Remuneration Report

The Directors present their Remuneration Report for the year ended 31 December 2007 in accordance with Schedule 7A of the Companies Act 1985 and the relevant provisions of the Listing Rules of the Financial Services Authority. The report also describes how the Board has applied the Principles of Good Governance relating to Directors' Remuneration.

The Companies Act 1985 ("the Act") requires the external auditors to report to the Company's members on certain parts of the Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. The Remuneration Report has therefore been divided into separate sections for audited and unaudited information.

Unaudited Information

Composition of the Remuneration Committee

The Remuneration Committee consists entirely of non-executive Directors. I F R Much (Chairman) and M Clark were members of the Committee throughout the year. J R Kerr-Muir retired from the Remuneration Committee on 1 May 2007 and D G Best was appointed on that date.

Role of the Remuneration Committee

The primary role of the Committee is to consider and make recommendations to the Board concerning the remuneration packages and conditions of service of the executive Directors and approximately 100 other senior managers. The terms of reference of the Remuneration Committee may be found on the Company's website. During the financial year, the Committee met three times. Details of Directors' attendance at these meetings are disclosed on page 4.

Advisers to the Remuneration Committee

All advisers to the Remuneration Committee are appointed and instructed by the Committee. During the year, the Committee was advised by New Bridge Street Consultants and Slaughter & May in relation to the Executive Share Plans.

Remuneration Policy

In determining remuneration of the executive Directors, the Committee seeks to maintain a competitive programme, which enables the Company to attract and retain the highest calibre of executive. The performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors, details of which are set out in paragraphs (c) and (d) below. They are designed to align their interests with those of shareholders and to give such executive Directors incentives to perform at the highest levels.

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, 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.

Before recommending proposals for Board approval, the Remuneration Committee may seek advice from external remuneration consultants to ensure it is fully aware of comparative external remuneration practice as well as legislative and regulatory developments. The services of remuneration consultants were used in determining the 2007 salaries of executive Directors and senior managers.

a) Service agreements

Each executive Director has a service agreement providing for a rolling period of notice of one year. There are no provisions in those agreements or otherwise for additional termination payments. The service agreements for G R Menzies and M Sheppard are dated 27 April 2000 and 4 February 2004, respectively. G R Menzies is to retire from the Board on 25 April 2008. M Rollins has a new service agreement dated 9 November 2007. The agreements contain provisions requiring the relevant Director to mitigate his loss in the event of termination. G R Menzies' agreement (the terms of which remain unchanged since his appointment) provides that in the event of a change of control of the Company, he has the option to resign within three months of such change of control without a duty to mitigate his loss.

The non-executive Directors do not have service agreements with the Company. J R Kerr-Muir was appointed Chairman with effect from 11 May 2001; he retired from the Board on 1 May 2007. M Clark was appointed Chairman with effect from 1 May 2007 for an initial three year term. I F R Much was appointed with effect from 21 December 2005 for an initial three year term. D G Best was appointed with effect from 1 May 2007 for an initial three year term.

With prior approval of the Board, executive Directors may hold external non-executive directorships and retain any fees paid for these appointments. At the year-end, G R Menzies and M Rollins held one such position each. In 2007, G R Menzies and M Rollins received and retained non-executive directorship fees of £36,000 and £30,000 respectively.

b) Base salaries

In setting the base salary of each Director, the Committee takes into account the pay practice of other companies and the performance of that Director.

The Committee is also responsible for ratifying the salaries of approximately 100 senior managers and therefore is fully cognisant of pay levels in the Group when determining the pay of the executive Directors.

The base salaries in 2007 for the executive Directors for the year were as follows: G R Menzies – £340,000 (2006 – £323,000), M Rollins – £210,000 (2006 – £190,000), and M Sheppard – $325,000 (2006 – $305,000).

As a result of the review of the executive Directors' remuneration, the Remuneration Committee recommended that the base salaries for the executive Directors for 2008 should be as follows: G R Menzies – £355,000, M Rollins – £218,000, and M Sheppard – $342,500. M Rollins' salary will increase to £320,000 with effect from 17 March 2008 upon taking up the role of Group Chief Executive. G R Menzies is to retire from the Board on 25 April 2008. M Rollins has a new service agreement dated 9 November 2007.

