standard mortality tables with an allowance for future improvements in line with the CMI 2018 core projections, with a long-term annual rate of improvement of 1.25% for males and for females.

For the UK Plan, the estimated impact on the plan surplus at 31 December 2019 for changes in assumptions is as follows:

	Decrease in plan surplus £m
0.5% decrease in the discount rate	22.0
One-year increase in life expectancy	12.0
0.5% increase in inflation	14.0

These sensitivities have been calculated to show the movement in the surplus, including allowance for an increase to the value of insured annuity assets, but assuming no other changes in assets as at 31 December 2019. This is unlikely in practice – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Plan.

H) OTHER POST-RETIREMENT LIABILITIES

This balance comprises an unfunded German pension plan of £3.6m (2018 – £3.6m), unfunded closed pension and post-retirement healthcare plans in the USA of £0.4m (2018 – £0.4m), a provision for post-retirement payments in France of £1.3m (2018 – £2.9m) and £0.5m for post-retirement payments in Thailand (2018 – £0.3m).

The closed pension and post-retirement healthcare plans in the US have been valued on a Projected Unit Method using a discount rate of 3.3% (2018 – 4.2% and 3.5% respectively). No participants were eligible for medical benefits under the healthcare plan in 2019. The German plan has been subject to formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 1.2%, salary growth 0.0% and pension increase 1.8% (2018 – 2.1%, 0.0% and 1.8%). In France, the provision arises from a legal obligation to make payments to retirees in the first two years post-retirement. Hence, it is not subject to discounting to the same extent as the other longer-term post-retirement liabilities. The Thailand plan has been subject to a formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 3.4%, inflation rate 2.8%, salary growth 6% (2018 – 3.2%, 2.8% and 6%).

35. 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. While the outcome of some of these matters cannot precisely be foreseen, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.

COMPANY BALANCE SHEET

As at 31 December 2019

	Notes	Year ended 2019 £m	Year ended 2018 £m
Non-current assets			
Investment in subsidiaries	38	259.9	259.9
Property, plant and equipment	39	1.7	0.2
Other intangible assets	37	0.2	0.3
Debtors: amounts due after more than one year	40	25.6	28.0
Pension surplus asset	50	48.9	30.9
Total non-current assets		336.3	319.3
Current assets			
Debtors: amounts due within one year	40	86.8	86.2
Cash at bank and in hand	47	1.4	1.9
Current tax	49	0.8	1.6
Total current assets		89.0	89.7
Total assets		425.3	409.0
Creditors: amounts falling due within one year			
Trade and other creditors	42	79.6	126.8
Lease liabilities	48	–	–
Borrowings	41	15.0	2.5
Total creditors: amounts falling due within one year		94.6	129.3
Creditors: amounts falling due after more than one year			
Borrowings	41	116.7	129.7
Lease liabilities	48	1.6	–
Deferred tax liability	49	8.0	4.8
Total creditors: amounts falling due after more than one year		126.3	134.5
Total liabilities		220.9	263.8
Net assets		204.4	145.2
Capital and reserves			
Issued share capital	43	41.9	41.9
Share premium account		14.8	14.8
Equity reserve		5.5	5.7
Hedging and translation reserve	44	(0.3)	(0.3)
Profit and loss account	45	156.5	91.1
Own shares	46	(14.0)	(8.0)
Total shareholders' funds		204.4	145.2

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 28 February 2020. They were signed on its behalf by:

