

Corporate Profile

Senior is an international engineering group with annual sales of around £400m and with operations in 12 countries.

Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide aerospace, automotive and specialised industrial markets.

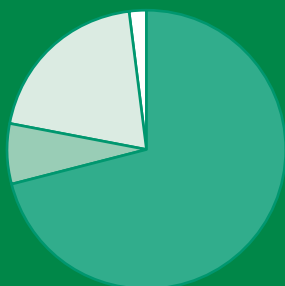
Senior's policy is to enhance shareholder value by improving operating performance and customer service levels and by developing its market positions in the aerospace and automotive industries.



Aerospace

- 41% of Group turnover
- 10 operations
- Engine structures and mountings, Fluid control systems, Metallic high-pressure ducting, Composite low-pressure ducting

Geographical Turnover*



£164.6 million

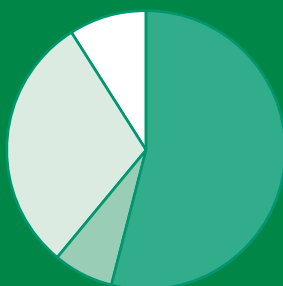
- 71% North America
- 7% UK
- 20% Rest of Europe
- 2% Rest of World



Automotive

- 37% of Group turnover
- 8 operations
- Flexible exhaust connectors, Engine emission pipework, Diesel fuel systems, Air conditioning/turbo charger pipework

Geographical Turnover*



£148.4 million

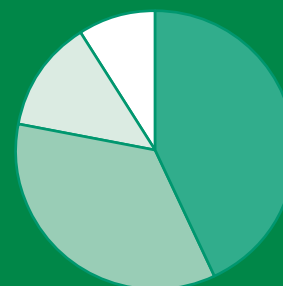
- 54% North America
- 7% UK
- 30% Rest of Europe
- 9% Rest of World



Specialised Industrial

- 22% of Group turnover
- 8 operations
- Metallic and fabric expansion joints, Flexible metallic hoses, Composite hoses, Ventilation ducting

Geographical Turnover*



£86.1 million

- 43% North America
- 35% UK
- 13% Rest of Europe
- 9% Rest of World

Financial Highlights

Despite difficult trading conditions, the Group delivered a resilient performance during 2002 and again substantially reduced debt.

We expect 2003 to be another challenging year with manufacturing recession and political uncertainty continuing.

Nevertheless, Senior is operationally in much better condition to deal with this period of uncertainty and the lower debt level allows the Group to look forward to the future with renewed confidence.

Year ended 31 December	2002	2001
Turnover from continuing operations	£398.7m	£444.3m
Operating profit from continuing operations		
– before exceptional items and goodwill amortisation	£24.7m	£34.0m
– after exceptional items and goodwill amortisation	£17.6m	£21.0m
Profit before taxation	£7.0m	£9.5m
Free cash flow	£25.2m	£28.6m
Net borrowings	£87.4m	£122.7m
Underlying earnings per share	4.47p	5.51p
Dividend per share	2.00p	2.00p

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During the course of 2002, the Group faced frequent changes to customer requirements, particularly in the civil aerospace market where the industry adjusted demand levels downwards throughout the year. This was in addition to the recessionary environment experienced in most parts of our business. Nevertheless, the Group continued to implement improvements in the operational aspects of the business and emerged in better managerial order at the end of the year. In addition, and very importantly, the Group net debt was reduced from £122.7m at the beginning of 2002 to £87.4m at the end – a 29% drop in a difficult trading year and firm evidence of the quality of the underlying businesses and the improving financial position of the Group.

Financial Headlines

Group turnover from continuing operations fell 10.3% in the year to £398.7m and operating profit from continuing operations before goodwill amortisation and exceptional items declined from £34.0m to £24.7m. Group profit before tax declined from £9.5m to £7.0m resulting in underlying earnings per share of 4.47p (2001 – 5.51p).

Operations

Aerospace sales dropped by 16.4% in 2002 to £164.6m (2001 – £196.8m), as the full year impact of reduced demand from the civil market was seen. This was mitigated to some extent by improved demand from the military and defence sectors. Operating profits before goodwill amortisation and exceptional items, which had dropped sharply in the first half, recovered a little in the second half to end the year at £8.4m (2001 – £18.0m).

Sales in the Automotive Division declined by 7.2% to £148.4m (2001 – £160.0m). This was primarily due to some of our product programmes in North America coming to an end. Operating profits before goodwill amortisation and exceptional items were £12.7m (2001 – £12.8m) with an operating margin, on this basis, of 8.6% (2001 – 8.0%).

The Specialised Industrial Division recorded sales of £86.1m (2001 – £88.5m). The operating margin, before goodwill amortisation and exceptional items, improved from 3.6% to 4.2% with the associated operating profits ahead by 12.5% to £3.6m.

These results are stated before £1.3m (2001 – £2.9m) of costs incurred on reorganisation programmes to deal with the adverse market conditions.

During the year the Group disposed of its four European expansion joint operations with the proceeds contributing to the debt reduction.

Dividend

In 2001, dividend levels were amended to bring the dividend cover back to a more appropriate level for the business. In line with this policy the Board is recommending a final dividend of 1.35p per share in respect of 2002, bringing the total dividend for the year to 2.00p per share (2001 – 2.00p).

Employees and the Board

During the year, Mike Sheppard joined the Board, having worked as an executive within Senior for a number of years. Mike is the Chief Executive of the Automotive Division and the North American Industrial operations. He is a US citizen and works out of Chicago. Having been elected by the Board during the year he will stand for re-election by the shareholders at the forthcoming Annual General Meeting.

Richard Turner, who has been a non-executive Director of Senior since 1996, has agreed to a further two year term until July 2004 and offers himself for re-election by the shareholders at the Annual General Meeting. During 2002, Richard was awarded the CMG in the Queen's Birthday Honours List and the Group congratulates him upon his award. In addition, John Hudson, who retired from the Board in 2001 after nine years as a non-executive Director, was awarded the OBE and we send our congratulations to him.

During 2002 employee numbers were reduced to bring capacity in line with demand and many operational changes and improvements were implemented. In this tough and uncertain period, and throughout all the necessary changes, there has been unstinting enthusiasm and support from our employees, for which we thank them.

Outlook

It is hoped that the rescheduling of aerospace orders was largely completed in 2002. 2003 has started with a more settled outlook, albeit at this lower level of demand, but at levels that have been planned for by the operations. Barring further market deterioration, we expect some modest recovery in our aerospace performance, helped by new programmes starting volume production and the benefits of operational improvements coming through.

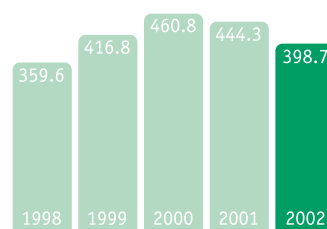
Senior Automotive will be impacted by two programme conclusions in 2003 and automotive production volumes in North America and Europe are softening. We remain cautious on the outlook. In Specialised Industrial, trading conditions in North America are reasonable although those in Europe are generally more difficult.

We expect 2003 to be another challenging year with manufacturing recession and political uncertainty continuing. Nevertheless, Senior is operationally in much better condition to deal with this period of uncertainty and the lower debt level allows the Group to look forward to the future with renewed confidence.

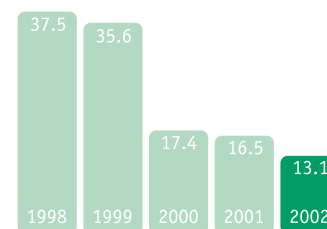


James Kerr-Muir Chairman

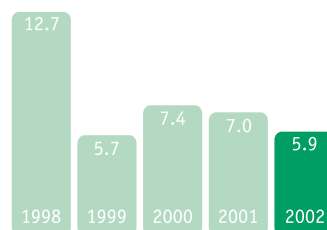
Turnover £m*



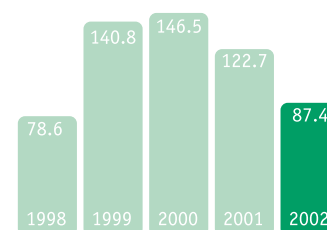
Gross Capital Expenditure £m



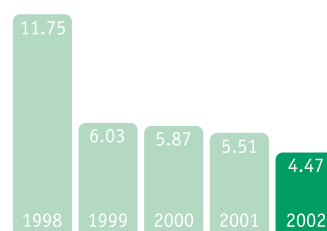
Operating Margin %*



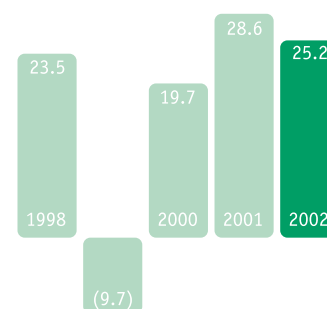
Net Debt £m



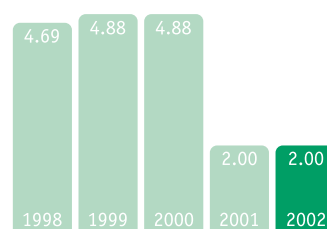
Underlying Earnings Per Share pence



Free Cash Flow £m



Dividends Per Share pence



* Continuing businesses before impairment and amortisation of goodwill



During another difficult year with most of our markets remaining very challenging, the Group has reduced its debt and continued to work on operational improvements in all respects.

The improvement strategy, adopted in 2000 and pursued during 2001, continued unabated during 2002. We worked on improving operational performance in all respects and irrespective of the generally lower level of customer demand. We kept our central costs low and delivered lower costs and reduced working capital in the subsidiaries. We continued to effect disposals amongst the European industrial businesses and most importantly, we again reduced the Group net debt which ended the year at £87.4m, a reduction of 29% in the year and a reduction of nearly 50% from when the debt reduction programme started in May 2000.

Gross capital expenditure in the year was reduced to 74% of depreciation. However, necessary and justifiable investment was maintained. Indeed, two new factories were opened in the year to relocate Senior Aerospace BWT and Senior Aerospace Ermeto into modern efficient factories.

During the course of the year, manufacturing recessionary influences became more obvious in most of the developed, industrialised world. Economic conditions in Germany were particularly weak throughout 2002 with those in the rest of continental Europe and the USA weakening during the period. Canada and, to a lesser extent, the UK were relatively buoyant.

The global airline industry continued to react adversely to the economic slowdown and the threat of international terrorism. Whilst there was some recovery in traffic volumes during 2002, airline profitability, particularly in the USA, remains very poor. As a consequence, the major suppliers to the airlines – the aircraft and engine builders who are our customers – continued to adjust their production schedules downwards throughout 2002. Hopefully 2003 will see more settled levels of demand.

Senior Automotive encountered mixed market conditions. In Europe, the overall demand for vehicles fell by about 3% but the proportion of diesel engine vehicles continued to climb. In the USA, demand remained higher than we had originally expected primarily because of dealer incentives and cheap financing. As a result vehicle sales remained at healthy levels (16.8m cars and light trucks) and, importantly, dealer stocks of vehicles were at the same level in December 2002 as they were in December 2001 – 59 days. Destocking in 2003 should not, therefore, be a significant issue although demand levels are expected to show declines over 2002.

In the industrial markets in which we participate, UK construction was satisfactory, semi-conductor equipment continued to be severely depressed, oil and gas was slightly better than expected, power generation started well but finished weaker and process plant (e.g. chemicals and steel) remained tough.

Prospects

We enter 2003 with many business opportunities. In aerospace, the joint strike fighter programme (JSF) at Lockheed Martin is gathering momentum with many of our operations being involved, as they are with the new large Airbus A380. In automotive, volume increases are being seen in our South Africa facility and, in the longer term, diesel engine performance is beginning to attract more interest in the USA, the common rail system having transformed the diesel engine's fortunes in Europe.

Throughout the operations, we continue to seek operational performance and management improvements in all areas – lean production, more effective design and rigorous financial routines. Whilst we plan to continue our existing policies and strategies throughout 2003, now the debt level is much lower, we can look forward to being able to review these in the medium term in order to take better advantage of the economic upturn when it comes.

Our employees have made valuable contributions during another period of challenge and change and, as an acknowledgement of the part they have played, the Annual Report features a small selection of the men and women of our organisation, in addition to the hardware traditionally highlighted.



- 1 Graham Menzies with Sylvio Deveau, Dino Pettiford and Peter Fontecchio who have all completed 40 years' service with Senior Aerospace Metal Bellows.
- 2 John Williams and Tony Shannon at Senior Aerospace Jet Products.
- 3 The management team of Senior Aerospace Ermeto outside their new factory.
- 4 Greg Frye presents Cessna's recognition award to Wade Bailey at Senior Aerospace Composites.

Senior Aerospace had to adjust capacity almost monthly throughout 2002 as the industry reduced demand. We squeezed out cost and working capital and ended the year with an improving performance.

