Company Registration No. 01928053

SENIOR UK LIMITED

Report and Financial Statements

31 December 2009

SENIOR UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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SENIOR UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Sheppard
A P Bird
M Rollins
S J Nicholls

SECRETARY

A J Bodenham

REGISTERED OFFICE

59/61 High Street
Rickmansworth
Hertfordshire
WD3 1RH

BANKERS

Lloyds TSB Group plc
25 Gresham Street
London
EC2V 7HN

SOLICITORS

Slaughter and May
One Bunhill Row
London
EC1Y 8YY

AUDITORS

Deloitte LLP
Chartered Accountants
Birmingham

SENIOR UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacture of flexible tubing, composites and ducting for the aerospace and automotive industries, with no significant changes in these activities for the year under review

Turnover for the year decreased by 8 0% to £41,517,000 (2008 – £45,106,000) due to a contraction in the company's aerospace business Operating profit decreased by 13 3% to £4,576,000 (2008 – £5,277,000), largely due to reduced activity in the aerospace business

As a result of the market contraction in the year, the company implemented a rationalisation of its manufacturing facilities The costs incurred amounted to £329,000 (2008 – £1,014,000) and are identified under exceptional items in note 4

The company continues to invest in research and development with the majority of its activities focused on new product development and improved manufacturing techniques In 2009 expenditure on research and development was £2,547,000 (2008 - £2,078,000)

The balance sheet on page 8 shows that the company's financial position at the year end strengthened from the previous year with net assets of £4,750,000 (2008 - £2,909,000)

There have been no significant events since the balance sheet date

The company is ultimately owned by Senior plc which manages its operations on a divisional basis and sets appropriate key performance indicators for each division For this reason, the directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business The company has two operating sites in Senior's Aerospace division and one in the Flexonics division and the performance of these divisions is discussed in the annual report of Senior plc which does not form part of this report

FUTURE PROSPECTS

The directors expect challenging market conditions to continue going forward, with reduced activity being experienced in both the automotive and aerospace markets This reduced level of activity will be offset, to an extent, by the development and introduction of new products in both sectors including new products linked to tighter exhaust gas emissions regulations Hence, despite challenging market conditions, in general the company expects to deliver a satisfactory financial performance in 2010

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the company's future performance and cause actual results to differ materially from expected or historical results

The company operates in competitive market sectors and competitive pressure is therefore a continuing risk for the business In addition, the aerospace and automotive markets that the company operates within can also fluctuate, subjecting the business to market risks The company also faces risks on manufacturing performance, environmental issues, foreign exchange exposure, credit risk, liquidity risk and defined benefit pension plan funding risks

The above risks, which are the same, or similar, to those faced by Senior plc as a whole are discussed in detail within the annual report for Senior plc, which does not form part of this Report

Due to a large outstanding balance owed to group undertakings as stated in note 13, the company's main risk in respect of going concern is the net current liabilities position held on the balance sheet The company's financial position and future prospects are described above The company achieved a good level of profit and positive cashflow in 2009, and its future prospects are encouraging This, combined with the support of its parent company (Senior Engineering Investments Limited) by not requiring the repayment of the outstanding intercompany loan of £19,000,000 within twelve months of the date of signing this report, give the directors the expectation that the company will have adequate resources to continue in operational existence for the foreseeable future Accordingly, the Board has continued to adopt the going concern basis in preparing the company's Financial Statements

FINANCIAL RISK MANAGEMENT

The company's activities primarily expose it to the financial risk of changes in foreign currency exchange rates The company uses forward currency exchange contracts to hedge this exposure and the use of these is governed by Senior plc's treasury policy

DIVIDENDS AND TRANSFERS TO RESERVES

No interim dividend was paid in the year (2008 – £nil), and no final dividend is proposed (2008 – £nil) A retained profit of £1,841,000 (2008 – £983,000) has been transferred to reserves

DIRECTORS

The directors who served during the year and to the date of signing this report were as follows -

J R McAleer (resigned 7 April 2009)
M Sheppard
A P Bird
M Rollins
S J Nicholls

DIRECTORS INDEMNITIES

Qualifying third part indemnity provisions for the benefit of the directors were renewed by the Group during the year and remain in force at the date of this report