DAVID SQUIRES
DIRECTOR

BINDI FOYLE
DIRECTOR

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

All equity is attributable to equity holders of the Company							
Notes	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Profit and loss account £m	Own shares £m	Total equity £m
Balance at 1 January 2018	41.9	14.8	3.9	(0.3)	131.5	(1.1)	190.7
Loss for the year 2018	–	–	–	–	(16.4)	–	(16.4)
Actuarial gains on defined benefit pension schemes	–	–	–	–	5.1	–	5.1
Tax relating to components of other comprehensive income	–	–	–	–	(0.8)	–	(0.8)
Total comprehensive income for the period	–	–	–	–	(12.1)	–	(12.1)
Share-based payment charge	–	–	3.4	–	–	–	3.4
Purchase of shares held by employee benefit trust	46	–	–	–	–	(7.2)	(7.2)
Use of shares held by employee benefit trust	46	–	–	–	(0.3)	0.3	–
Transfer to profit and loss account	45	–	(1.6)	–	1.6	–	–
Dividends paid	11	–	–	–	(29.6)	–	(29.6)
Balance at 31 December 2018	41.9	14.8	5.7	(0.3)	91.1	(8.0)	145.2
Profit for the year 2019	–	–	–	–	86.6	–	86.6
Actuarial gains on defined benefit pension schemes	–	–	–	–	10.1	–	10.1
Tax relating to components of other comprehensive income	–	–	–	–	(1.7)	–	(1.7)
Total comprehensive income for the period	–	–	–	–	95.0	–	95.0
Share-based payment charge	–	–	1.8	–	–	–	1.8
Tax relating to share-based payments	–	–	–	–	(0.1)	–	(0.1)
Purchase of shares held by employee benefit trust	46	–	–	–	–	(6.3)	(6.3)
Use of shares held by employee benefit trust	46	–	–	–	(0.3)	0.3	–
Transfer to profit and loss account	45	–	(2.0)	–	2.0	–	–
Dividends paid	11	–	–	–	(31.2)	–	(31.2)
Balance at 31 December 2019	41.9	14.8	5.5	(0.3)	156.5	(14.0)	204.4

NOTES TO THE COMPANY FINANCIAL STATEMENTS

36. ACCOUNTING POLICIES

BASIS OF ACCOUNTING (COMPANY ONLY)

The Company is incorporated in England and Wales under the Companies Act. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. 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.

37. OTHER INTANGIBLE ASSETS

	Year ended 2019 Computer software £m	Year ended 2018 Computer software £m
Cost		
At 1 January	0.9	0.8
Additions	–	0.1
At 31 December	0.9	0.9
Amortisation		
At 1 January	0.6	0.5
Charge for the year	0.1	0.1
At 31 December	0.7	0.6
Carrying amount at 31 December	0.2	0.3

38. INVESTMENTS IN SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given on pages 125 to 127.

	Year ended 2019 £m	Year ended 2018 £m
At 1 January	259.9	259.9
Additional investment in subsidiaries	–	–
At 31 December	259.9	259.9

39. PROPERTY, PLANT AND EQUIPMENT

	Year ended 2019 Plant and equipment £m	Year ended 2018 Plant and equipment £m
Cost		
At 1 January	0.7	0.8
IFRS 16 Opening adjustment	1.7	
Additions	0.1	–
Disposals	(0.1)	(0.1)
At 31 December	2.4	0.7
Accumulated depreciation		
At 1 January	0.5	0.5
Charge for the year	0.3	0.1
Eliminated on Disposals	(0.1)	(0.1)
At 31 December	0.7	0.5
Carrying amount at 31 December	1.7	0.2

The carrying amount includes £1.5m of Right-of-use assets (2018 – £nil).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

40. DEBTORS

Debtors at 31 December comprise the following:

	Year ended 2019 £m	Year ended 2018 £m
Debtors: amounts due more than one year		
Due from subsidiaries	25.6	28.0
	25.6	28.0
Debtors: amounts due within one year		
Value added tax	0.2	0.2
Prepayments and accrued income	1.1	0.7
Due from subsidiaries	85.5	85.3
	86.8	86.2
Total debtors	112.4	114.2

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

The carrying amounts due from subsidiaries approximates to their fair value. There are no past due or impaired debtor balances (2018 – £nil).

As at 31 December 2019, debtors due in more than one year consist of £1.9m (2018 – £2.8m) due in accordance with the vesting periods of share-based payments and £23.7m (2018 – £25.2m) of loans to subsidiaries at market rates of interest.