D G Best's fee was £33,000 p.a. with effect from 1 May 2007. The fee received by J R Kerr-Muir during 2007 was £78,000 p.a. M Clark's fee increased from £40,000 p.a. to £97,000 p.a. on 1 May 2007, upon his appointment as Chairman. I F R Much's fee for 2007 was £33,000.

M Clark's fee for 2008 reduced to £90,000 p.a. following his resignation as Chairman of the Trustee Board of the Senior plc Pension Plan. D G Best's 2008 fee increased to £45,000 p.a as he took up the role of Chairman of the Pension Trustee Board and I F R Much's fee to £38,000.

c) Annual performance bonus scheme

Under the performance bonus scheme, bonuses up to 60% (2006 – up to 60%) of basic salary could be earned by the executive Directors depending on the Group's actual performance compared to the prior year and to internal targets in respect of underlying earnings per share and cash flow. The table below provides details of the maximum possible awards for 2007, together with details of the bonuses paid to G R Menzies and M Rollins as a percentage of their respective salaries:

	Cash flow target		Earnings per share target		
	Interim %	Full year %	Internal target %	Year-on-year growth %	Total %
Maximum possible award for 2007 and 2006	6.0	9.0	20.0	25.0	60.0
2006 bonus paid	4.9	9.0	14.2	21.7	49.8
2007 bonus paid	4.8	9.0	20.0	25.0	58.8

The 2007 bonus awards would have been maximised by achieving the following targets: Cash flow targets – Interim : £8.2m (up £10.5m on 2006), Full year : £17.2m (up £10.7m on 2006); Earnings per share target – Year-on-year growth : 5.81p (up 25% on 2006), Internal target : 6.46p (up 39% on 2006).

As M Sheppard serves as a Director of the Company, in addition to his role as Chief Executive of the Flexonics Division, his bonus for the year was 80% dependent on the operating profits and cash flow performance of the Flexonics Division and 20% on Group performance. In 2007, he earned a bonus of 55.9% of salary (2006 – 38.6%) consisting of 44.1% for Divisional performance and 11.8% for Group performance.

The scheme in place for 2008 is broadly unchanged from the 2007 scheme.

d) Share plans

The Company's policy regarding the granting of share options is to encourage participating Directors and other employees to build and retain a long-term stake in the Group and align their interests with those of the shareholders.

The Company complies with the dilution guidelines contained within "Executive Remuneration – ABI Guidelines on Policies and Practices". At 31 December 2007, awards outstanding and shares issued in the previous 10 years under all share plans (the 1999 Plan, the 2005 LTIP, and the Sharesave Plan) amounted to 3.99% of the issued ordinary share capital of the Company. At 31 December 2007, awards outstanding and shares issued in the previous 10 years under executive (discretionary) plans (the 1999 Plan and the 2005 LTIP) amounted to 2.51% of the issued ordinary share capital of the Company.

The Remuneration Committee monitors the flow-rates of the Company's share plans, and in particular before new share awards are made, to ensure the flow-rates remain within the ABI dilution guidelines.

All executive Directors are, or were, eligible to participate in the following share plans:

i) 1999 Executive Share Option Plan ("the 1999 Plan")
(closed for new awards)

No more options are to be granted under the 1999 Plan following the introduction of the Senior plc 2005 Long Term Incentive Plan.

The 1999 Plan was open to executive Directors and other senior managers, with the performance target determined by the Remuneration Committee to be challenging in the light of the Company's performance and prevailing financial circumstances at the time.

The maximum number of shares over which options could be awarded to a participant was subject to their value at the time of grant not exceeding:

a. 100% of the Director's basic salary at the time of the award;

b. 125% of the Director's basic salary taking into account the combined notional current value of all awards under the 1996 Long Term Share Incentive Plan (this plan has now lapsed) and awards under the 1999 Plan in any year; and

c. the £30,000 statutory limit for the Approved Option element of the 1999 Plan.

The total value of options under the 1999 Plan and any earlier executive share option schemes, to subscribe for new issue shares granted in any 10 year period could not exceed 4 x current annual basic salary or, if higher, remuneration excluding benefits in kind over the previous 12 months. Where options had already been exercised, further "replacement" options could be granted provided that the market value of all outstanding options did not exceed 4 x current annual basic salary or, if higher, remuneration (excluding benefits in kind) over the previous 12 months.