EMPLOYEE CONSULTATION

Formal and informal meetings are held with employees at the company, and employees are kept informed of developments within the company and Group, and matters affecting them at their place of employment

DISABLED EMPLOYEES

Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of employees becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment available and abide by the terms of payment The average period for payment of trade creditors during the year was 50 days (2008 – 59 days), based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by suppliers

DIRECTORS' REPORT (CONTINUED)

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) 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 auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

A J Bodenham

Secretary

23 March 2010

Registered Office

59/61 High Street
Rickmansworth
Hertfordshire
WD3 1RH

SENIOR UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal ınstruments for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıces (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgements and estımates that are reasonable and prudent,
- state whether applıcable UK accountıng standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SENIOR UK LIMITED

We have audited the financial statements of Senior UK Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 auditors' 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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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

Peter Gallimore FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, United Kingdom
23 March 2010

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2009

	Note	2009 £000	2008 £000
TURNOVER	2	41,517	45,106
Cost of sales		(24,301)	(29,951)
GROSS PROFIT		17,216	15,155
Other operating expenses (net)	3	(12,640)	(9,878)
OPERATING PROFIT		4,576	5,277
Exceptional reorganisation costs	4	(329)	(1,014)
Finance charges (net)	6	(694)	(1,849)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	3,553	2,414
Tax on profit on ordinary activities	8	(1,712)	(1,431)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE RETAINED PROFIT FOR THE YEAR	15, 16	1,841	983

All activities derive from continuing operations

There are no recognised gains and losses other than the profit for the current and previous year Accordingly, no statement of total recognised gains and losses is given

SENIOR UK LIMITED

BALANCE SHEET
31 December 2009

	Note	2009 £000	2008 £000
FIXED ASSETS			
Intangible assets	9	16,874	18,562
Tangible assets	10	5,114	5,500
		21,988	24,062
CURRENT ASSETS			
Stocks	11	3,148	4,249
Debtors	12	6,462	10,056
Cash at bank and in hand		472	216
		10,082	14,521
CREDITORS: amounts falling due within one year	13	(27,320)	(35,674)
NET CURRENT LIABILITIES		(17,238)	(21,153)
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS		4,750	2,909
CAPITAL AND RESERVES			
Called up share capital	14	2,000	2,000
Profit and loss account	15	2,750	909
SHAREHOLDER'S FUNDS	16	4,750	2,909

These financial statements were approved by the Board of Directors and authorised for issue on 23 March 2010

Signed on behalf of the Board of Directors

S J Nicholls

Director

Company Registration No 01928053

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and have been applied consistently in the current and prior year The particular accounting policies adopted are described below

Accounting convention

The financial statements are prepared on the going concern basis as discussed in the directors' report, and under the historical cost convention

Going concern

The company's financial position and future prospects are described in the Directors' Report The company achieved a good level of profit and positive cash flow in 2009, and its future prospects are encouraging This, combined with the support of its parent company (Senior Engineering Investments Limited) by not requiring the repayment of the outstanding intercompany loan of £19,000,000 within twelve months of the date of signing this report, give the directors the expectation that the company will have adequate resources to continue in operational existence for the foreseeable future Accordingly, the Board has continued to adopt the going concern basis in preparing the company's Financial Statements

Intangible fixed assets - goodwill

Where costs of acquisition exceed the values attributed to net tangible assets, the difference is treated as goodwill, which is capitalised and amortised on a straight line basis over twenty years which the directors consider to be a reasonable maximum economic life Provision is made for any impairment

Tangible fixed assets

Fixed assets are shown at cost, net of depreciation and provisions for any impairment

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows -

Freehold buildings	50 years
Short leasehold improvements	over the life of the lease
Plant, machinery and equipment	over a maximum of 10 years
Land is not depreciated	

Stocks

Stocks are stated at the lower of cost and net realisable value

Costs incurred in bringing each product to its present location and condition are based on

Raw materials	purchase cost on a first in, first out basis, including transport
Work in progress and finished goods	cost of direct materials and labour, plus an appropriate proportion of manufacturing overheads based on normal levels of activity

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow moving or defective items where appropriate

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full at the anticipated tax rates on timing differences arising from the different treatment of items for accounting and taxation purposes No provision is made for deferred tax on investment revaluations A deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted The company has elected not to discount the deferred tax assets and liabilities