Demand continued to slow during the year and all operations experienced rescheduling by customers resulting, almost without exception, in lower volumes. Consequently, many capacity adjustments needed to be made. The operations responded well to these circumstances.

Metal Bellows, which specialises in edge-welded bellows applications, primarily for infinite-life low-maintenance pumps, accumulators and reservoirs, performed exceptionally well despite the semi-conductor industry failing to recover. They were helped by an increase in defence and military spending. During the year, medical application volumes increased, installation of a new business computer system began and design engineering proposals were made for substantial work on JSF.

In San Diego, California, Senior Aerospace has two machine shops making structural parts for civil and military jet engines as well as the engine mountings into the nacelles on the aeroplanes. At Ketema, the two main customers both adjusted schedules downwards and the company suffered considerable disruption as a result. By the last quarter of the year, however, a degree of stability had returned. At Jet Products, volumes came down significantly, primarily as a result of the Boeing 737 build-rate being halved. As a result of the need to reduce capacity, its small feeder factory was closed and the operations moved into the main facility. Towards the end of the year, the managements of Ketema and Jet Products were amalgamated, not only as a cost reduction measure, but also to instil the very highest standards of manufacturing excellence necessary to profitably meet the demands of this sector of the market. These two operations enter 2003 in good operational shape and with demand slightly ahead of plan.

In France, Ermeto moved out of five old buildings into one new modern facility. The prospects for the company continue to be encouraging and it was one of the few operations to grow its sales during the year. At Calorstat, an unsatisfactory loss in 2001 was replaced by a breakeven trading result in 2002 as a result of the cost reduction measures taken. 2003 has an improved outlook as new business from Airbus is in production.

Bosman, in Holland, had an eventful year with the rebuilding of the main assembly hall (following the roof collapse in 2001), reductions in customer schedules and a major reduction in its airline repair business. To counter this the company successfully developed aftermarket business for the industrial gas turbine sector. The company ended the year with an encouraging order book for 2003.

Senior Aerospace has two composite ducting businesses, BWT in the UK and Composites in the USA. BWT suffered a substantial schedule downturn from its main customer, Bombardier, which coincided with BWT moving into a new facility. Together with Composites, BWT is working on the design and development of the cockpit ducting system for the A380, the costs of which are being expensed as incurred. It is expected that this work will be finished early in 2003. As a result of the relationship on this programme, additional work with Airbus may be secured. Composites had a solid order book throughout 2002 and despite a small reduction in sales over 2001, increased its profit. The key to this was a full year deployment of lean manufacturing techniques. However, their biggest customer, Cessna, recently reduced its schedules for 2003.

At Bird Bellows, in the UK, a modest reduction in sales for the year was accompanied by a similarly modest reduction in profitability. This company is the sole supplier to Airbus for the flexible wing duct joints and has been nominated for the A380 programme.

At SSP, in Los Angeles, schedules strengthened helped by the ramp up of the Rolls-Royce Trent 500 programme and the higher levels of spending on military programmes by the US Government. The financial performance of the company improved and is expected to improve further in 2003. This company is an industry leader in high temperature ducting system design. Modernisation of the existing leasehold facility is anticipated to begin during 2003.

Throughout Senior Aerospace, improvements in on-time delivery and inventory turns have been delivered as a result of the strategy to improve operational effectiveness. Further improvements are expected. Capital expenditure for the Division is likely to be significantly less than depreciation in 2003 because, with the industry in the doldrums, the Division needs little additional capacity. However, few programmes in the industry have been cancelled and the sales and engineering staff have remained busy. The principal exception to this was Fairchild Dornier's receivership, when the FD728 development was halted and we had to write off £0.3m. Due to our continued engineering activity we do not expect to lose market share whilst the industry awaits an upturn. Instead, we expect to win additional future programmes to allow us to grow again when confidence returns to the aerospace industry.



- 1 Jizelle Lawrence pictured at Senior Automotive Cape Town.
- 2 John Schmitz, Gary Castello and Julian Hernandez are members of the design team at Senior Automotive Bartlett.
- 3 The management team at Senior Automotive New Delhi.
- 4 Some of the team at Senior Automotive Kassel.

Senior Automotive has continued throughout 2002 to work on product development both in the USA and in Europe, particularly in diesel engine applications where use worldwide continues to grow.

Senior Automotive operates in two main markets – North America and Europe. Demand in the USA was slightly higher than expected during 2002 and continued to defy the slowing economy throughout the year. Incentives offered by the vehicle manufacturers substantially helped to maintain demand and 2002 ended with modest stocks. In Europe, 2002 saw a 3% fall in overall demand and 2003 is anticipated to be flat at best. Overall we are cautious about economic conditions for 2003.

Helped by better than expected demand, Senior Automotive Bartlett, located near Chicago, had a good year with profit and cash flow ahead of plan. Development work on a number of new products continued with a variety of customers. In particular, prototype work has begun on components for common rail diesel engines for vehicles destined for the North American market. This significant development could lead to substantial new business in the future. However, the flexible exhaust connectors for one programme that only commenced shipment in early 2002 has now been removed from the vehicles. This will make the operation's performance difficult to repeat in 2003.

At Senior Automotive Blois, in France, performance improved in 2002 over 2001 but not yet to a satisfactory level. Management strengthening and ongoing product rationalisation should enable the business to make further progress in 2003. The demand for common rail diesel engine fuel system components is strong and development work on complete systems continues. We have a technical leadership inherent in this operation which is not yet reflected in its performance.

2002 was the first full year of production at the new greenfield site in Olomouc in the Czech Republic. Disappointingly, the plant did not come into profit as planned in 2002 but it should do in 2003 when further products are transferred from Blois and a new third party programme launches mid-way through the year.

Senior Automotive Kassel traded in very weak markets – all current production goes to the industrial sector, primarily the German chemical and solar heating industries – and the operations recorded an unsatisfactory result. Cost reduction measures are being taken. Progress is being made, however, in developing German automotive component business for the future with several promising development programmes underway for heavy truck and fuel control applications, using the Group's hose and bellows technologies.

In Brazil, at Senior Automotive Sao Paulo, 2002 turned out to be a better year than 2001, thanks to the cost reduction measures taken in 2001 and a more stable economy. The second half of 2002 was particularly strong as a result of some large industrial projects being completed, shipped and invoiced.

Senior Automotive New Delhi made good progress in 2002 and produced another strong performance. The company has continued to win new work for the Indian car assembly market whilst maintaining its supply of aftermarket components to Asia, Europe and the USA.

At Senior Automotive Crumlin, 2002 was the second year of change with the product mix moving away from exhaust flexible connectors and more towards exhaust gas control mechanisms. Like Bartlett, new product development is a priority.

In South Africa, Senior Automotive Cape Town grew its sales by 48% as a result of the new product lines introduced in 2001 and 2002. Profitability also increased but was hampered by temporary local raw material supply problems. Fortunately not all products specify locally sourced stainless steel. In 2003 it is planned that a new and much larger factory will be commissioned, close to the existing facility, to cope with substantial new business, particularly from Peugeot. We expect to invest around £1.5m in this business during 2003.

Whilst the automotive industry continues to build a similar number of vehicles, the desire of the car assemblers for lower costs is relentless. Excellent on-time delivery and quality standards are the norm with technical expertise and price the differentiators. Senior Automotive, with its experienced engineering resource, dedication to process and product development and its access to lower cost manufacturing sites in South Africa, India, the Czech Republic and Brazil, is well placed to face these challenges.

Specialised Industrial



- 1 Andrew Bridgewater producing gas meter connections at United Flexible.
- 2 Makram Ebeid is a machine design engineer at Romeoville.
- 3 Ken May is a member of the Pathway production team.
- 4 Brian Ward (46 years' service), William Bateson (39 years), Tony Burke (49 years) and Kevin White (31 years) at Senior Hargreaves.

Specialised Industrial improved its profit and cash flow in markets that were generally unrewarding. Pathway, Canada and Hargreaves contributed well.

Market conditions were mixed in this sector of our business. Europe was quite weak, particularly in Germany, whilst Canada enjoyed strong conditions. In the USA markets weakened as the year progressed.

The business in Canada had a strong year under new leadership and sales, profit and cash flow all improved during 2002. The decision was taken to close a small service factory to further improve performance. The oil and gas markets were healthy and the Canadian steel mills, an important market sector, operated in better market conditions than were enjoyed by steel companies in most other parts of the world.

The hose business in Romeoville, Illinois, improved its performance but remained a modest contributor as the semi-conductor market failed to recover.

Pathway, with operations in New Braunfels, Texas, and Oakridge, Tennessee, had another good year despite the downturn in the US power generation original equipment market. The company is the world leader in the design and manufacture of large expansion joints for process plant applications and has the physical capacity to build the largest sizes specified. 2003 is likely to see slightly weaker markets.

In Sweden, our Teflon hose business, Habia, generated a decent cash flow in subdued market conditions that led to lower sales and profits.

Turnover of the three European metal hose operations, in the UK, Holland and France, reduced a little in aggregate in subdued market conditions. Prospects appear slightly better for 2003 primarily because of the re-equipping of the UK gas distribution infrastructure, a strengthening position in the seagoing tanker discharge market for composite hose in Holland and due to lower costs and a rising order book in France.

The four businesses that comprised our European expansion joint operations, based in the UK, Denmark, Poland and the Czech Republic, were sold during 2002. We wish everyone employed in these businesses well for the future.

At Senior Hargreaves, 2002 started with a good quality order book and finished with year on year improvement in sales, profits and cash flow. This business is the UK market leader in the manufacture and installation of air conditioning ducting. Looking forward the commercial construction industry is slowing, whilst medium term opportunities are returning in nuclear decommissioning, public service and infrastructure projects.

Overall, the Division improved its quality of earnings during 2002. Sales were down very marginally, but the return on sales (before goodwill amortisation and exceptional items) increased from 3.6% to 4.2% with cash inflow well ahead of operating profit and 12% higher than in 2001. This represented a valuable contribution to the Group's earnings and debt reduction strategy.

Graham Menzies Chief Executive



Financial Performance

In difficult trading conditions, Group turnover from continuing operations fell by 10.3% to £398.7m (2001 – £444.3m). Operating profit on continuing operations after goodwill amortisation and exceptional items fell to £17.6m (2001 – £21.0m). Profits on ordinary activities before tax were £7.0m (2001 – £9.5m).

The decline in Aerospace Divisional turnover (£27.3m on a constant currency basis) was principally as a result of the ongoing slowdown in the Civil Aerospace market, with the operations at Jet Products (Boeing 737 production halved) and BWT (slowdown in the regional jet market) seeing the largest percentage declines. New vehicle production in North America held up well but, as anticipated, the Group's automotive turnover in North America fell as programmes ended. Outside North America, automotive turnover rose slightly as growing diesel volumes and new programmes coming on stream in Cape Town more than offset declines in new vehicle production in continental Europe. Turnover in the Specialised Industrial Division, before currency effects, was broadly unchanged. Adverse currency movements accounted for £11.2m of the total £45.6m (10.3%) reduction in Group turnover.

On a constant currency basis, operating profits before exceptional costs and goodwill amortisation were ahead of the prior year by £0.5m (16%) in the Specialised Industrial Division and by £0.5m (4%) in the Automotive Division. The latter result reflected the achievement of significant cost savings in North America following the merging of management at two operations in late 2001. Underlying profitability in the Aerospace Division fell by 52% (£9.1m). Adverse currency movements further reduced the Group result by £1.2m compared with 2001.

Exceptional Items and Goodwill Amortisation

Exceptional charges for the year comprised £1.3m of reorganisation and redundancy costs (2001 – £2.9m). These arose across a number of operations as employee numbers were reduced in line with demand and a small aerospace satellite factory was closed. A review of the carrying value of fixed assets and goodwill across the Group resulted in no impairment (2001 – £4.0m). The small reduction in the goodwill amortisation charge to £5.8m (2001 – £6.1m) was exchange rate related.

Interest Charge

The net interest charge for the year of £6.6m was 33% lower than the prior year (2001 – £9.8m) as a result of the significant reduction in the level of the Group's borrowings and lower interest rates, particularly in the USA. Most of the Group's borrowings are in US\$. Interest cover, calculated on operating profits before exceptional items and goodwill amortisation, was 3.7 times (2001 – 3.5 times).

Taxation

The overall Group taxation charge of £3.1m comprised a £3.6m charge relating to ordinary activities for the year, a net benefit of £0.1m relating to prior years and a net reduction in deferred tax liabilities of £0.4m. The Group's effective tax rate for 2002, measured on profit before amortisation and impairment of goodwill and before losses on disposal, was 18.5% (2001 – 23.2%). A reconciliation of the rate for the year, between the UK corporate tax rate of 30% and the actual charge, is included in Note 7 to the financial statements.