41. BORROWINGS

	Year ended 2019 £m	Year ended 2018 £m
Bank overdrafts	–	–
Bank loans	6.2	2.1
Other loans	125.5	130.1
	131.7	132.2
The borrowings are repayable as follows:		
On demand or within one year	15.0	2.5
In the second year	–	15.6
In the third to fifth years inclusive	21.2	15.2
After five years	95.5	98.9
	131.7	132.2
Less: amount due for settlement within 12 months (shown under current liabilities)	(15.0)	(2.5)
Amount due for settlement after 12 months	116.7	129.7

ANALYSIS OF BORROWINGS BY CURRENCY

31 December 2019

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
Bank overdrafts	–	–	–	–	–
Bank loans	6.2	6.2	–	–	–
Other loans	125.5	26.9	23.6	75.0	–
	131.7	33.1	23.6	75.0	–

31 December 2018

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
Bank overdrafts	–	–	–	–	–
Bank loans	2.1	2.1	–	–	–
Other loans	130.1	26.9	25.2	78.0	–
	132.2	29.0	25.2	78.0	–

41. BORROWINGS CONTINUED

The weighted average interest rates paid were as follows:

	Year ended 2019 %	Year ended 2018 %
Bank loans and overdrafts	1.46	2.47
Other loans	3.37	3.37

Bank loans and overdrafts of £6.2m (2018 – £2.1m) 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 2018 or 2019.

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

	Year ended 2019 £m	Year ended 2018 £m
Bank loans and overdrafts	6.2	2.1
Other loans	130.5	131.5
	136.7	133.6

42. TRADE AND OTHER CREDITORS

Trade and other creditors at 31 December comprise the following:

	Year ended 2019 £m	Year ended 2018 £m
Creditors: amounts falling due within one year		
Trade creditors	1.1	0.7
Social security and PAYE	0.2	0.2
Other creditors and accruals	4.8	5.5
Due to subsidiaries	73.5	120.4
Total trade and other creditors	79.6	126.8

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

43. ISSUED SHARE CAPITAL

	Year ended 2019 £m	Year ended 2018 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	41.9	41.9

At 31 December 2018, the issued and fully paid up share capital was 419.4 million ordinary shares of 10p each. No shares were issued during 2018 and 2019.

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

44. HEDGING AND TRANSLATION RESERVES

	Hedging reserve Year ended 2019 £m	Translation reserve Year ended 2019 £m	Total Year ended 2019 £m	Hedging reserve Year ended 2018 £m	Translation reserve Year ended 2018 £m	Total Year ended 2018 £m
Balance at 1 January and 31 December	–	(0.3)	(0.3)	–	(0.3)	(0.3)

45. PROFIT AND LOSS ACCOUNT

	Year ended 2019 £m	Year ended 2018 £m
Balance at 1 January	91.1	131.5
Dividends paid	(31.2)	(29.6)
Profit/(loss) for the year	86.6	(16.4)
Pension actuarial gain	10.1	5.1
Transfer from equity reserve	2.0	1.6
Transfer from own share reserve	(0.3)	(0.3)
Tax on deductible temporary differences	(1.8)	(0.8)
Balance at 31 December	156.5	91.1

£7.5m (2018 – £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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

46. OWN SHARES

	Year ended 2019 £m	Year ended 2018 £m
Balance at 1 January	(8.0)	(1.1)
Transfer to profit and loss account	0.3	0.3
Purchase of new shares	(6.3)	(7.2)
Balance at 31 December	(14.0)	(8.0)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 33).

The nominal value of each share is £0.1 (2018 – £0.1). The total number of treasury shares at 31 December 2019 is 5,271,848 (2018 – 2,673,459).

47. CASH AT BANK AND IN HAND

	Year ended 2019 £m	Year ended 2018 £m
Cash and cash equivalents comprise:		
Cash	1.4	1.9
Bank overdrafts	–	–
Total	1.4	1.9

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.

48. LEASE LIABILITIES

IFRS 16 TRANSITION

On transition to IFRS 16 on 1 January 2019, the Company recognised right-of-use assets of £1.7m, lease liabilities of £1.8m, with working capital increasing by £0.1m in total. Right-of-use assets were initially measured equal to the lease liabilities, adjusted by prepaid or accrued lease payments. The adoption of IFRS 16 from 1 January 2019 resulted in £0.2m increase in depreciation, £0.2m reduction in lease expenses and £nil increase in finance costs recognised in the Company Income Statement during the year ended 31 December 2019; and £1.5m right-of-use assets and £1.6m lease liabilities recognised in the Company Balance Sheet at 31 December 2019. When measuring lease liabilities, the Company discounted lease payments using incremental borrowing rates (IBR), determined on a lease portfolio basis at 1 January 2019. The weighted average of the Company's IBRs at 1 January 2019 was 1.9%.

