

Chairman's statement

Board of Directors

DIRECTORS' REPORT

Financial information

Other information

PRINCIPLES

The policy of the Board is to enhance shareholder value in an ethical and socially responsible manner which helps to preserve health, safety and the environment. The Board believes that operating in such a way is an integral part of efficient and profitable business management, and recognises that success in these areas depends on the involvement and commitment of everyone in the organisation. As a minimum, Group operations are required to meet their legal and regulatory obligations. This policy is reviewed annually for validity and is revised and reissued as necessary.

GOALS**A) ETHICAL OPERATIONS**

Applications for employment by disabled persons are encouraged, bearing in mind the respective aptitudes, skills and abilities of the applicant concerned and the requirements of the position. In the event of employees becoming disabled, the Group's aim is to ensure continued employment where possible and to arrange appropriate training. It is the policy of the Group to maintain, wherever feasible, the training, career development and promotion of disabled persons.

Group policy is that employment-related decisions are based on relevant aptitudes, skills and abilities, and promote equal opportunity in employment, without unlawful consideration of sex, race, nationality, age, disability, religion or any other category protected by law. The Group promotes the dissemination of relevant information so that employees are kept regularly advised of Group and operating company developments. Where appropriate, local briefing sessions are held concerning such matters as health and safety, pension plans and employee share plans.

There is a formal Code of Business Conduct in place for the Group, which promotes a commitment to maintaining the highest standard of ethics and integrity in the conduct of the Group's business throughout the world. This Code includes requirements for the personal conduct of Group employees, covering specifically conflicts of interest, business gifts, and bribery and corruption. The Group does not permit its employees to make contributions to political parties or organisations, or to candidates for public office, with a view to gaining any advantage.

B) SOCIALLY AWARE OPERATIONS

The management of each operation in the Group is aware of the importance of being a good neighbour in its community and is encouraged to build a relationship with local organisations. Each operation looks to offer competitive remuneration packages to its employees, which assists in the retention of its skilled workforce. Each operation aims to recognise and respond constructively to any community concerns about the health, safety and environmental aspects of its activities.

C) HEALTH, SAFETY & ENVIRONMENT

The Board as a whole takes an active interest in ensuring that its operations provide a safe working environment for their employees. The Group operates a Health, Safety & Environment ("HSE") Committee, whose members are Mark Rollins (Chairman), Mike Sheppard (CEO Flexonics Division), Ron Case (CEO Aerospace Structures) and Launie Fleming (CEO Aerospace Fluid Systems). The Committee's terms of reference can be found on the Senior plc website.

The HSE Committee met five times during the year and is responsible for formulating the Group's HSE strategy and objectives, for reviewing the Group's HSE performance against the objectives, and for ensuring that key HSE risks and issues are effectively identified and managed. The Board also reviews the health and safety performance of all the Group's operations.

The executive Directors, together with the CEOs of the local operations, are responsible for delivering improved HSE performance. This is done by each operation integrating HSE within its planning and performance reporting processes, creating a local management framework with defined accountability, and establishing and resourcing a set of local objectives and improvement initiatives.

Improving HSE performance continues to be a priority for the Group, and 2008 has seen some important improvements including:

- the number of operations implementing a formal management system for HSE has increased, with an additional four businesses attaining ISO 14001 accreditation, and two achieving OHSAS 18001 certification;
- technical enhancements have been made at a number of operations, including improvements to dust extraction machinery, guarding, and ergonomic alternations to workstations;
- improvements have been made to methods of internal communication and knowledge sharing, with the development of a corporate HSE website for hosting tools and templates, incident alerts and best practices; and
- the Group maintains a strong focus on identifying and reducing risks within its manufacturing processes, and has an ongoing risk assessment programme.

The Board and operational management teams are committed to delivering further improvements in the coming year.

CORPORATE SOCIAL RESPONSIBILITY REPORT

D) ENVIRONMENT

Senior's key environmental impacts include: emissions (resulting from the use of energy in manufacturing processes and facilities); raw materials usage; water consumption; the reuse, recycling, discharge and disposal of waste; and the impact of Senior's products on customers' environmental performance. Whilst still a key environmental impact, solvent and VOC release is on the decline.

The management of environmental impacts is undertaken by conformity with local regulatory requirements. The operations consider additional ways to further reduce such impacts, as part of their business planning processes. Each operation considers the possible environmental impact of new products and processes, and the Board considers environmental issues during business acquisitions and divestments.

PERFORMANCE INDICES

Outlined below are details of the Group's environmental performance. This data should be reviewed in the context of product usage, as many of the Group's products help to improve the environmental and health and safety performance of its customers' products. Although the Group has not sought to quantify this benefit, a key part of its contribution to sustainability is to enhance flight safety, and reduce environmental impact; this has been done by way of reducing fossil fuel consumption, noise, or the use of raw materials.

I. WASTE

The Group's Lean Manufacturing Initiatives continue to make a positive contribution to reducing the amount of waste generated. The level of recycling has also improved compared to prior years as a result of ISO 14001 initiatives, with several operations finding alternative uses for materials previously landfilled, and introducing new technology to treat liquid waste on-site.

The total amount of waste generated by the Group increased in 2008 to 13,075 tonnes (2007: 11,200 tonnes), however, 63% of this relates to metals and packaging, which was recycled. In 2008, the total amount of liquid and solid waste increased by 7%, reflecting the increased size of the Group; when comparing like-for-like operations, this represents an improvement in waste generation.