The Group had already adopted Financial Reporting Standard 19 – "Deferred Tax" in its 2001 results.

Earnings and Dividends per Share

Underlying earnings per share (after exceptional costs but before amortisation and impairment of goodwill and loss on disposal of operations and fixed assets) was 4.47p (2001 – 5.51p). As noted in the Chairman's Statement, a final dividend of 1.35p per share is proposed to be paid on 29 May 2003 to shareholders on the register on 2 May 2003. Together with the interim dividend of 0.65p, total dividends paid in respect of 2002 would then be 2.00p (2001 – 2.00p).

Disposals

The Group sold its four European expansion joint businesses (located in Denmark, Poland, the Czech Republic and the United Kingdom) during September 2002 for a total consideration, net of costs, of £3.8m. Of this £2.8m was received in the year. On turnover of £5.7m the operations broke even at the profit before interest and tax level during the period prior to disposal. A loss of £3.5m resulted from the disposal after taking into account the write-off of £1.4m of goodwill held on the balance sheet. Full details are shown in Note 25 to the financial statements.

Cash Flow and Net Borrowings

Cash profits, combined with a continuing tight control of working capital and capital expenditure, resulted in Free Cash Flow (operating cash flow from operations after net capital expenditure, interest and tax) of £25.2m (2001 – £28.6m). After receiving net disposal and acquisition proceeds of £2.2m and funding £2.5m in dividends the cash generated was used to reduce the Group's borrowings. The majority of the Group's borrowings are in US\$, as a policy hedge against the Group's US\$ assets, and the weakening US\$ (\$1.46:£ to \$1.61:£ over the year) reduced the reported sterling borrowings by £10.4m. Overall, the Group's net borrowings fell by £35.3m to £87.4m (2001 – £122.7m) during 2002.

Cash flow	2002 £m	2001 £m
Operating profit	17.6	21.3
Depreciation	17.8	18.4
Net capital expenditure (including finance leases)	(11.7)	(15.6)
Goodwill amortisation and impairment	5.8	10.2
Working capital movement	2.7	(3.0)
Net interest paid	(7.3)	(9.7)
Tax recovered	0.3	7.0
Free cash flow	25.2	28.6
Net disposals and acquisitions	2.2	11.5
Dividends paid	(2.5)	(15.0)
Dividends from associated undertakings	–	0.2
Effect of exchange rates	10.4	(1.5)
Reduction in net borrowings	35.3	23.8
Net borrowings	87.4	122.7

Funding and Liquidity

The Group finances its borrowings at Group level through a multi-bank revolving credit facility and the US private placement market. In addition it has a number of other local banking facilities. The policy is to ensure that all projected net borrowing requirements are covered by committed facilities. At the end of 2002 the Group had total facilities of £181m (including £160m committed) of which £80m was unused. The maturity profile of the £87.4m of net borrowings at the end of 2002 is:

	2003	2004	2005	2006	2007	2008
£m	(9.1)	32.7	0.2	0.2	15.7	47.7
	net cash					

Interest Rate and Currency Risk Management

In addition to funding and liquidity, the Group's main financial risks relate to interest rate fluctuations and foreign currency exposures. The management of all these risks is performed by a centralised treasury department which reports to the Group Finance Director. It operates under the guidance of the Group Treasury Committee, which meets quarterly, and acts according to the laid down objectives, policies and authority levels approved by the Board.

It is a Group policy to have the majority of its borrowings subject to fixed interest rates. At the year-end £65.2m of private placement borrowings (weighted average cost 7.53%) and £13.6m of other borrowings were subject to fixed rates, thus resulting in 78% of the Group's gross debt of £101.1m being fixed interest in nature.

The Group hedges, through currency denominated loans and forward contracts, the majority of the exchange exposures that arise on its net investment in overseas operations. These exchange rate movements are treated as movements on reserves and recorded in the statement of total recognised gains and losses. Whilst the Group does not hedge the effects of currency movements on the translation of its overseas earnings into sterling, it does seek to cover, normally through forward exchange contracts on a rolling 12 month basis, known transaction exposures.

Pensions

The Group has continued to account for retirement benefits in accordance with SSAP24 and full details are disclosed at Note 24 to the financial statements. The Group's main defined benefit pension scheme is in the UK. It also has three small USA defined benefit schemes and a range of defined contribution schemes. At the date of the last valuation, on 6 April 2001, the UK plan's assets represented 100% of the benefits that had accrued to members after allowing for future

increases in earnings. This position has deteriorated significantly since then as equity markets have fallen steeply. In total the Group charged £2.7m (2001 – £1.5m) to its profit and loss account in respect of its defined benefit schemes and £3.3m (2001 – £3.5m) in respect of its defined contribution schemes. Total cash funding of £1.6m (2001 – £1.4m) was made in respect of all the defined benefit schemes. Whilst the next valuation of the UK plan is not until April 2004, the Group intends to increase its funding in 2003 such that the total cash contributions in respect of all its defined benefit schemes is anticipated to rise by around £1.6m, to £3.2m p.a.

Although not adopted, full disclosure in accordance with FRS17 (Retirement Benefits) is provided as required in Note 24 to the financial statements. This shows that, at 31 December 2002, there were total unprovided pension deficits, net of deferred tax of £27.6m. Despite nearly 50% of the UK plan's assets being in bonds, which performed well, this represents a deterioration of £22.4m in the year as equity values fell sharply and the discount rate used to discount pension liabilities reduced from 6.0% to 5.5%. Had the Group adopted FRS17, then the 2002 charge to operating profit would have been £1.9m.

Non Statutory Information

Throughout the commentary on the results a number of non statutory financial numbers are quoted. These include:

- Operating profit before exceptional items and goodwill amortisation – this is used to illustrate the ongoing, underlying trading performance of the Group. Note 2 provides the information to reconcile this to operating profit.
- Underlying earnings per share – this is used to highlight the total performance of the Group prior to impact of goodwill amortisation and the disposal of assets and discontinued operations. Note 9 provides the information to reconcile this to basic earnings per share.
- Free cash flow – this is used to illustrate the total net cash generation by the Group prior to corporate activity such as acquisitions, disposals and dividend payments. Its derivation is fully documented earlier in this report.

Authority to Purchase Own Shares

In order to provide the Group with greater future funding flexibility, the Board intends to put a resolution to the shareholders at the forthcoming Annual General Meeting to give the Group the authority to purchase its own shares. Notwithstanding this resolution, the Board has no current intention of exercising such authority.

Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate financial resources to continue to operate for the foreseeable future. It is, therefore, appropriate for the accounts to continue to be prepared on a going concern basis.



Mark Rollins Group Finance Director

Board of Directors



James Kerr-Muir Non-Executive Chairman*, Age 62

Chairman of Davenham Group plc and of Ehrmanns Holdings Limited and a non-executive director of Yates Group plc and Gartmore Fledgling Investment Trust plc. He previously held senior management positions with Kingfisher plc and Tate & Lyle plc and was Chairman of The Outdoor Group Limited and Freeport plc and Deputy Chairman of Birmingham Midshires. He joined the Board in 1996 and was appointed Deputy Chairman in 2000 and Chairman in 2001. He is also Chairman of the Remuneration Committee.



Graham Menzies Group Chief Executive, Age 55

Joined as Group Chief Executive in 2000 previously having been with Advest Automotive plc for over fourteen years, latterly as Chief Executive. He holds graduate and post-graduate qualifications in Mechanical Engineering and Machine Tool Technology and is a non-executive director of St Ives plc.



Mark Rollins Group Finance Director, Age 40

A Chartered Accountant, he began his accountancy career with BDO Binder Hamlyn before joining Morgan Crucible plc where, during a period of seven years, he held a number of senior corporate and operational finance roles. He joined the Group in 1998 as Divisional Finance Director, was promoted to Finance Director – Group Operations in 1999 and became Group Finance Director in 2000, when he joined the Board. He is Chairman of the Group's Treasury Committee.



Michael Sheppard Executive Director, Age 44

Joined the Board on 1 September 2002. A citizen of the United States, he has worked for Senior for a number of years, most recently as the Chief Executive of the Automotive Division and the North American industrial operations.



Martin Clark Non-Executive Director*, Age 57

Joined the Board in 2001 and is also a non-executive director of BPB plc, Clarkson plc and Blick plc. From 1997 to 2000 he was Group Finance Director of Caradon plc. Prior to that, he was Group Finance Director at Associated British Foods plc and for a period of ten years, of Northern Foods plc and held senior finance positions at Simon Engineering. He is Chairman of the Audit Committee and of the Trustee Board of the Senior plc Pension Plan.



Richard Turner CMG, OBE Non-Executive Director*, Age 60

Retired during the year as Group Marketing Director of Rolls-Royce plc. He is also a non-executive director of Corus Group plc and a member of the Board of British Trade International. Joined the Board in 1996. He is Chairman of the Nominations Committee.

*Member of the Audit, Remuneration and Nominations Committees

Officers and Advisers

Secretary and Registered Office

Andrew Bodenham
59/61 High Street
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Hertfordshire WD3 1RH

Registered in England and Wales
No. 282772

Registrars

Lloyds TSB Registrars
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West Sussex BN99 6DA

Auditors

Deloitte & Touche
Four Brindley Place
Birmingham B1 2HZ

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Principal UK Clearing Bankers

HSBC Bank plc
8 Canada Square
London E14 5HQ

Royal Bank of Scotland
135 Bishopsgate
London EC2M 3UR

Merchant Bankers

Schroder Salomon Smith Barney
Citigroup Centre, 33 Canada Square
London E14 5LB

Brokers

Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

Report of the Directors

The Directors present their report and supplementary reports, together with the audited financial statements for the year ended 31 December 2002.

Activities and Business Review

Senior plc is a holding company. Its Principal Group Undertakings are shown on page 47 and comments on each Division's results and activities in 2002 are included in the Chief Executive's Review on pages 4 to 7.

Disposals

Disposals during 2002 are reported in Note 25 to the Accounts. There were no acquisitions during the year.

Results and Dividends

The results for the year are shown in the Group Profit and Loss Account on page 22.

An interim dividend of 0.65p per share (2001 – 1.84p) has already been paid and the Directors recommend a final dividend of 1.35p per share (2001 – 0.16p). The final dividend, if approved, will be payable on 29 May 2003 to shareholders on the register at the close of business on 2 May 2003. This brings the total dividend for the year to 2.00p per share (2001 – 2.00p).

Share Capital

There were no changes in the share capital of the Company during the year.

Further details concerning share capital are given in Note 21 to the Accounts.

Directors

The Directors who served during the year and their interests in the shares of the Company are included in the supplementary Report on Remuneration on pages 13 to 16. None of the Directors has any interest in contracts with the Company or its subsidiary undertakings.

On 2 July 2002 R T Turner was reappointed to the Board for a further two year period. M Sheppard was appointed to the Board on 1 September 2002. Both retire in accordance with Article 82 and, being eligible, offer themselves for election.

M Clark and G R Menzies retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

M Clark and R T Turner have no service agreements with the Company and G R Menzies and M Sheppard each have a service agreement subject to 12 months' notice by either party.

Research and Development

In 2002, the Group incurred £4.0 million (2001 – £3.4 million) on research and development, before recoveries from customers of £0.2 million (2001 – £0.2 million). The majority of the Group's efforts are devoted towards product development and improved manufacturing techniques.

Charitable and Political Donations

Charitable donations amounting to £45,000 (2001 – £38,000) were made during the year.

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 16 days (2001 – 14 days). However, these figures are not considered indicative of the typical payment terms adhered to, which are estimated to be on average about 30 days.

Report of the Directors continued

Major Shareholdings

At 5 March 2003, the following shareholders had advised holdings in excess of 3% of the issued share capital of the Company:

Funds held, managed or advised by:

Schroder Investment Management Limited	42,956,346	13.98%
HSBC Asset Management	16,950,327	5.51%
AXA Investment Management Limited	16,284,590	5.30%
Deutsche Asset Management Limited	13,706,031	4.46%
Legal & General Investment Management Limited	12,846,648	4.17%
HBOS PLC	12,361,671	4.02%
Barclays Global Investors	9,310,462	3.03%
S G Asset Management	9,308,520	3.03%
BriTel Fund Nominees Ltd	9,286,618	3.02%

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.

Special Business at the Annual General Meeting

Shareholders will see from the Notice of Meeting that they are asked to consider as Special Business and, if thought fit, to pass the following resolutions:

1. Authority to Allot Shares – The Companies Act 1985 prevents Directors from allotting unissued shares without the authority of shareholders in general meeting. Resolution 9 will empower the Directors to issue the authorised but unissued share capital of the Company up to an aggregate nominal amount of £10,200,000 (representing 102,000,000 ordinary shares of 10p each and approximately one third of the total share capital in issue as at 5 March 2003, being a date not more than one month prior to this Notice). The Directors have no present intention of exercising this authority, other than in connection with the grant of share options.

