

Report of the Directors

The Directors present their report and supplementary reports, together with the audited financial statements for the year ended 31 December 2005.

Activities and Business Review

Senior plc is a holding company. Its Principal Group Undertakings are shown on page 59 and comments on each Division's results and activities in 2005 are included in the Business Review on pages 4 to 6.

Acquisitions and Disposals

There were no disposals during the year. Sterling Machine Co., Inc. was acquired on 27 January 2006; details of the transaction are set out in Note 38 to the Financial Statements on page 52.

Results and Dividends

The results for the year are shown in the Consolidated Income Statement on page 22.

An interim dividend of 0.65p per share (2004 – 0.65p) has already been paid and the Directors recommend a final dividend of 1.35p per share (2004 – 1.35p). The final dividend, if approved, will be payable on 31 May 2006 to shareholders on the register at the close of business on 5 May 2006. This would bring the total dividend for the year to 2.00p per share (2004 – 2.00p).

Share Capital

During 2005, 1,834,994 shares were allotted in respect of the Senior plc Savings Related Share Option Plan. A further 184,347 shares were allotted under the same Plan in January and February 2006. As at 31 December 2005 the issued share capital of the Company was 309,285,740 ordinary shares. 15,000,000 shares were allotted on 30 January 2006 as a result of a placing to partly finance the acquisition of Sterling Machine Co., Inc.

Further share capital details are given in Note 25 to the Financial Statements on page 43.

Directors

The Directors who served during the year and their interests in the shares of the Company are included in the Remuneration Report on pages 10 to 15. None of the Directors has any interest in contracts with the Company or its subsidiary undertakings.

GA Campbell resigned from the Board on 30 November 2005. IFR Much was appointed to the Board on 21 December 2005. He retires in accordance with Article 82 and, being eligible, offers himself for election. M Rollins and M Sheppard retire by rotation and, being eligible, offer themselves for re-election at the AGM. IFR Much has no service agreement with the Company and M Rollins and M Sheppard have service agreements, subject to 12 months' notice by either party.

Research and Development

In 2005, the Group incurred £8.3m (2004 – £8.7m) on research and development, before recoveries from customers of £0.6m (2004 – £0.8m). The majority of the Group's efforts are devoted towards product development and improved manufacturing techniques.

Charitable and Political Donations

During the year the Group made charitable donations amounting to £53,000 (2004 – £22,000), principally to local charities serving the communities in which the Group operates. Included within this amount, the Company made a donation of £20,000 to the Disasters Emergency Committee's Tsunami Earthquake Appeal. No political donations were made.

Policy on Payment of Creditors

The Group's policy is to settle the terms of payment with its suppliers when agreeing the terms of each transaction and to seek to adhere to those terms. Based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by suppliers, the number of days outstanding at the year-end was 37 days (2004 – 37 days).

Major Shareholdings

At 1 March 2006, the following shareholders had advised holdings in excess of 3% of the issued share capital of the Company:

Schroder Investment Management	33,694,012	10.38%
Legal & General Investment Management	15,839,411	4.88%
Deutsche Asset Management	13,706,031	4.22%
Aegon Asset Management	13,534,400	4.17%
HBOS	12,361,671	3.81%
Morley Fund Management	11,745,657	3.62%
Hermes Pensions Management	11,067,380	3.41%
Barclays Global Investors	10,044,829	3.10%

So far as is known, no other shareholder had a notifiable interest amounting to 3% or more of the 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 2003 FRC Code

Statements of compliance with the 2003 FRC Code and on internal controls are set out on page 20. For the purposes of the 2003 FRC Code, the Company is a "smaller company" and therefore is required to have at least two independent non-executive Directors. Excluding the Chairman, the Company had two independent non-executive Directors throughout the year, except for the three week period between 30 November 2005 (when G A Campbell resigned from the Board) and 21 December 2005 (when I F R Much was appointed to the Board as a non-executive Director).

Remuneration Report

The Company's policy on executive Directors' remuneration is set out in the Remuneration Report on pages 10 to 15. The Remuneration Report is to be put to shareholder vote at the Annual General Meeting on 28 April 2006.

Annual General Meeting

The Notice of Meeting describes the business to be considered at the Annual General Meeting to be held on Friday 28 April 2006 at ABN Amro, 250 Bishopsgate, London EC2M 4AA at 11.30 am.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Andrew Bodenham, Secretary
1 March 2006