All options granted under this 1999 Plan, in normal circumstances, only become exercisable if the Group's underlying earnings per share grows by not less than 4% p.a. compound above the growth in the UK Retail Prices Index over a period of three or more financial years. If not exercised within six years of the date of grant, the options will lapse.

Options granted to the Directors are shown under Directors' Interests, together with the base underlying earnings per share figure to be used when determining whether the performance target has been met.

ii) Senior plc 2005 Long Term Incentive Plan ("the 2005 LTIP")

The 2005 LTIP, a long term share incentive plan, was introduced to replace the existing 1999 Plan, and the lapsed Long Term Share Incentive Plan.

The Remuneration Committee considers that the 2005 LTIP (the main details of which are set out below) is in line with current practice and the evolving views of investors, and provides an effective link between senior management performance and reward.

Each year, an individual can receive an award worth up to 100% of annual salary (or 200% of salary in the case of recruitment). The awards made in 2007 under the 2005 LTIP were limited to 50% of salary, except for the award to G R Menzies which was 100% of salary. The increased award to G R Menzies was made in recognition that he had not received an award in respect of the 2005 LTIP since May 2005. The awards are conditional allocations, where the executives will receive free ordinary shares in the Company automatically on the vesting of their award. Awards will normally vest on, or shortly following, the third anniversary of grant once the Committee has determined the extent to which the applicable performance conditions (see below) have been satisfied, and provided that the participant is still employed within the Company's group.

All awards are subject to performance conditions set by the Remuneration Committee. The 2005 LTIP is designed to reward senior executives partly for delivering superior total shareholder return ("TSR") performance and partly for achieving challenging earnings per share ("EPS") growth targets. In each case, performance will be measured over a three year performance period beginning on the first day of the financial year in which the award is made. The vesting of one half of each of the awards will depend on the Company's TSR performance compared to that of the members of the FTSE Small Cap Index (excluding investment trusts), while the vesting of the other half of each award will depend on the growth of the Company's adjusted EPS relative to RPI.

Following the Company's promotion to the FTSE250 Index in February 2008, the Remuneration Committee is to evaluate the most appropriate comparator group for assessing the Company's TSR performance for future LTIP awards.

The vesting of the TSR-related half of the awards will be determined on the following basis:

Ranking of Company's TSR compared with the FTSE Small Cap Index (excluding investment trusts) over the performance period	Percentage of TSR half of an award which vests
Below Median	0%
Median	25%
Upper Quintile (top 20%)	100%
Between Median and Upper Quintile	Pro rata on a straight-line basis between 25% and 100%

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

The vesting of the EPS-related half of an award will be determined on the following basis:

Company's average annual adjusted EPS performance in excess of RPI	Vesting percentage – EPS half of an award
Less than 5% p.a.	0%
5% p.a.	25%
12% p.a.	100%
Between 5% and 12% p.a.	Pro rata on a straight-line basis between 25% and 100%

The Remuneration Committee believes that this mixture of conditions provides an effective balance so that executives are encouraged to enhance underlying financial performance whilst retaining focus on the need to deliver superior returns for the Company's shareholders.

The Remuneration Committee encourages Directors to own shares in the Company and, in support of this policy, it expects Directors to retain at least 50% of the shares they acquire under the 2005 LTIP, after allowing for tax liabilities, until a holding of 100% of base salary is built up.

iii) Savings-Related Share Option Plan ("the Sharesave Plan")

The Company's Sharesave Plan was first launched in 1996 to eligible employees across the Group, and was updated and renewed for a further 10 years in 2006. There are no performance criteria for this arrangement and options are issued to all participants in accordance with the HM Revenue & Customs ("HMRC") rules for savings-related plans.

e) Retirement benefits

G R Menzies' and M Rollins' pension arrangements are provided by the Group's UK pension plan and are based upon their pensionable salaries up to the HMRC's "cap". G R Menzies and M Rollins contribute 7.5% of salary to cap. From 6 April 2006 (A-Day), the Group's UK pension plan adopted its own earnings cap, which has been calculated on the same basis as the HMRC's pre-A-Day "cap". M Sheppard participates in a defined benefit plan that has now closed to new entrants and a defined contribution plan that remains available to the Group's US employees. His base salary is pensionable up to a "cap" of $225,000 p.a.

f) Other benefits

The executive Directors also receive non-cash benefits including the provision of a fully expensed car and medical insurance.