2. Disapplication of Pre-emption Rights – Resolution 10 allows the Directors to make issues for cash, on a non pre-emptive basis, amounting to an aggregate nominal amount of £1,500,000 (representing 15,000,000 ordinary shares of 10p each and approximately 5% of the total share capital in issue as at 5 March 2003, being a date not more than one month prior to this Notice). The resolution will also allow the Directors to make a rights issue, open offer or other pre-emptive offers without the need to comply with the technical requirements of the relevant statutory provisions which are problematic, particularly with regard to overseas shareholders.

If approved, the authorities granted by Resolutions 9 and 10 will last for five years and shall expire on 16 April 2008.

3. Authority to Purchase its own Shares – Resolution 11 seeks authority for the Company to make market purchases of its own shares for cancellation up to a maximum of 30,700,000 shares representing approximately 10% of the issued ordinary share capital. The Directors may make purchases of the Company's shares if it considers such purchases will result in an increase in earnings per share and are considered to be in the best interests of shareholders generally. The seeking of this authority should not be taken to imply that shares will be purchased. The Directors believe that it is in the best interests of shareholders that the Company should have the flexibility to make market purchases of its own shares.

The number of options to subscribe for equity shares in the Company that are outstanding on 5 March 2003 was 13,767,064 representing 4.48% of the issued share capital at that time. If the full authority to buy back shares is used then such options will represent 4.98% of the issued share capital of the Company.

The authority granted by Resolution 11 shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2004 or, if earlier, on 16 July 2004. It is intended that the authority granted by Resolution 11 will be renewed annually.

Auditors

The Directors will place a resolution before the Annual General Meeting to re-appoint Deloitte & Touche as Auditors for the ensuing year.

By Order of the Board

Andrew Bodenham, Secretary

5 March 2003

Report of the Directors – Remuneration

The Remuneration Committee

The Remuneration Committee consists entirely of non-executive Directors. Its members throughout the year have been J R Kerr-Muir (Chairman), M Clark and R T Turner. 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.

The remuneration of the non-executive Directors is determined by the Board of Directors and the non-executive Directors do not participate in any discussion or decisions relating to their own remuneration.

Remuneration Consultants

Before recommending proposals for Board approval, the Remuneration Committee seeks advice from external remuneration consultants to ensure it is fully apprised of comparative external remuneration practice as well as legislative and regulatory developments. During the year, the Remuneration Committee appointed and received the advice of New Bridge Street Consultants in updating the Company's Share Plans and Watson Wyatt LLP in reviewing executive Directors' remuneration. Neither organisation provided any other services to the Company. Slaughter and May provided legal and regulatory advice on the updating of the Company's Share Plans and this firm also provides other general legal services to the Company.

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, who are all independent, 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 and is based upon advice taken by the Board from independent consultants.

a) Service Agreements

Each executive Director has a service agreement providing for a rolling period of notice of one year. There are no current provisions in those agreements or otherwise for additional termination payments. The service agreements for G R Menzies, M Rollins and M Sheppard are dated 27 April 2000, 1 November 2000 and 1 April 1992, respectively.

The non-executive Directors do not have service agreements with the Company. J R Kerr-Muir was appointed Chairman under an initial fixed three year contract from 11 May 2001 terminable upon 12 months' notice on or after the third anniversary. M Clark was appointed with effect from 1 February 2001 for an initial three year term. R T Turner was re-appointed a non-executive Director on 2 July 2002 for a two year term.

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.

c) Annual Performance Bonus Scheme

Under the 2002 performance bonus scheme, bonuses of up to 100% of salary could have been earned for exceptional performance. The level of award was dependent upon the actual performance compared to the prior year and to budget in respect of profitability and cash flow. As a result of the cash flow performance of the Group a bonus of 25% of salary was payable to G R Menzies and M Rollins in respect of 2002 (2001 – 25%). A bonus of 61% of salary (2001 – 15%) was paid to M Sheppard in respect of the operating profits and cash flow performances of the Automotive Division.

The scheme in place for 2003 is largely unchanged from the 2002 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.

At the Annual General Meeting on 2 May 2002, shareholders approved the removal from the rules of the 1999 Executive Share Option Plan, the Long Term Share Incentive Plan and the Savings Related Share Option Plan of the secondary limits which controlled the rate at which options or awards can be granted. The primary limits remain in place.

Under the unapproved section of the 1999 Executive Share Option Plan, the Committee, for future awards, retained the discretion over whether options should vest on a change of control. For the approved section, options vest automatically on a change of control.

All executive Directors are eligible for the following share plans:

i) 1999 Executive Share Option Plan

The Executive Share Option Plan was launched following its approval by shareholders at the Annual General Meeting in May 1999 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. Any performance target must be no less challenging than the one it replaces.

Report of the Directors – Remuneration continued

All options granted under this Plan to date will, 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.

In 1999 options were granted to certain senior managers and the then executive Directors and further options were granted in 2000 and in March, April and October 2001 to executive Directors and certain senior managers. 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) Long Term Share Incentive Plan

Following approval by shareholders at the Annual General Meeting in May 1996, the Long Term Share Incentive Plan was launched with a five year life which was subsequently extended for a further ten years at the May 2001 Annual General Meeting.

With the advice of New Bridge Street Consultants the Remuneration Committee agreed, under the discretion allowed it under the rules of the Plan, to review and revise the criteria under which Awards would normally vest to provide a challenging but clearly identifiable target. Under the revised criteria, 30% of the Award will, in future, vest for underlying earnings per share growth of 3% p.a. compound above the growth in the UK Retail Prices Index, 100% for 8% or more and straight-line vesting between those points. Performance is measured over a fixed period of four financial years.

In October 2001, Awards, under the new criteria, were made to the executive Directors and those are shown below under Directors' Interests, together with the base underlying earnings per share figure to be used in determining whether the performance target has been met. These are the only outstanding awards under the Long Term Share Incentive Plan.

iii) Savings Related Share Option Plan

Following approval by shareholders at the Annual General Meeting in May 1996, the Company's Savings Related Share Option Plan was launched that autumn to eligible employees across the Group, with further invitations each September since. There are no performance criteria for this arrangement and options are issued to all participants in accordance with the Inland Revenue prospectus for such savings related plans. As employees, executive Directors are eligible to participate and their options under the Plan are shown below under Directors' Interests.

e) Retirement Benefits

For former Directors where Inland Revenue limits applied, 25% of the shortfall between pensionable salary and Inland Revenue "cap" was accrued by the Company for payment from its resources on retirement; no such provision is made for its UK executive Directors, G R Menzies and M Rollins, and their arrangements, which are provided by the Group plan, are only based upon their pensionable salaries up to "cap". M Sheppard participates in a defined benefits plan and a defined contribution plan which are made available to the Group's US employees. His base salary is pensionable up to a "cap" of \$200,000 p.a.

f) Other Benefits

There are non-cash benefits including provision of a fully expensed car and medical insurance.

Directors' Emoluments

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.

Aggregate remuneration	2002 £000's	2001 £000's
Emoluments	881	776
Gains on exercise of share options and incentives (see below)	–	–
Money purchase contributions	3	–
Total	884	776

Directors' emoluments	Salary or fees £000's	Bonus £000's	Taxable benefits £000's	2002 Total £000's	2001 Total £000's
Executive					
G R Menzies	270	110	28	408	404
M Rollins	172	53	13	238	213
M Sheppard (from 01.09.02)	61	38	5	104	–
Non-executive					
J R Kerr-Muir	72	–	–	72	66
M Clark	34	–	–	34	27
R T Turner	25	–	–	25	25
Former Directors					
A K Watkins (to 11.05.01)	–	–	–	–	32
J L Hudson (to 11.05.01)	–	–	–	–	9
	634	201	46	881	776

The bonus figure shown for G R Menzies includes £43,000 which he received in lieu of the retirement benefits detailed in (e) above. In June 2002 the Remuneration Committee agreed that, from 2003, this payment would be consolidated into his base salary (which would remain pensionable up to "cap") and he would receive no further salary increases in 2003.

Bonuses of £67,000, £53,000 and £38,000 are payable to G R Menzies, M Rollins and M Sheppard (from 01.09.02) under the Annual Performance Bonus arrangement.

The above figures for emoluments do not include any amount for the value of share options or awards granted to, or held by, Directors.

Directors' Interests

M Sheppard joined the Board on 1 September 2002 and his interests are shown from that date.

The Directors who served during the year and their interests (which are all beneficial), including family interests, in the 10p ordinary shares of the Company were as follows:

Shares	Shares 2002	Shares 2001
G R Menzies	500,000	300,000
M Rollins	100,000	85,000
M Sheppard (from 01.09.02)	-	-
J R Kerr-Muir	120,819	60,819
M Clark	20,000	20,000
R T Turner	36,900	36,900

Options and other share incentives		Granted	Exercised	Gains on exercise/ vesting	Market price on exercise/ vesting	Lapsed	At	Option price	Exercise period/ maturity date
Date of grant/award	At 31.12.01	2002	2002	2002	2002	2002	31.12.02		
G R Menzies									
1999 Executive Share Option Plan									
05.04.00	227,272	-	-	-	-	-	227,272	82.50p	3 years to 04.04.06
13.09.00	230,755	-	-	-	-	-	230,755	54.17p	3 years to 12.09.06
Sharesave Plan									
06.10.00	38,793	-	-	-	-	-	38,793	43.50p	6 months to 01.05.06
Long Term Share Incentive Award Plan – Performance Awards									
31.10.01	270,000	-	-	-	-	-	270,000	-	30.10.05
M Rollins									
1999 Executive Share Option Plan									
13.05.99	37,172	-	-	-	-	-	37,172	154.35p	3 years to 12.05.05
13.09.00	276,906	-	-	-	-	-	276,906	54.17p	3 years to 12.09.06
Sharesave Plan									
06.10.00	22,270	-	-	-	-	-	22,270	43.50p	6 months to 01.05.04
Long Term Share Incentive Award Plan – Performance Awards									
31.10.01	180,000	-	-	-	-	-	180,000	-	30.10.05
M Sheppard (from 01.09.02)									
1999 Executive Share Option Plan									
13.05.99	48,924	-	-	-	-	-	48,924	154.35p	3 years to 12.05.05
13.09.00	328,173	-	-	-	-	-	328,173	54.17p	3 years to 12.09.06
Sharesave Plan									
06.10.00	24,018	-	-	-	-	-	24,018	43.50p	6 months to 01.05.04
Long Term Share Incentive Award Plan – Performance Awards									
31.10.01	180,000	-	-	-	-	-	180,000	-	30.10.05

Details of the 1999 Executive Share Option Plan and the Long Term Share Incentive Award Plan may be found on pages 13 and 14.

Report of the Directors – Remuneration continued

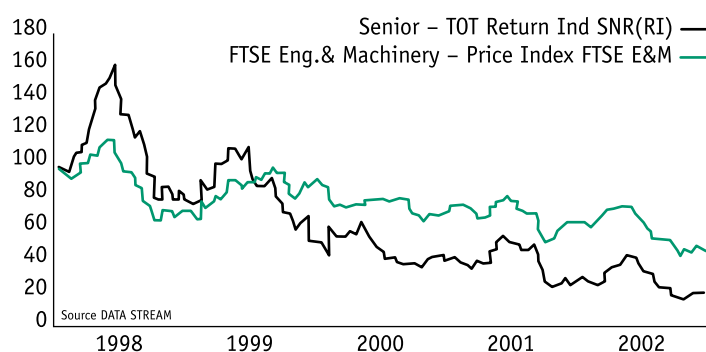
Options granted from 1999 onwards and the Long Term Incentive Share Awards become exercisable only when certain performance targets have been met. The base underlying earnings per share figures used to determine whether the target has been met are as follows:

Date of grant	13.5.99	5.4.00	13.9.00	10.10.00	23.3.01	11.4.01	31.10.01
Base underlying EPS	11.75p	6.03p	6.03p	6.03p	5.87p	5.87p	5.87p

Inclusive of the above Long Term Incentive Awards to Directors, at 31 December 2002, 870,716 ordinary shares (2001 – 870,716 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 2002 was £209,000 (2001 – £298,000). The Trust has materially waived its rights to dividends on these shares. The potential beneficiaries of this Trust include executive Directors and senior management within the Group and, accordingly, the executive Directors are collectively interested in those shares.

The middle market price of the shares at 31 December 2002 was 24.00p (2001 – 34.25p). During 2002 the shares traded in the range of 18.00p to 52.00p.

The accompanying graph compares the Total Shareholder Return of the Company's shares against the FTSE Engineering and Machinery Index over a five-year period (where dividends are included gross of tax). This index allows a comparison to be made against organisations facing broadly similar economic and market conditions as the Company.