1. ACCOUNTING POLICIES (CONTINUED)

Leases

Rentals under operatıng leases are charged to the profit and loss account as ıncurred

Pensıon costs

Defined Benefit and Defined Contrıbutıon pensıon benefits are avaılable to employees through the Senıor plc Pensıon Plan and Senıor plc Group Flexıble Retırement Plan respectıvely For defined benefit pensıon schemes the company makes contrıbutıons at rates set by Senıor plc on the advıce of actuarıes to dıscharge ın full the company's pensıon oblıgatıons arısıng ın the year Thıs ıs a multı employer scheme and as such the company ıs unable to ıdentıfy ıts share of the underlyıng assets and lıabılıtıes of the scheme Accordıngly, the amount charged to the profit and loss account ıs the contrıbutıon payable ın the year, and any varıatıons from thıs cost are reflected ın the accounts of Senıor plc, whıch do not form part of thıs report

For the defined contrıbutıon scheme, the amount charged to the profit and loss account ın respect of pensıon costs ıs the contrıbutıons payable ın the year

Research and development

Expendıture on research and development ıs charged to the profit and loss account ın the year ın whıch ıt ıs ıncurred wıth the exceptıon of expendıture on development work where the outcome of those projects ıs assessed as beıng reasonably certaın as regards vıabılıty and technıcal feasıbılıty Such expendıture ıs capıtalısed and amortısed on a straıght lıne basıs over ıts useful lıfe

Development work ıs also carrıed out on a funded basıs In such cırcumstances the costs are accumulated ın work ın progress and are recognısed when the related bıllıngs are made Any amounts held ın work ın progress are subject to normal stock valuatıon prıncıples

Share based payments

The company has applıed the requırements of FRS 20 Share based payment In accordance wıth the transıtıonal provısıon, FRS 20 has been applıed to all grants of equıty ınstruments after 7 November 2002 that was unvested as of 1 January 2005

Senıor plc ıssues equıty settled and cash settled share based payments to certaın employees of group companıes Equıty settled share based payments are measured at faır value (excludıng the effect of non market based vestıng condıtıons) at the date of grant The faır value determıned at the grant date of the equıty settled share based payment ıs expensed on a straıght lıne basıs over the vestıng perıod, based on the group's estımate of share that wıll eventually vest and adjusted for the effect of non market based vestıng condıtıons

Faır value ıs measured by use of the Black Scholes optıons prıcıng model for the share optıon plans and a bınomıal model for the shares awarded under the 2005 Long Term Incentıve Plan

The lıabılıty ın respect of both equıty-settled amounts and cash-settled amounts ıs ıncluded ın current and non-current lıabılıtıes as approprıate

Turnover

Turnover comprıses the value of sales (excludıng VAT and trade dıscounts) of goods and servıces ın the normal course of busıness

Sale of goods and servıces are recognısed when delıvered ın accordance wıth the terms and condıtıons of the sale

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk The company does not hold or issue derivative financial instruments for speculative purposes

The derivative financial instruments are not included at fair value in the accounts and when those instruments expire, the resulting gain or loss is recognised in the profit and loss account

Cash flow statement

Under the provision of FRS 1, the company has not prepared a cash flow statement because the results of the company have been included in the consolidated accounts of Senior plc, whose accounts are publicly available

2 TURNOVER

The company's turnover and profit on ordinary activities before taxation were wholly attributable to the company's principal activity

The detailed analysis of turnover by geographical area has not been disclosed as the directors are of the opinion that such disclosures would be seriously prejudicial to the business

3. OTHER OPERATING EXPENSES (NET)

	2009 £000	2008 £000
Distribution costs	5,101	4,483
Administrative expenses	7,998	6,197
Other operating income	(459)	(802)
	12,640	9,878

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

4. EXCEPTIONAL COSTS

Reorganisation costs of £329,000 (2008 – £1,014,000) relate to the rationalisation of the company's manufacturing facilities and comprise

	2009 £000	2008 £000
Redundancy costs	329	664
Stock write-off	-	130
Fixed assets write-off	-	50
Relocation costs	-	150
Contract cancellation costs	-	20
	329	1,014