WASTE LEVELS (TONNES)

2006	2007	2008
Recycled 45%	Recycled 58%	Recycled 62%
Special 31%	Special 22%	Special 23%
Landfill 24%	Landfill 20%	Landfill 15%

II. WATER AND SOLVENT USAGE

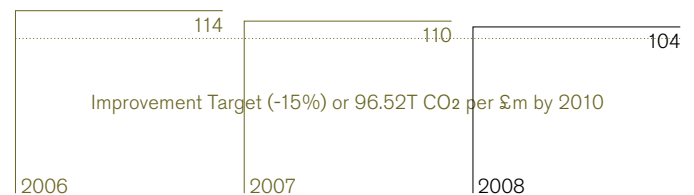
The Group's main water uses are processing, such as material cleaning, and equipment cooling. By introducing water reduction initiatives on these processes, such as reducing the flow rates of cleaning lines, recycling rinse water, and substituting air for water on equipment cooling, Senior has reduced its water consumption by 10.5% to 367 megalitres (2007 – 410 megalitres). This is the second consecutive year the Group has reduced water usage, despite its increased size and sales volumes. Since 2006 water consumption has reduced by 25%.

The majority of the Group's solvent usage results from chemicals that are inherent within the production processes. The Group has made significant improvements in substituting chemicals with lower impact material wherever possible, such as on cleaning lines. The Group is committed to reducing Volatile Organic Compounds ("VOC") emissions, either by product design or by changing processes, although many processes and materials are regulated for aviation safety, and substitution can be difficult. Currently, the majority of VOC emissions emanate from one operation, where the emissions are captured and prevented from atmospheric release.

III. ENERGY

In 2006 the Group targeted the reduction of CO₂ emissions to revenue ratio by 15% by 2010. With sales of £562.4m in 2008 and carbon emissions of 58,469 tonnes (2007 – £470.7m and 51,939 tonnes), Senior emitted 104 tonnes of CO₂ for every £m sales. This represents a 3% improvement on the prior year and demonstrates continued improvement towards the 2010 target. The Group's main sources of CO₂ emissions during the year were electricity consumption (42,764 tonnes) and natural gas consumption (11,681 tonnes).

CO₂ TO £M SALES (TONNES OF CO₂ VERSUS SALES (£M))



OCCUPATIONAL HEALTH AND SAFETY

The Group uses a series of performance indicators for measuring its safety performance, including the OSHA Days Away Case Rate ("DACR") and the Accident Severity Rate. The DACR measures the number of OSHA recordable injury and illness cases involving days away from work per 100 employees. In 2006, the Group established a target of reducing the DACR by 5% per annum; for the second consecutive year this has been achieved, falling 24% from 2.55 in 2006 to 1.94 in 2008. Since 2006, the number of accidents incurring absence has been reduced by 30%.

The second of the metrics used by the Group, the Accident Severity Rate, measures the number of lost workdays resulting from occupational injuries and illnesses per 100 employees. The lower number of accidents, along with improved return-to-work programmes, has reduced the number of days lost as a result of accidents and ill health by 1,700 in 2008, resulting in the Accident Severity Rate reducing from 70.1 in 2007 to 44.5 in 2008.

The focus during 2009 will be to improve the processes for identifying and assessing hazards through the use of risk assessments. The Group will continue to focus on reducing the frequency and severity of the main injury types experienced, namely lacerations and strains, by improving workplace ergonomics and enhancing the safety and efficiency of tasks.

AUDIT AND VERIFICATION

The Group's Environment, Health & Safety Charter established minimum standards and defines core programmes that each entity must operate. The Group HSE Manager audits all operations annually; performance is measured against the Charter, and recommendations for improvements issued.

In addition to the HSE audits, each operation undergoes a property risk management audit by an independent specialist, typically every two years. The 23 operations that operate a formalised HSE management programme (2007: 18) undergo an additional annual audit, ensuring compliance with local regulation and good management practice. The results of both of these audit programmes demonstrated sustainable improvement at each operation in 2008.

ORGANISATION AND RESPONSIBILITIES

Operating in an ethical and socially aware manner which preserves health, safety and the environment is a mainstream management responsibility. Executive Officers and line managers at all levels within the Group are directly responsible for the operations under their control.

All of the Group's employees have a responsibility to act in an ethical and socially aware manner, to take reasonable care of themselves and others while at work, and to participate positively in the task of preserving the workplace, health and safety, and the environment.

Each operation is expected to adopt policies in keeping with these principles and goals, and to make arrangements to put them into practice. Ethical, social, health, safety and environmental factors can represent risks to the Group's short- and long-term value, as well as providing opportunities to enhance value by responding appropriately. The Board has established reporting structures to provide it with information on such risks and opportunities. Ethical, social, health, safety and environmental issues that represent significant business risk or opportunity are monitored and reported as part of the Group's risk management process, as described in the Corporate Governance Report.

The Group Chief Executive, as Chairman of the HSE Committee, leads the Board's efforts in improving the Group's ethical, social, health, safety and environmental performance and is also responsible for external stakeholder issues.

CUSTOMERS AND SUPPLIERS

The Group's operations rely on forming close and long-term relationships with their customers and suppliers. Generally, these relationships are managed at a local level, with Divisional support.