No change in any of the Directors' share interests occurred during the period 31 December 2002 to 5 March 2003.

Directors' Pension Entitlements

The Directors had accrued entitlements under final salary 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 31.12.02 (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 31.12.02 (F) £000's	Transfer value of accrued pension at 31.12.01 (G) £000's
G R Menzies	3	3	9	42	45	129	79
M Rollins	3	3	9	15	12	62	45
M Sheppard	6	1	35	2	12	52	40
Total	12	7	53	59	69	243	164

- Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.
- Transfer values as at 31 December 2001 and 31 December 2002 have been calculated in accordance with version 1.5 of Guidance Note GN11 issued by the actuarial profession.
- The value of net increase (D) represents the incremental value to the Director of his service during the year, calculated on the assumption that service terminated at the year-end. It is based on the accrued pension increase (B) after deducting the Director's contribution.
- 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 calculated after deducting the Director's contribution.
- Voluntary contributions paid by Directors and resulting benefits are not shown.
- M Sheppard was only a Director for part of the year (appointed 1 September 2002). Greenbury Rules require (B) and (D) to reflect only that part of the year during which he was a Director. The other disclosures for M Sheppard relate to the full year.
- The figures quoted above for M Sheppard include the defined benefit element of his pension only. In addition, he has a defined contribution arrangement, to which the Company paid \$14,231 during the year (\$4,757 for the part year).
- In the 2001 Annual Report, the benefits for M Rollins were incorrect. His benefits have since been clarified and the above figures reflect this.

Principles

The policy of Senior plc (“Senior”) is to enhance shareholder value, recognising the importance, in achieving that, of operating in an ethical and socially responsible manner which helps to preserve health, safety and the environment.

Senior believes that operating in an ethical and socially aware manner which helps to preserve health, safety and the environment 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, Senior operations around the world (the “Group”) must meet their legal and regulatory obligations.

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 that appropriate training is arranged. 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 promotes a policy of 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 practical, local briefing sessions are held concerning such matters as health and safety, performance-related incentive plans, the Group’s Sharesave Plan (which operates wherever practical in the larger companies within the Group), pension plans, etc.

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.

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 within the Group strives to offer a competitive remuneration package to its employees.

Each Group operation aims to recognise and respond constructively to any community concerns about the health, safety and environmental aspects of its operations.

c) Preserving Health and Safety

The Group seeks to maximise employees’ involvement in health, safety and environmental matters by open communication and encouragement of active participation.

Each operation aims to provide sufficient resources in terms of people, training, plant and equipment to meet applicable health and safety obligations.

The Group’s operations strive to improve health and safety at work through, among other things, the use of internal assessments and regular reports on performance.

d) Preserving the Environment

While already subject to various laws and regulations governing the emission of substances which could affect human health or the environment, each operation examines different means by which to reduce further such emissions.

The Group strives both to reduce waste at source by careful use of materials, energy and other resources and to take advantage of recycling opportunities.

Each operation considers, early in the development stage, the possible environmental impact of new products and processes and the Group carefully considers environmental issues during acquisitions and divestments.

Each operation aims to provide resources in terms of people, training, plant and equipment to meet applicable environmental obligations.

The Group's operations strive to improve environmental protection through, among other things, the use of internal assessments and regular reports on performance.

Organisation and Responsibilities

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

All 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 workplace health and safety and the environment.

Each operation is expected to adopt policies in keeping with these principles and goals which also describe the local organisation and arrangements for putting them into practice. Each operation also has a person appointed to this task who is responsible to the General Manager of the operation for the implementation of these principles and goals.

Ethical, social, health, safety and environmental factors can represent risks to the Group's short and long-term value, as well as opportunities to enhance value that may arise from an appropriate response. The Senior 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 risk management process initiated following the Turnbull Report on corporate risk management, as described in the Report of the Directors – Corporate Governance. The Risk Management process adopted includes procedures for monitoring and verification of matters reported.
- Other important ethical, social, health, safety and environmental matters are reported to the Group Executive and the Group Board by the Group's Division Directors on a regular basis as part of their reports on operational matters.

The Group Chief Executive heads the ethical, social, health, safety and environmental function of the Board.

The Combined Code

The Company is required, under the Listing Rules of the Financial Services Authority, to report on the manner in which it has applied the Principles of Good Governance set out in Section 1 of the Combined Code of Corporate Governance and whether or not it has complied with the Code provisions. The reviews undertaken by Mr Derek Higgs and Sir Robert Smith, concerning the role and effectiveness of non-executive Directors and the role of the Audit Committee respectively, are being given due consideration by the Directors.

Application of the Principles

The Principles of Good Corporate Governance are detailed in the Combined Code under four areas which have each been reviewed by the Directors and then commented upon below:

a) Directors

The Directors consider that there is in place an effective Board which leads and controls the Group with clear divisions of responsibility between running the Board and running the Group's business.

The Board is structured under a non-executive independent Chairman and currently includes three executive Directors and two other non-executive independent Directors who were selected for appointment because of their wide industrial and commercial experience. In addition there is a Group Executive Committee, chaired by the Group Chief Executive which includes, along with the executive Directors, other key executives within the Group. Brief details of the Board are included on page 10.

A Nominations Committee makes recommendations to the Board on all new Board appointments and the composition of the Committee, which consists entirely of non-executive Directors, is shown on page 10.

In accordance with the Company's Articles, Directors submit themselves for re-election at the Annual General Meeting following their appointment and thereafter at intervals of no more than three years.

The Board meets formally on a regular basis (ten times in 2002) and in addition there are generally three meetings of the Audit Committee, three meetings of the Remuneration Committee and at least one meeting of the Nominations Committee each year. Other Committees are appointed by the Board to deal with treasury matters and specific issues such as acquisitions and disposals. The minutes arising from the Committee Meetings are available to the Board.

Procedures are in place to ensure that the Directors are properly briefed so that the decisions taken by the Board are based on the fullest available information. At every Board Meeting there are reviews of operational, financial and administrative matters while social, environmental and ethical issues and other matters such as health and safety, 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.

b) Directors' Remuneration

The Report of the Directors on Remuneration on pages 13 to 16 describes how the Board has applied itself to remuneration matters.

c) Relations with Shareholders

The Company endeavours to maintain regular contact with its institutional shareholders, through a series of group and one to one meetings to discuss both strategic objectives and the detailed performance of the business. It also makes constructive use of the Annual General Meeting to communicate with private investors and encourage their participation. The Company has a regularly updated website.

d) Accountability and Audit

Financial Reporting

The Board believes that the Annual Report properly presents a balanced and understandable assessment of the Group's position and prospects.

There is an independent internal audit function, which includes a cyclical programme of visits to all Group operations. The Group Internal Audit function also co-ordinates semi-annual Financial Integrity Declarations and self-assessment questionnaires applied on a cyclical basis and subjected to review. The results of these reviews and internal audit visits are reported to the Audit Committee, along with those from the external auditors.

The Audit Committee also reviews the scope, cost and timing of the work of the external auditors and acts to ensure their findings are appropriately implemented.

The composition of the Audit Committee, which consists entirely of non-executive Directors, is detailed on page 10.

Internal Control

There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group which has been fully in place during 2002 and to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and accords with the Turnbull guidance on internal control.

Information on the Group's significant risks, together with the relevant control and monitoring procedures, is reviewed for completeness and accuracy by the Group's management committees. The information is presented to the Board for Directors to assess the effectiveness of the system of internal control. Whilst the Board acknowledges its overall responsibility for internal control it believes strongly that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process. In carrying out their review of the effectiveness of internal control in the Group the Board has taken into consideration the following key features of the risk management process and system of internal control:

- Senior management of each business have spent time identifying and assessing key business unit and Group objectives, key issues, opportunities and controls. This assessment encompassed operational, compliance, financial and business risks and is updated on an ongoing basis. A risk assessment has similarly been prepared for the Group covering central functions and strategic risks;
- A detailed system of budgeting, reporting and forecasting for the Group's operations is in place which is monitored, both locally and centrally, through a review of monthly management information;
- The Group has expanded the remit of the Internal Audit function whose audit plan is reviewed, updated and approved by the Audit Committee. The conclusions from the function's work are reported to the Audit Committee, the Chief Executive and the Finance Director; and
- There is in place a formal annual risk management sign-off process for senior management in each of the business units. This is operated in order to ensure that, as far as possible, the controls and safeguards are being operated in line with established procedures and standards.

The whole risk management process is subject to review twice a year by the Audit Committee and strengthened as appropriate. Steps are taken to embed internal controls and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

The Board is responsible for the effectiveness of the Group's system of internal control and for the review of its effectiveness. Such a system is designed to manage rather than to eliminate the risk of failure to achieve the Group's objectives and can only provide reasonable but not absolute assurance against misstatement or loss.

Compliance Statement

The Company has, throughout the year, consistently applied the Principles of Good Governance. It has also complied with all the detailed provisions in Section 1 of the Combined Code except, having regard to the size and composition of the Board, the Directors do not consider it appropriate to appoint a senior non-executive director as required by Code provision A.2.1.

Statement of Directors' Responsibilities

UK company law requires the Directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those Accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts; and
- Prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the Accounts comply with the Companies Act 1985.

Independent Auditors' Report to the Members of Senior plc

We have audited the financial statements of Senior plc for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, related notes 1 to 25 and the schedule of principal group undertakings. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Report of the Directors – Remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Report of the Directors – Remuneration. Our responsibility is to audit the financial statements and the part of the Report of the Directors – Remuneration described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report of the Directors – Remuneration described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section including the unaudited part of the Report of the Directors – Remuneration and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report of the Directors – Remuneration described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report of the Directors – Remuneration described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report of the Directors – Remuneration described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002 and of the profit of the Group for the year then ended; and
- the financial statements and part of the Report of the Directors – Remuneration described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Birmingham

5 March 2003

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Group Profit and Loss Account

For the year ended 31 December	Notes	2002 £m	2001 £m
Turnover			
Continuing operations		398.7	444.3
Discontinued operations		5.7	19.4
	2, 3	404.4	463.7
Operating profit before exceptional items			
Continuing operations		24.7	34.0
Amortisation of goodwill		(5.8)	(6.1)
Total continuing operations		18.9	27.9
Discontinued operations		–	0.3
		18.9	28.2
Exceptional items			
Reorganisation and rationalisation charges – continuing operations		(1.3)	(2.9)
Impairment of goodwill		–	(4.0)
	2 d)	(1.3)	(6.9)
Total operating profit			
Continuing operations		17.6	21.0
Discontinued operations		–	0.3
	2, 3	17.6	21.3
Share of operating profit in associated undertaking		–	0.3
Amortisation of goodwill on associated undertaking		–	(0.1)
(Loss)/profit on sale of fixed assets – continuing operations		(0.5)	0.1
Loss on disposal of discontinued operations	25	(3.5)	(0.8)
Loss on disposal of associated undertaking – discontinued		–	(1.5)
Profit on ordinary activities before interest and taxation		13.6	19.3
Other interest receivable and similar income		1.1	0.7
Interest payable and similar charges	4	(7.7)	(10.5)
Profit on ordinary activities before taxation	5	7.0	9.5
Tax on profit on ordinary activities	7	(3.1)	(5.1)
Profit for the financial year	22	3.9	4.4
Dividends	8, 22	(6.1)	(6.1)
Loss for the year		(2.2)	(1.7)
Earnings per share			
Basic	9	1.29p	1.46p
Diluted	9	1.29p	1.45p
Underlying	9	4.47p	5.51p
Dividends per share	8	2.00p	2.00p

The Notes to the Accounts on pages 25 to 45, together with page 47, form part of these Accounts.

Balance Sheets

At 31 December	Notes	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Fixed assets					
Intangible assets – goodwill	11	85.8	98.4	–	–
Tangible assets	12	89.7	102.7	0.2	0.2
Investments	13	0.2	0.2	441.2	473.7
		175.7	201.3	441.4	473.9
Current assets					
Stocks	14	46.3	52.2	–	–
Debtors: Amounts falling due after more than one year	15	2.4	3.6	4.1	4.6
Debtors: Amounts falling due within one year	15	73.8	75.1	1.9	3.2
Cash at bank and in hand		9.6	14.9	2.5	8.4
		132.1	145.8	8.5	16.2
Creditors: Amounts falling due within one year	16	(86.3)	(92.0)	(21.7)	(21.7)
Net current assets/(liabilities)		45.8	53.8	(13.2)	(5.5)
Total assets less current liabilities		221.5	255.1	428.2	468.4
Creditors: Amounts falling due after more than one year	17	(97.5)	(127.5)	(304.0)	(345.5)
Provisions for liabilities and charges	20	(2.7)	(2.5)	(0.2)	–
Net assets		121.3	125.1	124.0	122.9
Capital and reserves					
Called-up share capital	21	30.7	30.7	30.7	30.7
Share premium	22	3.5	3.5	3.5	3.5
Other reserves	22	17.7	17.7	83.8	83.8
Profit and loss account	22	69.4	73.2	6.0	4.9
Equity shareholders' funds	22	121.3	125.1	124.0	122.9

Approved by the Board on 5 March 2003

J R Kerr-Muir, Director

M Rollins, Director

Group Statement of Total Recognised Gains and Losses

For the year ended 31 December	2002 £m	2001 £m
Profit for the financial year	3.9	4.4
Currency translation differences on overseas assets and goodwill	(2.3)	(1.3)
Tax benefits on foreign exchange losses	0.7	0.5
Total recognised gains and losses relating to the year	2.3	3.6

There is no material difference between the profits as reported and those profits restated on an historical cost basis.