The effects of the exceptional costs reported after operating profit on the amounts charged to the profit and loss account for taxation were

	Tax on profit on ordinary activities	
	2009 £000	2008 £000
Reorganisation costs	(92)	(289)
Decrease in charge to profit and loss account	(92)	(289)

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £000	2008 £000
Directors' remuneration		
Emoluments	285	246

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes During the year three directors were granted share options and three directors exercised share options M Rollins, S J Nicholls and M Sheppard did not receive any emoluments from Senior UK Limited during either 2009 or 2008 and their emoluments are reported in the accounts of Senior plc

The number of directors who were contributing members of pension schemes was as follows	2009 No.	2008 No
Defined benefit schemes	1	2

The above amounts for remuneration include the following in respect of the highest paid director

	2009 £000	2008 £000
Emoluments	159	162

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2009 was £12,778 (2008 – £10,364)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	2009	2008
Average number of persons employed	**No.**	**No**
Production	436	544
Distribution	9	9
Sales	73	73
Administration	42	48
	560	674

	2009 £000	2008 £000
Staff costs during the year (including directors)		
Wages and salaries	12,203	15,409
Social security costs	1,042	1,272
Pension costs – defined benefits	662	757
Pension costs – defined contributions	284	203
Redundancy costs	329	664
	14,520	18,305

Due to the material nature of the redundancy costs recognised in 2009, the amount of £329,000 (2008 £664,000) has been separately identified as an exceptional cost in note 4

6 FINANCE CHARGES (NET)

	2009 £000	2008 £000
Intercompany loan	617	1,986
Bank interest payable/ (receivable)	77	(137)
	694	1,849

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/ (crediting)	2009 £000	2008 £000
(Profit)/ loss on disposal of fixed assets	(338)	1
Depreciation and amounts written off tangible fixed assets	746	1,117
Amortisation of goodwill	1,688	1,688
Hire of plant and machinery		
Under operating leases	81	100
Other operating lease rentals	399	399
Research and development expenditure	2,547	2,078
Foreign exchange loss	3,380	1,403
The analysis of auditors' remuneration is as follows		
Fees payable to the company's auditors for the audit of the company's annual financial statements	21	33
Fees payable to the company's auditors and their associates for other services to the group		
- Tax services	2	2
- Other services	1	9

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) *Analysis of tax charge on ordinary activities*

	2009 £000	2008 £000
United Kingdom corporation tax charge at 28% (2008 – 28 5%) on the profit for the year	1,712	1,431

The above tax charge relates to amounts payable in respect of group tax relief

(ii) *Factors affecting tax charge for the current period*

The tax charge for the current period differs from that resulting from applying the standard rate of corporation tax of 28% (2008 – 28 5%) to the profit before tax

The differences are explained below	2009 £000	2008 £000
Profit on ordinary activities before taxation	3,553	2,414
Tax at 28% (2008 – 28 5%) thereon	995	688
Non-deductible goodwill amortisation	481	481
Depreciation in excess of capital allowances claimed	185	300
Expenses not deductible for tax purposes, net	104	47
Profit on disposal of fixed assets	(95)	-
Other tax adjustments	42	(85)
Current tax charge for the period	1,712	1,431

(iii) *Factors that may affect the future tax charge*

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, and other short term timing differences, as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £3,384,000 (2008 £2,882,000), and is made up as follows

Deferred tax assets not recognised

	2009 £000	2008 £000
Tax effect of timing differences due to		
Depreciation excess over capital allowances claimed	3,321	2,837
Short term timing differences	35	18
Pension costs	28	27
	3,384	2,882

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

9 INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost	
At 1 January 2009 and at 31 December 2008	33,754
Accumulated amortisation	
At 1 January 2009	15,192
Charge for the year	1,688
At 31 December 2009	16,880
Net book value	
At 31 December 2009	16,874
At 31 December 2008	18,562

10. TANGIBLE FIXED ASSETS

	Freehold buildings £000	Short leasehold improve-ments £000	Plant, machinery and equipment £000	Total £000
Cost				
At 1 January 2009	2,962	87	14,508	17,557
Additions	-	-	390	390
Disposals	-	-	(3,358)	(3,358)
At 31 December 2009	2,962	87	11,540	14,589
Accumulated depreciation				
At 1 January 2009	874	16	11,167	12,057
Charge for the year	66	4	676	746
Disposals	-	-	(3,328)	(3,328)
At 31 December 2009	940	20	8,515	9,475
Net book value				
At 31 December 2009	2,022	67	3,025	5,114
At 31 December 2008	2,088	71	3,341	5,500