The table below reconciles the IAS 17 operating lease commitments disclosed in the Company Financial Statements as at 31 December 2018 to the IFRS 16 Lease liabilities recognised on 1 January 2019:

RECONCILIATION OF IAS 17 TO IFRS 16:

	£m
Operating lease commitments at 31 December 2018	1.9
Undiscounted IFRS 16 commitments at 31 December 2018	1.9
Discounting using incremental borrowing rates at 1 January 2019	(0.1)
Additional lease liabilities recognised at 1 January 2019	1.8

Practical expedients taken on transition have been described in Note 22 of the Group Financial Statements.

UNDISCOUNTED CONTRACTUAL MATURITY OF LEASE LIABILITIES:

	Year ended 2019 £m
Amounts payable:	
On demand or within one year	0.2
In the second to fifth years inclusive	0.9
After five years	0.6
	1.7
Less: future finance charges	(0.1)
Lease liabilities	1.6

In 2019, the Company recognised income of £0.1m (2018 – £0.1m) in the Company Income Statement from sub-leasing right-of-use assets and had total lease cash outflow of £0.2m (2018 – £0.2m).

As at the date of approving the accounts, the Company has guaranteed £0.5m (2018 – £0.5m) of annual lease commitments of certain current and previous subsidiary entities.

49. TAX BALANCE SHEET

CURRENT TAX

The current tax receivable of £0.8m (2018 – £1.6m) 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.

DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and (assets) recognised by the Company and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Retirement benefits £m	Share- based payments £m	Total £m
At 1 January 2018	(0.2)	3.3	(0.2)	2.9
Charge/(credit) to income	0.1	1.1	(0.1)	1.1
Charge/(credit) to other comprehensive income	–	0.8	–	0.8
At 1 January 2019	(0.1)	5.2	(0.3)	4.8
Charge to income	–	1.3	0.1	1.4
Charge to equity	–	–	0.1	0.1
Charge to other comprehensive income	–	1.7	–	1.7
As at 31 December 2019	(0.1)	8.2	(0.1)	8.0

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Year ended 2019 £m	Year ended 2018 £m
Deferred tax liabilities	8.0	4.8

At the Balance Sheet date, the Company has unused capital losses of £15.6m (2018 – £15.6m) available for offset against future capital gains. No deferred tax asset has been recognised as no such capital gains are anticipated to arise in the foreseeable future.

50. RETIREMENT BENEFIT SCHEMES

The Company's defined benefit schemes are shown in Note 34 in the "UK plans funded" column.

51. 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 60 to 76.

The Group has a related party relationship with a number of pension schemes. Transactions between the Group and these pension schemes are disclosed in Note 34.

Bloom Energy Corporation is a related party of the Group as Susan Brennan, an independent non-executive Director of the Group, is its Executive Vice-President and Chief Operations Officer.

In 2019, the Group sold £1.8m (2018 – £1.8m) of components to Bloom Energy Corporation. The gross receivable position as at 31 December 2019 was £0.5m (31 December 2018 – £0.2m).

52. SHARE-BASED PAYMENTS

The Company has a number of share-based payment arrangements that existed during 2019, the details of which can be found in Note 33.

For the savings-related share option plan, no shares were exercised in 2019 or 2018. The options outstanding at 31 December 2019 had an exercise price of 219.30p, 207.20p, and 222.00p per share, and a weighted average remaining contractual life of 1.7 years. The options outstanding at 31 December 2018 had exercise prices of 207.20p, 222.00p and 335.80p per share, and a weighted average remaining contractual life of 1.5 years.

Share-based payment costs relating to subsidiaries are recharged from the Company.