Audited Information

The information presented in the remainder of this report has been audited, with the exception of the Directors' Interests in shares and the Total Shareholder Return graph.

Directors' Emoluments

Directors' emoluments

	Salary or fees £000's	Bonus £000's	Taxable benefits £000's	2007 Total £000's	2006 Total £000's
Executive					
G R Menzies	340	200	37	577	510
M Rollins	210	124	14	348	299
M Sheppard	162	91	12	265	245
Non-executive					
M Clark	78	–	–	78	40
D G Best (from 1 May 2007)	22	–	–	22	–
I F R Much	33	–	–	33	33
J R Kerr-Muir (to 1 May 2007)	26	–	–	26	78
	871	415	63	1,349	1,205

Bonuses as shown above are payable to G R Menzies, M Rollins and M Sheppard under the Annual Performance Bonus scheme. The above figures for emoluments do not include any amount for the value of share options or awards granted to, or held by, Directors.

Aggregate remuneration

	2007 £000's	2006 £000's
Emoluments	1,349	1,205
Gains on exercise of share options and incentives (see Options and other share incentives table below)	–	10
Money purchase pension contributions	7	7
Total	1,356	1,222

In addition to setting the remuneration of the executive Directors, the Remuneration Committee oversees the remuneration of 90 other senior managers. The table below shows the cumulative benefits of the three other Divisional Directors and the three most senior Corporate managers:

	Salary or fees £000's	Bonus £000's	Taxable benefits £000's	2007 Total £000's	2006 Total £000's
	579	341	53	973	867

Directors' Interests

At 31 December 2007 the Directors who had interests (which are all beneficial), including family interests, in the 10p ordinary shares of the Company were as follows:

Shares

	Shares 2007	Shares 2006
G R Menzies	840,000	840,000
M Rollins	120,000	120,000
M Sheppard	–	–
M Clark	60,000	60,000
D G Best (from 1 May 2007)	20,000	–
I F R Much	20,000	–

There were no changes to the Directors' shareholdings between the end of the year and the date of this report.

Options and other share incentives

Date of grant/award	At 31.12.06	Granted 2007	Exercised 2007	Gains on exercise/vesting 2007	Market price on exercise/vesting 2007	Forfeited 2007	Lapsed 2007	At 31.12.07	Option price	Exercise period/maturity date
G R Menzies										
1999 Executive Share Option Plan										
12.03.03	1,070,643	–	–	–	–	–	–	1,070,643	21.97p	3 years to 11.03.09
2005 Long Term Incentive Plan										
20.05.05	650,810	–	–	–	–	–	–	650,810	–	March 08
09.08.07	–	310,502	–	–	–	–	–	310,502	–	March 10
M Rollins										
1999 Executive Share Option Plan										
12.03.03	547,122	–	–	–	–	–	–	547,122	21.97p	3 years to 11.03.09
Long Term Share Incentive Award Plan – Performance Awards										
2005 Long Term Incentive Plan										
20.05.05	394,115	–	–	–	–	–	–	394,115	–	March 08
15.03.06	146,706	–	–	–	–	–	–	146,706	–	March 09
08.03.07	–	130,435	–	–	–	–	–	130,435	–	March 10
M Sheppard										
1999 Executive Share Option Plan										
12.03.03	524,789	–	–	–	–	–	–	524,789	21.97p	3 years to 11.03.09
2005 Long Term Incentive Plan										
20.05.05	332,563	–	–	–	–	–	–	332,563	–	March 08
15.03.06	134,572	–	–	–	–	–	–	134,572	–	March 09
08.03.07	–	104,571	–	–	–	–	–	104,571	–	March 10

The market price (adjusted where applicable, for the effect of the rights issue) of the Company's shares on the dates of the awards made under the 2005 LTIP are as follows:

Date of grant	20.05.05	15.03.06	08.03.07	09.08.07
Market price of Company's shares (on date of award)	38.28p	65.86p	80.75p	104.00p

Details of the share schemes referred to in the above table may be found on pages 25 and 26.