11 STOCKS

	2009 £000	2008 £000
Raw materials and consumables	1,189	1,512
Work-in-progress	1,048	1,220
Finished goods and goods for resale	911	1,517
	3,148	4,249

There is no material difference between the balance sheet value of stocks and their replacement cost

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

12 DEBTORS

	2009 £000	2008 £000
Trade debtors	5,788	8,386
Amounts owed by group undertakings	256	1,182
VAT	27	134
Prepayments and accrued income	391	354
	6,462	10,056

13. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £000	2008 £000
Bank overdraft	-	1,028
Trade creditors	1,784	3,261
Amounts owed to group undertakings	19,663	24,129
Group Tax relief payable	1,712	1,431
Other taxation and social security	548	584
Other creditors	95	133
Accruals and deferred income	3,518	5,108
	27,320	35,674

The bank overdraft is secured by an omnibus guarantee and set off agreement between the Bank and certain group companies

Of the total amounts due to group undertakings, £19,000,000 relates to an unsecured loan with interest charged at a fixed rate of 1 6% and a maturity date of 21 June 2010

14. CALLED UP SHARE CAPITAL

	2009 £000	2008 £000
Authorised, allotted, called up and fully paid		
1,800,000 (2008 – 1,800,000) 'A' Ordinary shares of £1 each	1,800	1,800
200,000 (2008 – 200,000) 'B' Ordinary shares of £1 each	200	200
	2,000	2,000

Under the company's Articles of Association, each 'A' ordinary share carries one vote, whilst each 'B' ordinary share carries five votes The 'A' and 'B' shares rank equally in all other respects

Senior Engineering Investments Limited holds 1,800,000 ordinary 'A' shares together with the 200,000 ordinary 'B' shares and thus 100% of Senior UK Limited

15 PROFIT AND LOSS ACCOUNT

	£000
At 1 January 2009	909
Profit for the financial year	1,841
At 31 December 2009	2,750

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £000	2008 £000
Profit for the financial year	1,841	983
Net increase in shareholder's funds	1,841	983
Opening shareholder's funds	2,909	1,926
Closing shareholder's funds	4,750	2,909

17. SHARE BASED PAYMENTS

The company's directors and senior managers, when deemed appropriate, are issued share options from the Senior plc share based payment plans The company recognised total expenses of £115,000 (2008 – £73,000) related to equity settled share based payments

Details of the plans relating to the company's directors and employees are shown below

(i) **1999 Executive Share Option Plan**

Equity-settled share option plans

Under the 1999 Executive Share Option Plan, options will normally only become exercisable if the Group's Adjusted Earnings per Share grows by not less than 4% per annum compound above the growth in the UK Retail Price Index (RPI) over a period of three or more financial years commencing in January of the year of grant They will lapse if not exercised within six years of the date of grant Options are exercisable at a price equal to the average of the closing mid-market price of the Senior plc's shares in the three days prior to the date of grant The 1999 Plan is closed for new awards

The following options were outstanding as at 31 December 2009 and 2008

	Year ended 2009		Year ended 2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	-	-	365,102	21 97p
Exercised	-	-	(365,102)	21 97p
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

The weighted average share price at the date of exercise for share options exercised during the period was nil (2008 – 80 11p)

There were no options outstanding at 31 December 2009 and 31 December 2008

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

17 SHARE BASED PAYMENTS (CONTINUED)

(ii) 2005 Long Term Incentive Plan

52,456 shares were awarded to the company's employees under the 2005 Long Term Incentive Plan on 12 March 2009 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 5% per annum above the RPI The other half of the awards begin to vest if the company's TSR falls in the top half of a comparator group at the end of the three year performance period Vesting levels increase with higher performance The awards are settled by delivering shares to the participant The awards made during the year are subject to a TSR performance condition only, as opposed to previous years where a mixture of EPS and TSR conditions have applied The estimated fair value for the awards granted in the year with TSR condition is 13 00p per share, reflecting an adjustment of 61% to the fair value of awards if the TSR condition was excluded