FIVE-YEAR SUMMARY

	2019 £m	2018 £m (restated)	2017 £m	2016 £m	2015 £m
Group income statement					
Revenue					
Continuing operations	1,110.7	1,082.1	1,023.4	917.0	849.5
Adjusted operating profit					
Continuing operations	89.4	91.6	82.6	85.6	107.8
Amortisation of intangible assets from acquisitions	(13.1)	(15.4)	(17.1)	(19.8)	(12.2)
Restructuring	(12.1)	–	–	–	–
Loss on sale and write-down of fixed assets	–	–	–	–	(1.5)
Goodwill impairment	–	–	–	–	(18.8)
Impairment of assets held for sale	–	–	–	–	(1.8)
Acquisition costs	–	–	–	–	(1.2)
UK Guaranteed Minimum Pensions	–	(2.4)	–	–	–
US class action lawsuits	(2.6)	(3.9)	–	–	–
Operating profit	61.6	69.9	65.5	65.8	72.3
Investment income/finance costs, net (before IFRS 16)	(8.1)	(8.8)	(9.3)	(10.1)	(8.0)
Interest on lease liabilities (IFRS 16)	(3.5)	–	–	–	–
Net finance cost of retirement benefits	0.7	0.2	(0.2)	(0.2)	(0.5)
Loss on disposal of businesses	(22.0)	–	(3.8)	–	–
Profit before tax	28.7	61.3	52.2	55.5	63.8
Tax	0.5	(7.8)	8.1	(10.1)	(15.3)
Profit for the year	29.2	53.5	60.3	45.4	48.5
Depreciation and amortisation of intangibles excluding right of use assets					
	57.5	56.9	57.9	54.0	40.0
Depreciation on right-of-use assets	10.2	–	–	–	–
Gross capital expenditure	64.8	56.3	54.8	52.8	48.6
Basic earnings per share	7.04p	12.81p	14.39p	10.84p	11.59p
Diluted earnings per share	7.01p	12.63p	14.30p	10.83p	11.47p
Adjusted earnings per share	16.17p	16.08p	14.39p	14.37p	18.98p
Dividends in respect of years – per share	7.51p	7.42p	6.95p	6.57p	6.20p
– value	31.2	30.9	29.0	27.5	26.0
Group Balance Sheet					
Non-current assets excluding right-of-use assets	651.4	662.0	624.3	647.0	572.4
Right-of-use assets IFRS 16	82.3	–	–	–	–
Non-current assets	733.7	662.0	624.3	647.0	572.4
Net current assets	102.5	131.0	66.0	94.0	98.3
Non-current liabilities	(276.6)	(221.2)	(158.7)	(240.5)	(239.8)
Net assets	559.6	571.8	531.6	500.5	430.9
Net debt pre IFRS 16	(145.9)	(153.0)	(155.3)	(198.1)	(194.6)
Lease liabilities IFRS 16	(83.7)	–	–	–	–
Net debt	(229.6)	(153.0)	(155.3)	(198.1)	(194.6)
Group cash flow					
Net cash from operating activities	115.9	100.7	110.9	100.3	99.4
Costs on disposal of businesses	3.4	–	–	–	–
Restructuring cash paid	2.9	–	–	–	–
Interest received	0.2	0.4	0.4	0.2	0.2
Proceeds from disposal of property, plant and equipment	0.7	0.5	1.8	0.8	0.7
Purchase of property, plant and equipment – cash	(63.0)	(54.6)	(52.3)	(50.7)	(46.4)
Purchase of intangible assets	(1.8)	(1.7)	(2.5)	(2.1)	(2.2)
Free cash flow	58.3	45.3	58.3	48.5	51.7
Dividends paid	(31.2)	(29.6)	(27.9)	(26.4)	(24.3)
Acquisitions less disposals	2.9	–	0.4	1.3	(103.9)
Costs on disposal of businesses	(3.4)	–	–	–	–
Restructuring cash paid	(2.9)	–	–	–	–
Loan to joint venture	–	0.5	0.3	0.5	(0.1)
Purchase of shares held by employee benefit trust	(6.3)	(7.2)	(0.1)	(1.1)	(0.9)
(Decrease)/increase in loans	(3.2)	(2.4)	(37.1)	(19.5)	81.7
Decrease in lease liabilities	(7.8)	(0.3)	(0.5)	(0.8)	(0.6)
Increase/(decrease) in cash and cash equivalents	6.4	6.3	(6.6)	2.5	3.6

The comparative figures for 2018 have been restated for an accounting policy change for deferred tax, following a recent change in accepted practice – see Note 2, 10 and 21.