The Notes to the Accounts on pages 25 to 45, together with page 47, form part of these Accounts.

Group Cash Flow Statement

For the year ended 31 December	Notes	2002 £m	2002 £m	2001 £m	2001 £m
Net cash inflow from operating activities	10 a)		43.9		46.9
Dividend income from associated undertaking			-		0.2
Returns on investments and servicing of finance					
Interest received		0.6		0.7	
Interest paid		(7.9)		(10.4)	
Net cash outflow from returns on investments and servicing of finance			(7.3)		(9.7)
Taxation					
UK corporation tax recovered/(paid)		0.1		(0.4)	
Overseas tax recovered		0.2		7.4	
			0.3		7.0
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(11.6)		(16.5)	
Sale of property, plant and equipment		1.4		0.9	
Net cash outflow from capital expenditure and financial investments			(10.2)		(15.6)
Acquisitions and disposals					
Purchase of subsidiary undertakings – deferred consideration		(0.6)		(0.6)	
Sale of subsidiary undertakings		2.8		6.6	
Sale of associated undertaking		-		5.9	
Net cash disposed on sale of subsidiary undertakings		-		(0.4)	
Net cash inflow from acquisitions and disposals			2.2		11.5
Dividends paid on ordinary shares			(2.5)		(15.0)
Net cash inflow before financing			26.4		25.3
Financing					
New loans initiated by Group		5.2		32.3	
Repayment of existing loans		(37.5)		(57.6)	
Cash inflow on forward exchange contracts		0.2		-	
			(32.1)		(25.3)
Decrease in cash in the period	10 b)		(5.7)		-

The Notes to the Accounts on pages 25 to 45, together with page 47, form part of these Accounts.

1 Accounting Policies

Basis of Accounts

The Accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards. These policies have been applied consistently throughout the year and the preceding year. The Accounts also include the transitional requirements of Financial Reporting Standard No.17 "Retirement Benefits".

Basis of Consolidation

The Group Accounts consolidate the Accounts of Senior plc and all its subsidiary undertakings, including those shown on page 47, drawn up to 31 December 2002. The results of businesses acquired, disposed of or terminated during the year are included in the Group Profit and Loss Account from the date of acquisition or up to the date of disposal or termination.

On the acquisition of a business, fair values are attributed to the net tangible assets. Where the costs of acquisition exceed the values attributed to such net tangible assets, the difference is treated as purchased goodwill and is capitalised and amortised on a straight-line basis over twenty years which the Directors consider to be its reasonable maximum economic life. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard and Group accounting policy then in force. As permitted by the current Financial Reporting Standard No.10 "Goodwill and Intangible Assets", the goodwill previously written off to reserves, as a matter of accounting policy, has not been reinstated in the balance sheet.

On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

In the Group's Accounts, investments in associated undertakings are accounted for using the equity method. The Group Profit and Loss Account includes the Group's share of these undertakings' profits less losses, while the Group's share of the net assets of the associated undertakings is shown in the Group Balance Sheet. Goodwill arising on the acquisition of associated undertakings is accounted for in accordance with the policy set out above.

In the Company's Accounts, investments in subsidiary undertakings are stated at cost plus loans to such undertakings, less amounts written off for impairment. Dividends receivable are credited to the Company's Profit and Loss Account when declared.

The Company's investment in own shares is held by the Employee Benefit Trust for the purpose of funding certain of the Company's long-term share incentive plan liabilities. The Trustee purchases the Company's ordinary shares in the open market using funds provided by the Company. The Company amortises the cost of the shares over the life of the incentives (four years).

A business is classified as a discontinued operation if it is clearly distinguishable, has a material effect on the nature and focus of the Group's activities, represents a material reduction in the Group's operating facilities and either its sale is completed or, if a termination, its former activities have ceased permanently during the year or in the subsequent period ending upon the approval of the Accounts.

Exceptional Items

Exceptional items are those that need to be disclosed by virtue of their size and incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the Group, or profits or losses on the disposal of fixed assets. In these cases, separate disclosure is provided on the face of the Profit and Loss Account after operating profit.

Tangible Fixed Assets

Freehold and long leasehold land and buildings are shown at cost or at modified historic cost which represents a valuation undertaken prior to the effective date of Financial Reporting Standard No.15 and not subsequently amended. Other fixed assets are shown at cost.

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

- Freehold buildings – 2% per annum.
- Leasehold land and buildings – over the period of the lease.
- Plant and equipment – 5% - 33% per annum.

Stocks and Long-Term Contracts

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

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.

Notes to the Accounts continued

1 Accounting Policies continued

Recoverable development engineering costs, related to specific contracts, are held on the balance sheet within work-in-progress and amortised over the contract life or such shorter period as is considered appropriate. Amortisation commences when the project has transferred from development to commercial production.

Where it is considered that the amortisation charges exceed the forecast profits from commercial production of the related project then the excess is written off in the accounting period that such an assessment is made.

Net costs incurred on long-term work-in-progress in excess of amounts transferred to cost of sales are classified as long-term contract balances. Foreseeable losses are deducted from long-term contract balances. Revenues recognised in excess of amounts billed are included in debtors. Amounts billed in excess of revenues recognised are deducted from related long-term contract balances, with any residual balances being classified as payments on account and included in creditors.

Where it is considered that the outcome of a long-term contract can be assessed with reasonable certainty before its conclusion, the prudently calculated attributable profit is recognised in the Profit and Loss Account in accordance with the provisions of Statement of Standard Accounting Practice No.9 "Stocks and Long-Term Contracts".

Taxation

Current tax payable is provided on taxable profits at the effective current rates.

Provision is made for deferred tax in accordance with Financial Reporting Standard No.19 "Deferred Tax" in respect of timing differences on a non-discounted basis.

Pension and other Post-Retirement Benefit Costs

Pension and other post-retirement benefit (principally US healthcare) costs are charged against profit in a systematic manner over the average service lives of the employees in each plan.

Total costs comprise:

- The regular cost, that is the consistent ongoing cost, calculated as a level percentage of the current and expected future payroll of members in each plan.
- Variations from the regular cost, arising from scheme surpluses or deficits, allocated over the expected remaining service lives of the employees in each plan.

Any differences between the amounts charged in the Profit and Loss Account and the amounts payable to the plans for the year are recorded as provisions or prepayments as appropriate.

In accordance with Financial Reporting Standard No.17 "Retirement Benefits", the Accounts include the transitional disclosures required ahead of full implementation of the FRS. These disclosures are shown in Note 24.

Research and Development

Costs are charged against revenue in the year in which they are incurred.

Government Grants

Government grants are recognised in the Profit and Loss Account so as to match the grant with the expenditure towards which it is intended to contribute.

Turnover

Turnover, other than that arising on long-term contracts, comprises the external sales value of work invoiced during the year, excluding discounts and sales taxes.

Turnover on long-term contracts represents the proportion of contract activity in the year, ascertained by reference to total contract costs.

Leases

Assets held under finance leases are initially reported at the present value of the minimum lease payments, with an equivalent liability being included within creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the term of each lease in accordance with the amount outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at actual exchange rates. At the year-end, outstanding monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year-end and the gain or loss is recorded in the Profit and Loss Account, except that differences arising on foreign currency borrowings undertaken to finance equity investments are dealt with in reserves.

1 Accounting Policies continued

On consolidation, the balance sheets of overseas subsidiary undertakings are translated into sterling at the closing rates and the profit and loss accounts at the average rates of exchange for the year. These translation gains or losses are accounted for in reserves.

The exchange rates for the major currencies applied in the translation of results were as follows:

	Average rates 2002	Average rates 2001	Year-end rates 2002	Year-end rates 2001
US dollar	1.50	1.45	1.61	1.46
Euro	1.59	1.61	1.53	1.63

Derivative Financial Instruments

The Group uses derivative financial instruments (foreign currency forward contracts and interest rate swaps) to reduce exposure to both exchange and interest rate movements. The Group does not hold such instruments for speculative purposes.

Foreign currency forward contracts are used to hedge (compensate) for movements arising from specific Group assets or liabilities denominated in the same or equivalent foreign currency. Gains and losses arising on forward contracts held in respect of balance sheet translation differences are dealt with in reserves and offset the movement on the assets or liabilities being hedged. As such they are considered to have the same characteristics as debt and, accordingly, are included within Group net debt from a cash flow perspective. On the Balance Sheet the book value is included within prepayments and accrued income, if an asset, and within other creditors and accruals, if a liability. Gains and losses arising on forward contracts held in respect of transaction exposures are dealt with in the Profit and Loss Account to match the underlying transaction.

Interest rate swaps are used to convert interest arising from existing Group liabilities (or assets) from a variable rate to a fixed rate or vice versa. Interest differentials arising under these swaps are recognised within net interest payable over the periods of the contracts.

2 Segment Information

Group turnover, operating profit and net assets are analysed below. The reconciliation of operating profit to profit before taxation is shown on the Group Profit and Loss Account on page 22. The reconciling items are considered to be of a Group nature, and not directly attributable to individual segments. 2002 discontinued operations reflect the turnover and operating results of Senior Flexonics Bredan A/S, BHC a.s, Senior Flexonics Polska Spółka zo.o. and the UK Expansion Joints Division of Senior UK Limited, all of which were sold during 2002.

a) By class of business	Turnover 2002 £m	Turnover 2001 £m	Operating profit 2002 £m	Operating profit 2001 £m	Net assets 2002 £m	Net assets 2001 £m
Aerospace	164.6	196.8	4.0	12.8	128.4	147.3
Automotive	148.4	160.0	11.4	6.6	43.6	53.3
Specialised Industrial	86.1	88.5	2.2	1.6	39.2	44.8
Total	399.1	445.3	17.6	21.0	211.2	245.4
Inter-segment sales	(0.4)	(1.0)	-	-	-	-
Total continuing operations	398.7	444.3	17.6	21.0	211.2	245.4
Discontinued operations	5.7	19.4	-	0.3	(3.3)	3.6
	404.4	463.7	17.6	21.3	207.9	249.0

Operating profits shown above are stated after charging £1.3 million (2001 – £6.9 million) of exceptional items and £5.8 million (2001 – £6.2 million) of goodwill amortisation. These are attributed to the segments as follows:

	Exceptional items 2002 £m	Exceptional items 2001 £m	Goodwill amortisation 2002 £m	Goodwill amortisation 2001 £m
Aerospace	0.8	1.6	3.6	3.6
Automotive	0.4	5.1	0.9	1.1
Specialised Industrial	0.1	0.2	1.3	1.4
Total continuing operations	1.3	6.9	5.8	6.1
Discontinued operations	-	-	-	0.1
	1.3	6.9	5.8	6.2

Notes to the Accounts continued

2 Segment Information continued

b) By geographical market	Turnover by destination	Turnover by destination	Turnover by origin	Turnover by origin	Operating profit by origin	Operating profit by origin	Net assets	Net assets
	2002 £m	2001 £m	2002 £m	2001 £m	2002 £m	2001 £m	2002 £m	2001 £m
North America	237.2	278.7	252.5	295.0	15.8	19.9	119.7	143.0
United Kingdom	54.2	54.3	68.0	75.0	1.7	5.4	61.7	64.7
Rest of Europe	91.9	90.2	68.4	65.7	(1.7)	(2.2)	24.6	30.1
Rest of World	22.9	28.8	17.3	16.3	1.8	(2.1)	5.2	7.6
Total	406.2	452.0	406.2	452.0	17.6	21.0	211.2	245.4
Inter-segment sales	(7.5)	(7.7)	(7.5)	(7.7)	-	-	-	-
Total continuing operations	398.7	444.3	398.7	444.3	17.6	21.0	211.2	245.4
Discontinued operations	5.7	19.4	5.7	19.4	-	0.3	(3.3)	3.6
	404.4	463.7	404.4	463.7	17.6	21.3	207.9	249.0