These fair values were calculated by applying a binomial option pricing model This model incorporates a technique called "bootstrapping", which models the impact of the TSR condition The model inputs at the date of grant were the share price of 28 50p, a risk free interest rate of 1 7% per annum, expected volatility of 60 0% per annum, net dividend yield of 9 1% per annum, and the performance conditions as noted above Expected volatility was determined by calculating the historical volatility of Senior plc's share price over the previous three years

The following share awards were outstanding as at 31 December 2009 and 2008

	Year ended 2009 Number of shares	Year ended 2008 Number of shares
Outstanding at 1 January	300,664	191,859
Granted	52,456	108,805
Exercised	(139,641)	-
Forefeited	(8,740)	-
Outstanding at 31 December	204,739	300,664

(iii) Savings Related Share Option Plan

Senior plc 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 awarded on 8 April 2009

The estimated fair value of the award granted during the year was 5 71p This fair value was calculated by applying a Black-Scholes option pricing model The model inputs at the date of the grant were the share price of 25 00p, a risk free interest rate of 2 17% per annum, expected volatility of 58 20% per annum and a net dividend yield of 10 40% Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

17. SHARE BASED PAYMENT (CONTINUED)

The following options were outstanding as at 31 December 2009 and 2008

	Year ended 2009		Year ended 2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	511,020	79 50p	923,682	66 44p
Granted	2,634,572	25 00p	-	-
Exercised	-	-	(218,121)	24 20p
Forfeited	(550,886)	63 73p	(194,541)	79 50p
Outstanding at 31 December	2,594,706	27 51p	511,020	79 50p
Exercisable at 31 December	-	-	-	-

The weighted average share price at the date of exercise for share options exercised during the period was nil (2008 – 94 63p) The options outstanding at 31 December 2009 had exercise prices of 25 00p and 79 50p per share, and a weighted average remaining contractual life of 2 9 years The options outstanding at 31 December 2008 had an exercicse price of 79 50p per share and a weighted average remaining contractual life of 2 0 years

18. FINANCIAL COMMITMENTS

	2009 £000	2008 £000
Capital commitments		
Contracted for but not provided	42	65

Operating lease commitments

At 31 December 2009, the company was committed to making the following payments during the next year in respect of operating leases

	2009		2008	
	Property £000	Plant and equipment £000	Property £000	Plant and equipment £000
Leases which expire				
Within one year	-	23	-	12
Within 2 to 5 years	-	61	-	87
After 5 years	399	-	399	-
	399	84	399	99

The company leases certain land and buildings under operating leases The rents payable under these leases are subject to renegotiation at various intervals specified in the leases The company pays all insurance, maintenance and repairs of these properties

18. FINANCIAL COMMITMENTS (CONTINUED)

Guarantees

(a) Private placement loans

The company is a guarantor, jointly and severally, with certain other group companies, of US $120 million (2008 – $120 million) unsecured loan notes under an agreement dated 8 October 2008

The company is a guarantor, jointly and severally, with certain other Group companies, of US $30 million (2008 – $30 million) unsecured loan notes under an agreement dated 31 January 2007

The company is a guarantor, jointly and severally, with certain other group companies of US $35million (2008 – $35 million) unsecured loan notes under an agreement dated 22 October 2007

The company was a guarantor, jointly and severally, with certain other group companies of US $75 million unsecured loan notes, under amended agreements dated 22 October 1998 and 31 December 2005 These were repaid in October 2008

(b) Bank guarantees

The company is a guarantor, jointly and severally, with certain other group companies, of all indebtedness of these other group companies to the group's UK clearing bankers

(c) Revolving credit facility

The company is a guarantor, jointly and severally, with certain other group companies of a committed £80 million syndicated multi-currency revolving credit facility maturing in July 2012 At 31 December 2009 the total amounts borrowed under the facility were £4 5 million comprising €5 0 million At 31 December 2008 the total amounts borrowed under the facility were £20 2 million comprising £18 6 million and €1 7 million

(d) Bilateral facility

In January 2008, a new £20 million bilateral 364 day facility, with an option to extend by one year, was established with the Group's principal UK clearing banks The facility was cancelled in October 2008 following the raising of the $120 million loan notes