GROUP UNDERTAKINGS

Operating Companies	Business Units	Locations	Country of Incorporation	Registered Office
Senior UK Limited	Senior Aerospace Bird Bellows	Congleton	England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
	Senior Aerospace BWT	Macclesfield		
	Senior Flexonics Crumlin	Crumlin		
	Senior Aerospace Weston	Colne		
	Senior Aerospace Thermal Engineering	Royston		
Lymington Precision Engineers Co. Limited	Senior Flexonics Lymington	Lymington	England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Flexonics Czech s.r.o.	Senior Flexonics Czech	Olomouc, Czech Republic	Czech Republic	Olomouc, Průmyslová 733/9, postcode 779 00, Czech Republic
Senior Aerospace Ermeto SAS	Senior Aerospace Ermeto	Blois, France	France	Z.A Euro Val de Loire, 8 rue du Clos Thomas, 41330 Fosse, France
Senior Calorstat SAS	Senior Aerospace Calorstat	Dourdan, France	France	11 Rue des Soufflets, 91410, Dourdan, France
Senior Flexonics GmbH	Senior Flexonics Kassel	Kassel, Germany	Germany	Frankfurter Strasse 199, 34121 Kassel, Germany
Senior India Private Limited	Senior Flexonics New Delhi	New Delhi, India	India	4th, Floor, Rectangle No.1, Commercial Complex D-4, Saket- New Delhi-110017
Senior Aerospace Bosman B.V.	Senior Aerospace Bosman	Rotterdam, Netherlands	Netherlands	Bergen 6, 2993 LR Barendrecht, Netherlands
Senior Operations (Canada) Limited	Senior Flexonics Canada	Brampton, Ontario	Canada	134 Nelson Street West, Brampton, Ontario, L6X 1C9, Canada
Senior Flexonics SA (Pty) Limited	Senior Flexonics Cape Town	Cape Town, South Africa	South Africa	11 Thor Circle, Viking Place, Thornton, Cape Town, 7460, South Africa
Senior Operations LLC	Senior Aerospace AMT	Arlington, Washington	USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
	Senior Aerospace Jet Products	San Diego, California		
	Senior Aerospace Ketema	El Cajon, California		
	Senior Aerospace Metal Bellows	Sharon, Massachusetts		
	Senior Aerospace Damar	Monroe, Washington		
	Senior Aerospace SSP	Burbank, California		
	Senior Aerospace Connecticut	Enfield, Connecticut		
	Senior Flexonics Bartlett	Bartlett, Illinois		
	Senior Flexonics GA	Franklin, Wisconsin		
	Senior Flexonics Pathway	New Braunfels, Texas & Maine, Delaware		
Steico Industries, Inc.	Senior Aerospace Steico Industries	Oceanside, California	USA	818 West Seventh St., Ste. 930, Los Angeles, CA 90017
Senior Aerospace (Thailand) Limited	Senior Aerospace Thailand	Chonburi, Thailand	Thailand	789/115-116 Moo1, Pinthong Industrial Estate, Sainhongkor-Lamchabang Road, Tambol Nhongkham, Amphur Sriracha, Chon Buri Province 20230, Thailand

GROUP UNDERTAKINGS CONTINUED

Operating Companies	Business Units	Locations	Country of Incorporation	Registered Office
Upeca Aerotech Sdn Bhd	Senior Aerospace Upeca	Selangor, Malaysia	Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia
Upeca Flowtech Sdn Bhd	Senior Flexonics Upeca	Selangor, Malaysia	Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia
Upeca Engineering (Tianjin) Co Ltd	Senior Flexonics Upeca (China)	Tianjin, China	China	No. 12 Quanhe Road, Wu Qing Development Area, Tianjin 301700, PR China
Flexonics Limited Lymington Precision Engineering (LPE) Limited Senior Aerospace Limited Senior Americas One Limited Senior Americas Two Limited Senior Automotive Limited Atlas Composites Limited Senior Engineering Investments Limited Senior Five Limited Senior Finance Four Limited Senior Finance Six Limited Senior Finance Seven Limited Senior Flexonics Limited Senior Trustee Limited			England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior France SAS			France	11 Rue des Soufflets, 91410 Dourdan, France
Senior Investments (Deutschland) GmbH			Germany	Frankfurter Strasse 199, 34121 Kassel, Germany

Operating Companies	Business Units	Locations	Country of Incorporation	Registered Office
Senior Holdings LLC			USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Senior Investments GmbH			Switzerland	Fronwagplatz 10, CH-8200, Schaffhausen, Switzerland
Senior IP GmbH				
Flexonics, Inc.			USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Senior Investments LLC				
Senior US Holdings Inc				
Upeca Technologies Sdn Bhd			Malaysia	10th Floor, Menara Hap Seng, No 1&3, Jalan P. Ramlee, 50250 W.P – Kuala Lumpur, Malaysia

Senior Aerospace and Flexonics Business Units in Mexico are operated by a third party under contract manufacturing agreements.