Operating profits shown above are stated after charging £1.3 million (2001 – £6.9 million) of exceptional items and £5.8 million (2001 – £6.2 million) of goodwill amortisation. These are attributed to the segments as follows:

	Exceptional items		Goodwill amortisation	
	2002 £m	2001 £m	2002 £m	2001 £m
North America	0.5	2.4	2.9	3.2
United Kingdom	0.2	0.2	2.4	2.4
Rest of Europe	0.6	0.3	0.1	0.1
Rest of World	-	4.0	0.4	0.4
Total continuing operations	1.3	6.9	5.8	6.1
Discontinued operations	-	-	-	0.1
	1.3	6.9	5.8	6.2

c) Net assets reconciliation	2002 £m	2001 £m
Net assets, as above	207.9	249.0
Unallocated assets/(liabilities), net	0.8	(1.2)
Net borrowings	(87.4)	(122.7)
Net assets, per Balance Sheet	121.3	125.1

d) Total exceptional items	2002 £m	2001 £m
Reorganisation and rationalisation charges – continuing operations	1.3	2.9
Impairment of goodwill, previously recognised on acquisition of Brazilian operations	-	4.0
	1.3	6.9

3 Operating Profit

	Continuing 2002 £m	Discontinued 2002 £m	Total 2002 £m	Continuing 2001 £m	Discontinued 2001 £m	Total 2001 £m
Turnover	398.7	5.7	404.4	444.3	19.4	463.7
Cost of sales	(310.8)	(4.2)	(315.0)	(344.2)	(14.0)	(358.2)
Gross profit	87.9	1.5	89.4	100.1	5.4	105.5
Distribution costs	(4.3)	(0.1)	(4.4)	(3.8)	(0.1)	(3.9)
Administrative expenses	(66.0)	(1.4)	(67.4)	(75.3)	(5.0)	(80.3)
Operating profit	17.6	-	17.6	21.0	0.3	21.3

Administrative expenses comprise:

Administration costs	(58.9)	(1.4)	(60.3)	(62.3)	(4.9)	(67.2)
Rationalisation and reorganisation costs	(1.3)	-	(1.3)	(2.9)	-	(2.9)
Impairment of goodwill	-	-	-	(4.0)	-	(4.0)
Amortisation of goodwill	(5.8)	-	(5.8)	(6.1)	(0.1)	(6.2)
Total administrative expenses	(66.0)	(1.4)	(67.4)	(75.3)	(5.0)	(80.3)

4 Interest Payable

Interest payable comprises:

	2002	2001
	£m	£m
Bank loans and overdrafts	2.2	4.6
All other loans	5.5	5.8
Share of interest charge of associated undertaking	–	0.1
	7.7	10.5

5 Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2002	2001
	£m	£m
Depreciation – continuing operations	17.5	18.3
– discontinued operations	0.3	0.1
Operating lease rentals – on land and buildings	3.4	3.6
– on plant and equipment	0.9	1.1
Auditors' remuneration	0.4	0.4
Grant income	(0.8)	(0.3)

Amounts incurred on research and development during the year amounted to £4.0 million (2001 – £3.4 million), before recoveries from customers of £0.2 million (2001 – £0.2 million).

Fees payable to Deloitte & Touche for non-audit services amounted to £0.3 million (2001 – £nil). These fees relate to taxation compliance and taxation consulting services.

Audit fees include £0.1 million (2001 – £0.1 million) payable in respect of the Company.

6 Employee Costs

Particulars of employees (including Directors) are shown below:

	2002	2001
	£m	£m
Wages and salaries	124.5	137.3
Social security and other costs	14.2	14.9
Pension costs – defined benefit schemes	2.7	1.5
Pension costs – defined contribution schemes	3.3	3.5
	144.7	157.2

The average monthly number of persons employed by the Group during the year was as follows:

	2002	2001
	Number	Number
Production	4,551	4,874
Distribution	55	60
Sales	404	472
Administration	494	611
	5,504	6,017

Disclosure on Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and those specified for audit by the Financial Services Authority are on pages 13 to 16 within the Report of the Directors – Remuneration and form part of these audited financial statements.

Notes to the Accounts continued

7 Tax on Profit on Ordinary Activities

The Group tax charge comprises:

	2002 £m	2001 £m
Current tax:		
UK corporation tax at 30% (2001 – 30%)	(0.3)	0.5
Overseas taxation	3.9	2.1
Adjustments in respect of prior years	(0.1)	(4.3)
Total current tax charge/(credit)	3.5	(1.7)
Deferred tax:		
Origination and reversal of timing differences	(0.4)	2.6
Adjustments in respect of prior years	–	4.1
Total deferred tax (credit)/charge	(0.4)	6.7
Share of associated undertaking's taxation	–	0.1
	3.1	5.1

Factors affecting the Group tax charge for the year:

The current tax charge/(credit) varies from the standard rate of corporation tax in the UK due to the following factors:

	2002 £m	2001 £m
Profit on ordinary activities before taxation	7.0	9.5
Adjust:		
Amortisation of goodwill	5.8	6.2
Amortisation of goodwill on associated undertaking	–	0.1
Impairment of goodwill	–	4.0
Loss/(profit) arising on sale of fixed assets	0.5	(0.1)
Loss on disposal of discontinued operations	3.5	0.8
Loss on disposal of associated undertaking	–	1.5
Profit on ordinary activities, as adjusted	16.8	22.0
Tax at UK corporation tax rate of 30% (2001 – 30%)	5.0	6.6
Tax deductible goodwill amortisation in overseas subsidiaries	(0.6)	(1.2)
Unrelieved tax losses	0.7	3.1
Permanent disallowables	0.4	–
Other timing differences originating/(reversing)	1.0	(3.0)
Net effect of different rates of tax on overseas earnings	(2.9)	(2.8)
Adjustments to current tax charge in respect of prior periods	(0.1)	(4.3)
Share of associated undertaking's taxation	–	(0.1)
Current tax charge/(credit)	3.5	(1.7)

Factors that may affect future tax charges:

The Group's future mix of overseas profits is anticipated to remain broadly unchanged and hence the Group is anticipating to remain in a current tax chargeable position in future.

As a result of trading conditions experienced during the current and prior years, taxable losses have arisen in the UK and certain overseas subsidiary undertakings which are available for offset against future taxable profits in the territories concerned. A deferred tax asset of £8.1 million has not been recognised in respect of certain of these losses as, based on detailed budgets, it is not anticipated that taxable profits will arise in the subsidiary undertakings concerned within the immediate future. Approximately £0.8 million of this potential deferred tax asset may be recoverable in the foreseeable future if sufficient profits are generated in the relevant territories.

The Company has £5.0 million of surplus ACT previously written off which is unlikely to be recoverable in the foreseeable future due to the anticipated ongoing level of dividend payments and UK earnings.

The potential liability in respect of UK corporation tax on unremitted earnings to the UK has not been provided as the Directors have no intention to remit the retained earnings of overseas subsidiaries to the UK in the foreseeable future.

8 Dividends

	Rates per share 2002	Rates per share 2001	2002 £m	2001 £m
Interim – paid	0.65p	1.84p	2.0	5.6
Final – proposed	1.35p	0.16p	4.1	0.5
	2.00p	2.00p	6.1	6.1

9 Earnings per Share

The calculations of basic earnings per share and underlying earnings per share are shown below and have been based on the weighted average number of ordinary shares in issue and ranking for dividend during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares in the current year, being those share options granted where the exercise price is less than the average price of the Company's ordinary shares during the year.

The provision of an underlying earnings per share has been included to identify the performance of operations before amortisation and impairment of goodwill, profit or loss on sale of fixed assets and loss on disposal of discontinued operations and associated undertakings.

	Earnings per share 2002 pence	Earnings per share 2001 pence	Earnings 2002 £m	Earnings 2001 £m
Basic profit on ordinary activities after taxation	1.29	1.46	3.9	4.4
Adjust:				
Amortisation of goodwill	1.88	2.01	5.8	6.2
Amortisation of goodwill on associated undertaking	–	0.03	–	0.1
Impairment of goodwill	–	1.30	–	4.0
Loss/(profit) arising on sale of fixed assets	0.16	(0.03)	0.5	(0.1)
Loss on disposal of discontinued operations	1.14	0.26	3.5	0.8
Loss on disposal of associated undertaking	–	0.48	–	1.5
Underlying earnings	4.47	5.51	13.7	16.9
Weighted average number of shares – basic			306.5m	306.5m
– diluted			306.8m	307.1m
– underlying			306.5m	306.5m
Earnings per share – basic			1.29p	1.46p
– diluted			1.29p	1.45p
– underlying			4.47p	5.51p

10 Group Cash Flow Statement

a) Reconciliation of operating profit to net cash inflow from operating activities	2002 £m	2001 £m
Group operating profit	17.6	21.3
Depreciation of tangible fixed assets	17.8	18.4
Amortisation of goodwill	5.8	6.2
Impairment of goodwill	–	4.0
Decrease in stocks	3.9	4.9
Decrease in debtors	3.2	12.2
Decrease in creditors	(1.1)	(20.4)
Working capital currency variations	(3.3)	0.3
Net cash inflow from operating activities	43.9	46.9

The net cash inflow from operating activities includes an inflow of £0.1 million (2001 – £1.0 million outflow) in respect of discontinued activities and an outflow of £2.1 million (2001 – £2.1 million outflow) in respect of exceptional items.

Notes to the Accounts continued

10 Group Cash Flow Statement continued

b) Reconciliation of net cash flow to movement in net debt	2002	2001
	£m	£m
Decrease in cash in the period	(5.7)	-
Decrease in loans	32.3	25.3
Net cash inflow on forward contracts	(0.2)	-
Change in net debt resulting from cash flows	26.4	25.3
Non cash items	(1.5)	-
Currency variations on net borrowings	10.4	(1.5)
Movement in net debt in the period	35.3	23.8
Net debt at 1 January	(122.7)	(146.5)
Net debt at 31 December (Note 10c)	(87.4)	(122.7)

c) Analysis of net debt	At	Cashflow	Non	Exchange	At
	1 January		cash	movement	31 December
	2002		items		2002
	£m	£m	£m	£m	£m
Cash	14.9	(5.1)	-	(0.2)	9.6
Overdrafts	(1.5)	(0.6)	-	0.1	(2.0)
Debt due within one year	(9.8)	9.6	(2.3)	0.1	(2.4)
Debt due after one year	(125.7)	22.6	2.3	6.2	(94.6)
Finance leases	(0.6)	0.1	(1.5)	(0.1)	(2.1)
Forward exchange contract gains	-	(0.2)	-	4.3	4.1
Total	(122.7)	26.4	(1.5)	10.4	(87.4)

Debt due within one year shown above includes short-term bank borrowings of £nil (2001 – £0.1 million).

The forward exchange contract gains are included with prepayments and accrued income falling due within one year.

Non cash items represent an additional finance lease liability entered into in the year (2001 – nil).

11 Intangible Fixed Assets – Goodwill

Movements in the year	Group	Group
	2002	2001
	£m	£m
Cost		
At 1 January	119.4	123.1
Adjustments (see below)	-	(3.5)
Disposals	(1.8)	-
Currency variations	(8.8)	(0.2)
At 31 December	108.8	119.4
Amortisation		
At 1 January	21.0	10.9
Charge for the year – underlying	5.8	6.2
– impairment	-	4.0
Disposals	(0.4)	-
Currency variations	(3.4)	(0.1)
At 31 December	23.0	21.0
Net book value		
At 31 December	85.8	98.4

The adjustment was a reduction in the estimated deferred consideration payable in respect of QSi Technologies, acquired in June 1998. The purchase agreement provided for contingent consideration of up to \$12.4 million, payable over a period of seven years, and linked to the achievement of certain specified orders.