19. PENSION COSTS

The company participates in the Senior plc Pension Plan The Plan includes a defined benefit multi-employer section, the assets and liabilities of which are held independently from the group The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the Plan as if it were a defined contribution plan

Company contributions to the Plan for the period were £662,000 (2008 – £757,000) and the agreed contribution rate for the next 12 months is 16 4% (2008 – 16 4%) Further details of the group schemes and the actuarial valuations are given in the Group financial statements of the ultimate parent company, Senior plc

As stated in the Senior plc Group financial statements for the year ending 31 December 2009, the most recent full actuarial valuation, carried out as at 6 April 2007, was updated in order to assess the position of the Plan at 31 December 2009 for the purposes of accounting under IAS 19 and showed that the fair value of the Plan's assets was £149 2 million (2008 – £125 5 million) and that the actuarial value of these assets represented 79 0% (2008 – 77 1%) of the benefits that had accrued to members

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

19. PENSION COSTS (CONTINUED)

The assets and liabilities and the expected rates of return at 31 December 2009 and 31 December 2008 were

	2009 Fair value £m	2009 Expected rate of return	2008 Fair value £m	2008 Expected rate of return
Equities	62 5	7 4%	53 9	6 6%
Bonds	52 1	4 8%	47 3	4 5%
Gilts	33 1	3 6%	24 2	3 1%
Cash and other	1 5	3 9%	0 1	3 1%
Total fair value of assets	149 2	5 6%	125 5	5 1%
Present value of scheme liabilities	(188 8)		(162 8)	
Plan deficit	(39 6)		(37 3)	

The history of experience gains and losses is as follows

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	(188 8)	(162 8)	(172 8)	(172 1)	(165 7)
Fair value of plan assets	149 2	125 5	142 3	141 3	134 4
Plan deficit	(39 6)	(37 3)	(30 5)	(30 8)	(31 3)
Experience gain/(loss) on plan liabilities	0 6	0 1	12 8	(2 2)	0 3
Experience gain/(loss) on plan assets	8 6	(24 9)	(5 2)	0 7	11 1

The figures shown above were calculated on the basis of the following assumptions

	2009	2008
Major assumptions (per annum %)		
Inflation	3 5%	2 8%
Increase in salaries	2 0%	3 8%
Increase in pensions	3 4%	2 7%
Increase in deferred pensions	3 5%	2 8%
Rate used to discount plan liabilities	5 7%	6 4%
Expected return on assets	5 6%	5 1%
Life expectancy of a male aged 65 in 2009	20 5	20 8
Life expectancy of a male aged 65 in 2029	22 4	21 9

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2009

19. PENSION COSTS (CONTINUED)

The estimated impact on the plan deficit at 31 December 2009 for changes in assumptions is as follows

	Increase in plan deficit £m
0 5% decrease in the discount rate	15 0
One year increase in life expectancy	5 0
0 5% increase in inflation	8 0

This disclosure is taken from the consolidated accounts of Senior plc and was calculated under IAS19 This represents the best information available to the Directors

The company also operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company and amounted to £284,000 (2008 – £203,000) Contributions totalling £2,800 (2008 - £28,000) were payable to the fund at the year end and are included in creditors

20. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The company has derivatives which are not included at fair value in the accounts

	Fair value	
	2009 £000	2008 £000
Forward foreign exchange contracts	146	(7,469)

The company enters into forward foreign exchange contracts to hedge the exchange risk arising on its trading activities in foreign currencies The fair values are based on market values of equivalent instruments at the balance sheet date

21. ULTIMATE PARENT COMPANY

The company's immediate parent company is Senior Engineering Investments Limited

The company's ultimate parent and controlling company, which prepares consolidated accounts incorporating the company's results, is Senior plc, whose registered office is at 59/61 High Street, Rickmansworth, Hertfordshire WD3 1RH The consolidated accounts of the group are available to the public and can either be downloaded from the Senior plc website www seniorplc com or obtained from the aforementioned address

22 RELATED PARTY TRANSACTIONS

Transactions with group entities are not disclosed as the company is a wholly owned subsidiary of a company which produces consolidated accounts that are publicly available