All outstanding options and awards become exercisable only when certain performance targets have been met. The base underlying earnings per share figures used to determine whether the target has been met are as follows:

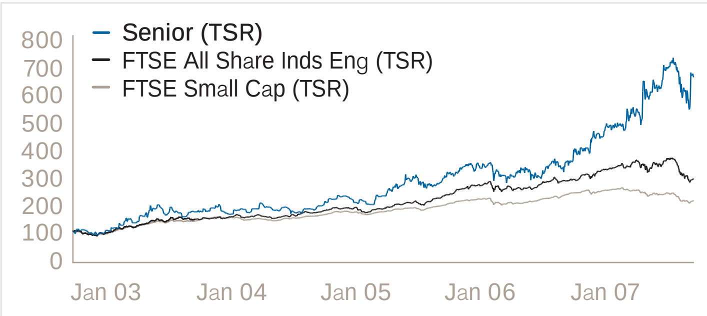
Date of grant	12.03.03	20.05.05	15.03.06	08.03.07	09.08.07
Base underlying EPS (adjusted for the effect of the rights issue)	4.26p	3.42p	3.82p	4.65p	4.65p

The total net value of the Directors' unexercised options at 31 December 2007 (excluding awards under the 2005 LTIP), all of which were unexercisable, was £2,052,138 (2006 – 900,515) representing options held by G R Menzies (£1,025,462), M Rollins (£524,033) and M Sheppard (£502,643). The net value of unexercised options is the positive difference between the closing middle market price of the Company's shares at the year-end (117.75p per share) and the exercise price of the options. It does not take into account the likelihood of the performance targets being met.

At 31 December 2007, 1,044,859 ordinary shares (2006 – 1,044,859 ordinary shares) were held by the Senior plc Employee Benefit Trust, a discretionary trust resident in Jersey. The market value of these shares at 31 December 2007 was £1,230,321 (2006 – £668,710). The Trust has materially waived its rights to dividends on these shares. The executive Directors are not collectively interested in these shares.

Dividends do not accrue on shares that vest under the 2005 LTIP arrangements and are not credited to share option awards under the 1999 Plan. The Remuneration Committee notes the introduction of International Accounting Standard 33 "Earnings per Share", and confirms that any change to the presentation of the EPS performance targets for the Company's share schemes will not result in any less stringent performance targets than those applying to the existing share awards.

The closing middle market price of the shares at 31 December 2007 was 117.75p (2006 – 64.00p). During 2007, the shares traded in the range of 64.75p to 130.25p.



This graph compares the Total Shareholder Return of the Company's shares against the FTSE Industrial Engineering Index and the FTSE Small Cap Index over a five-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.

Directors' Pension Entitlements

The Directors had accrued entitlements under defined benefit plans as follows:

	Gross increase in accrued pension (A) £000's	Increase in accrued pension net of inflation (B) £000's	Total accrued pension at 31.12.07 (C) £000's	Value of net increase in accrual over period (D) £000's	Change in transfer value during period (E) £000's	Transfer value of accrued pension at 31.12.07 (F) £000's	Transfer value of accrued pension at 31.12.06 (G) £000's
G R Menzies	5	4	29	66	111	625	505
M Rollins	4	3	27	26	47	306	251
M Sheppard	2	1	33	2	10	80	70
Total	11	8	89	94	168	1,011	826

1. The pension entitlement shown is that which would be paid annually on retirement based on service to, and final pensionable salary at, 31 December 2007.

2. The gross increase in accrued pension during the year (A) includes an increase for inflation; the net increase in accrued pension (B) excludes any such increase.

3. The transfer values have been calculated in accordance with version 9.2 of Guidance Note GN11 issued by the actuarial profession.

4. Any Additional Voluntary Contributions paid by the Directors and the resulting benefits are not shown.

5. The figures quoted above for M Sheppard are in respect of the defined benefit element of his pension only. In addition, he participated in the defined contribution plan to which he paid $11,250 and the Company paid $13,548 during the year.

6. The transfer value of net increase (D) represents the incremental value to the Director of his service during the year, calculated assuming service terminated at the year-end. It is based on the accrued pension increase (B) and is quoted after deducting the Director's contribution.

7. The change in the transfer value (E) includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements. It is quoted after deducting the Director's contribution.

Shareholder Approval for the Remuneration Report

The Company is proposing an ordinary resolution to its shareholders approving this Remuneration Report.

This report was approved by the Board on 29 February 2008 and signed on its behalf by:

I F R Much
Chairman of the Remuneration Committee