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

Senior Flexonics Brasil Ltda was sold on 6 September 2019.

On 24 October 2019 the Group completed the sale of Senior Aerospace Absolute Manufacturing.

Senior Operations GmbH was merged into the parent company, Senior Investments (Deutschland) GmbH, on 1 January 2019.

Senior Aerospace GmbH was merged into Senior Investments GmbH was 24 June 2019.

Upeca Engineering Sdn Bhd and Upeca Valve Automation Sdn Bhd were dissolved on 28 May 2019.

All Group undertakings are wholly and directly owned by subsidiary undertakings of Senior plc, and in every case the principal country of operation is the country of incorporation.

ADDITIONAL SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2019

	Shareholders Number	Shareholders %	Issued shares Millions	Issued shares %
By category				
Corporate bodies	650	26.60	410.57	97.89
Other shareholders	1,794	73.40	8.85	2.11
	2,444	100.00	419.42	100.00
BY RANGE OF HOLDINGS				
1 – 24,999	2,101	85.97	7.51	1.79
25,000 – 49,999	91	3.72	3.17	0.76
50,000 – 249,999	116	4.75	13.60	3.24
250,000 – 499,999	36	1.47	13.58	3.24
500,000 – 999,999	35	1.43	24.62	5.87
1,000,000 – and over	65	2.66	356.94	85.10
	2,444	100.00	419.42	100.00

The number of shares in issue at 31 December 2019 was 419,418,082.

SHARE REGISTRARS

All shareholder records are maintained by Equiniti and all correspondence should be addressed to the Registrar, Senior plc at the Equiniti address shown on the inside back cover, quoting the reference number starting with 0228 detailed on your dividend vouchers. The registrar should be notified regarding changes to name or address, loss of share certificate, or request for, or change to, a dividend mandate.

Equiniti provides a range of shareholder information on-line. Shareholders can check their holdings, update details and obtain practical help on transferring shares at: www.shareview.co.uk.

Instead of payment by post to your registered address, dividends can be paid through the BACS system direct into a UK bank or building society account, with the dividend voucher still sent to your registered address. If you wish to use this facility and have not previously applied, then please apply direct to Equiniti and request a dividend mandate form. Shareholders who are currently receiving duplicate sets of Company mailings, as a result of any inconsistency in name or address details, should write direct to Equiniti so holdings can be combined, if appropriate.

CREST PROXY VOTING

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 24 April 2020 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 2020 AGM Notice of Meeting and Form of Proxy.

2020 FINANCIAL CALENDAR

THE KEY EVENTS FOR SENIOR ARE SET OUT BELOW

Some of the dates are indicative only and may be subject to change.

Monday 2 March 2020

Announcement of the 2019 Final Results.

Publication of the Annual Report & Accounts 2019 at www.seniorplc.com

Friday 13 March 2020

Publication of the Annual Report 2019

Friday 24 April 2020

Annual General Meeting

Thursday 30 April 2020

Shares ex-dividend for the 2019 final dividend.

Friday 1 May 2020

Record Date for shareholders on register to receive 2019 final dividend.

Friday 29 May 2020

Payment of the 2019 final dividend.

Monday 3 August 2020

Announcement of the 2020 Interim Results.

Thursday 29 October 2020

Shares ex-dividend for the 2020 interim dividend.

Friday 30 October 2020

Record Date for shareholders on register to receive 2020 interim dividend.

Friday 27 November 2020

Payment of the 2020 interim dividend.

OFFICERS AND ADVISERS

SECRETARY AND REGISTERED OFFICE

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Registered in England and Wales No. 00282772

REGISTRARS

Equiniti
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AUDITOR

KPMG LLP
15 Canada Square, London E14 5GL

SHAREGIFT

If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations. The ShareGift Transfer Form may be obtained from Equiniti, the Company's Registrars, at www.shareview.co.uk. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information about ShareGift may be obtained on 020 7930 3737 or from www.ShareGift.org.

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