12 Tangible Fixed Assets

a) Movements in the year	Group Freehold land and buildings	Group Leasehold land and buildings, long leases	Group Leasehold land and buildings, short leases	Group Plant and equipment	Group Total	Company Total
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 January 2002:						
– Cost	43.1	0.1	1.4	183.4	228.0	0.6
– Valuation	1.0	–	–	–	1.0	–
Additions	2.3	–	–	10.8	13.1	0.1
Disposals	(2.0)	–	(0.1)	(3.8)	(5.9)	(0.3)
Businesses disposed	(1.9)	–	–	(3.5)	(5.4)	–
Currency variations	(1.3)	–	(0.1)	(7.5)	(8.9)	–
At 31 December 2002	41.2	0.1	1.2	179.4	221.9	0.4
Cost	40.2	0.1	1.2	179.4	220.9	0.4
Professional valuation (see c) below) – 1988	1.0	–	–	–	1.0	–
At 31 December 2002	41.2	0.1	1.2	179.4	221.9	0.4
Depreciation						
At 1 January 2002	7.3	–	0.8	118.2	126.3	0.4
Charge for the year	1.0	–	0.1	16.7	17.8	–
Disposals	(0.5)	–	(0.1)	(3.5)	(4.1)	(0.2)
Businesses disposed	(0.2)	–	–	(2.2)	(2.4)	–
Currency variations	(0.1)	–	(0.1)	(5.2)	(5.4)	–
At 31 December 2002	7.5	–	0.7	124.0	132.2	0.2
Net book value						
At 31 December 2002	33.7	0.1	0.5	55.4	89.7	0.2
At 31 December 2001	36.8	0.1	0.6	65.2	102.7	0.2

The depreciable amount included in freehold land and buildings at 31 December 2002 amounted to £37.9 million (2001 – £40.4 million).

b) Plant and equipment includes an immaterial amount of fixtures and fittings.

c) The professional valuations of freehold properties were undertaken by Chesterton, International Property Consultants on the basis of open market value for continued existing use of the properties concerned.

d) The net book value of fixed assets includes £2.7 million (2001 – £1.2 million) in respect of assets held under finance leases. The related depreciation charge was £0.1 million (2001 – £0.1 million).

e) Original cost and related depreciation of the Group's land and buildings included at valuation above comprise:

	Freehold land and buildings 2002 £m	Freehold land and buildings 2001 £m
Original cost	0.4	0.4
Depreciation based on cost	(0.3)	(0.3)
	0.1	0.1

The closing net book value of the Company's fixed assets comprises plant and equipment.

Notes to the Accounts continued

13 Fixed Asset Investments

a) Investments	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Shares at cost less amounts written off	-	-	0.3	0.3
Loans due from subsidiary undertakings	-	-	410.7	443.2
Capital contributions to subsidiary undertaking	-	-	30.0	30.0
Investment in own shares held by the Employee Benefit Trust	0.2	0.2	0.2	0.2
	0.2	0.2	441.2	473.7

The Principal Group Undertakings in which the Company and the Group had investments at the year-end are listed on page 47.

b) Movements on investments in subsidiary undertakings in the year	Company £m
At 1 January 2002	473.5
Decrease in loans to subsidiary undertakings	(32.5)
At 31 December 2002	441.0

c) Movements in investment in own shares held by the Employee Benefit Trust in the year	Group £m	Company £m
At 1 January 2002	0.2	0.2
Amortisation	-	-
At 31 December 2002	0.2	0.2

Further information on the number and market value of shares held is included in the Report of the Directors – Remuneration on pages 13 to 16.

14 Stocks

	Group 2002 £m	Group 2001 £m
Raw materials and consumables	19.4	21.9
Work-in-progress	18.0	20.3
Finished goods and goods for resale	8.9	10.0
	46.3	52.2

The estimated replacement cost of stocks is not materially different from historical cost.

15 Debtors

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Amounts falling due within one year:				
Trade debtors	57.3	62.4	-	-
Amounts recoverable on contracts	3.6	2.8	-	-
Due from subsidiary undertakings	-	-	0.7	1.7
Current tax recoverable	0.7	2.8	-	0.7
Value added tax	1.6	1.4	-	-
Other debtors	1.3	1.1	0.7	0.1
Prepayments and accrued income	9.3	4.6	0.5	0.7
	73.8	75.1	1.9	3.2
Amounts falling due after more than one year:				
Trade debtors	0.2	0.2	-	-
Other debtors	0.7	0.7	-	-
Pension costs (Note 24)	1.5	2.7	4.1	4.6
	2.4	3.6	4.1	4.6
Total debtors	76.2	78.7	6.0	7.8

16 Creditors: Amounts Falling Due Within One Year

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Bank overdrafts	2.0	1.5	9.2	5.7
Short-term bank loans (Note 18)	–	0.1	–	–
Current portion of long-term loans (Note 18)	2.4	9.7	2.4	9.5
Obligations under finance leases (Note 18)	0.2	0.1	–	–
Trade creditors	33.7	37.8	0.2	0.2
Current tax payable	4.4	2.9	1.5	0.2
Social security and PAYE	4.1	3.2	–	–
Value added tax	0.4	0.6	–	0.1
Proposed dividend	4.1	0.5	4.1	0.5
Other creditors and accruals	35.0	35.6	4.3	5.5
	86.3	92.0	21.7	21.7

Bank overdrafts are stated net of certain cash balances in accordance with the Group's banking arrangements.

17 Creditors: Amounts Falling Due After More Than One Year

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Loans (Note 18)	94.6	125.7	87.0	117.2
Loans due to subsidiary undertakings	–	–	217.0	228.3
Obligations under finance leases (Note 18)	1.9	0.5	–	–
Other creditors	1.0	1.3	–	–
	97.5	127.5	304.0	345.5
Loans comprise:				
Revolving credit facility (Note 23c)	31.8	63.3	24.2	54.8
Other bank loans	–	0.1	–	–
Other loans	–	0.2	–	–
Less – current portion	(2.4)	(9.8)	(2.4)	(9.5)
	29.4	53.8	21.8	45.3
8.57% Private placement loan – 2004 (Note 23d)	3.1	3.4	3.1	3.4
8.75% Private placement loans – 2007 (Note 23d)	15.5	17.1	15.5	17.1
6.52% Private placement loans – 2008 (Note 23d)*	46.6	51.4	46.6	51.4
	65.2	71.9	65.2	71.9
Total loans falling due after more than one year	94.6	125.7	87.0	117.2

*Due for repayment (not by instalments) after more than five years.

Amounts drawn down under the revolving credit facility comprise £2.4 million equivalent that is repayable in June 2003, £10.7 million equivalent that is repayable in June 2004, and £18.7 million equivalent that falls due for repayment during the period January to March 2003 and which may be rolled over under the terms of the facility as outlined in Note 23c. Accordingly, under the terms of Financial Reporting Standard No.4, the £18.7 million has been classified as payable between one and two years (see Note 18).

Notes to the Accounts continued

18 Maturity Profile of Gross Indebtedness

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Borrowings are repayable as follows:				
In one year or less or on demand:				
– Bank overdrafts	2.0	1.5	9.2	5.7
– Bank loans	2.4	9.6	2.4	9.5
– Other loans	–	0.2	–	–
In more than one year but not more than two years:				
– Bank loans	29.4	2.2	21.8	2.2
– Other loans	3.1	–	3.1	–
In more than two years but not more than five years:				
– Bank loans	–	51.6	–	43.1
– Other loans	15.5	3.4	15.5	3.4
In more than five years:				
– Other loans	46.6	68.5	46.6	68.5
Total borrowings	99.0	137.0	98.6	132.4
Obligations under finance leases are repayable as follows:				
– In one year or less	0.2	0.1	–	–
– In more than one year but not more than two years	0.2	0.1	–	–
– In more than two years but not more than five years	0.6	0.1	–	–
– In more than five years	1.1	0.3	–	–
Total obligations under finance leases	2.1	0.6	–	–
Total gross indebtedness	101.1	137.6	98.6	132.4

Materially all loans are unsecured and are repayable other than by instalments.

19 Financial Instruments

The Group's policies as regards derivatives and financial instruments are set out in the Finance Director's Review (pages 8 and 9) and in the Accounting Policies (pages 25 to 27). The Group does not trade in financial instruments.

Short-term debtors and creditors have been omitted from all disclosures other than the currency profile.

(i) Maturity profile of financial liabilities

The Group's gross indebtedness comprising loans £97.0 million (2001 – £135.5 million), overdrafts £2.0 million (2001 – £1.5 million) and finance leases £2.1 million (2001 – £0.6 million) together with other non-interest bearing liabilities (largely deferred consideration on past acquisitions) is repayable over the following periods:

Repayable period	Gross debt 2002 £m	Other 2002 £m	Total 2002 £m	Gross debt 2001 £m	Other 2001 £m	Total 2001 £m
In one year or less or on demand	4.6	–	4.6	11.4	–	11.4
In more than one year but not more than two years	32.7	0.7	33.4	2.3	0.9	3.2
In more than two years but not more than five years	16.1	0.3	16.4	55.1	0.4	55.5
In more than five years	47.7	–	47.7	68.8	–	68.8
Gross financial liabilities	101.1	1.0	102.1	137.6	1.3	138.9

The Group had the following undrawn borrowing facilities at 31 December:

	2002 £m	2001 £m
Committed:		
Expiring in less than one year	11.9	15.0
Expiring in more than one year but not more than two years	51.3	–
Expiring in more than two years but not more than five years	–	34.5
Uncommitted	16.5	26.0
Total unused facilities	79.7	75.5

19 Financial Instruments continued

(ii) Interest and currency profile of financial liabilities

a) The gross financial liabilities of the Group, comprising private placement loans, borrowings under the revolving credit facilities and general overdraft arrangements, together with other non-interest bearing liabilities have the following interest rate and currency profile:

At 31 December 2002 Currency	Total	Floating rate (see below)	Fixed rate	Non- interest bearing	Weighted average rate – fixed	Weighted average years for which rate is fixed
	£m	£m	£m	£m		
Sterling	4.0	4.0	–	–	–	–
US dollar	72.4	6.6	65.2	0.6	7.53%	5.6
Euro	22.8	8.8	13.6	0.4	4.33%	0.5
Other	2.9	2.9	–	–	–	–
	102.1	22.3	78.8	1.0		

At 31 December 2001 Currency	Total	Floating rate (see below)	Fixed rate	Non- interest bearing	Weighted average rate – fixed	Weighted average years for which rate is fixed
	£m	£m	£m	£m		
Sterling	6.0	6.0	–	–	–	–
US dollar	105.1	21.9	82.2	1.0	7.43%	5.8
Euro	19.9	8.2	11.4	0.3	4.40%	1.5
Other	7.9	7.9	–	–	–	–
	138.9	44.0	93.6	1.3		

Interest rates are based on appropriate LIBOR rates at the time of the draw down under the revolving credit facilities and overdraft arrangements.

The weighted average period to maturity of the non-interest bearing liabilities by currency is: US dollar 1.7 years (2001 – 2.0 years) and Euro 2.4 years (2001 – 2.2 years).

b) The Group's financial assets, including cash at hand and in bank £9.6 million (2001 – £14.9 million), have the following interest rate and currency profile at 31 December:

Currency	Total 2002 £m	Floating rate (see below) 2002 £m	Non- interest bearing 2002 £m	Total 2001 £m	Floating rate (see below) 2001 £m	Non- interest bearing 2001 £m
Sterling	1.6	1.2	0.4	3.4	3.0	0.4
US dollar	3.2	2.6	0.6	8.7	8.1	0.6
Euro	2.3	2.2	0.1	1.3	1.3	–
Other	3.6	3.6	–	2.6	2.5	0.1
	10.7	9.6	1.1	16.0	14.9	1.1

Interest on bank deposits is based on prevailing, short-term money market interest rates at time of deposit.

The weighted average period to maturity of non-interest bearing assets by currency is: sterling 2.3 years (2001 – 2.3 years); US dollar 10.2 years (2001 – 10.5 years); Euro 2.5 years (2001 – nil) and other currencies nil years (2001 – 1.5 years).

(iii) Fair values of financial assets and liabilities

	Book value 2002 £m	Fair value 2002 £m	Book value 2001 £m	Fair value 2001 £m
Cash at bank	9.6	9.6	14.9	14.9
Debtors due in more than one year	0.9	0.9	0.9	0.9
Other assets	0.2	0.2	0.2	0.2
Gross financial assets	10.7	10.7	16.0	16.0
Gross debt	101.1	104.6	(137.6)	(135.8)
Other creditors due in more than one year	1.0	1.0	(1.3)	(1.3)
Gross financial liabilities	102.1	105.6	(138.9)	(137.1)
Interest rate lock and rate swaps	–	(1.4)	–	(2.0)
Forward rate agreements	4.9	5.2	0.1	(0.4)

Notes to the Accounts continued

19 Financial Instruments continued

Market values have been used to determine the fair value of the interest rate swaps and the foreign currency forward rate agreements. Other items have been valued by discounting expected cash flows at prevailing interest rates at the year-end.

(iv) Currency profile

As noted in the Finance Director's Review on pages 8 and 9 the majority of the Group's operations trade predominantly in their own functional currency and where this is not the case exposures are covered on a twelve month rolling basis using forward contracts. Transaction exposure giving rise to net currency gains and losses reported in the Profit and Loss Account is therefore not considered significant.

(v) Hedging

	Gains	Losses	Total net	Gains	Losses	Total net
	2002	2002	gains/(losses)	2001	2001	gains/(losses)
	£m	£m	2002	£m	£m	2001
			£m			£m
Unrecognised gains/(losses) on hedges at 1 January	-	(2.5)	(2.5)	-	(2.0)	(2.0)
(Gains)/losses arising in previous years that were recognised in current year	-	1.2	1.2	-	0.3	0.3
Gains/(losses) arising in previous years that were not recognised in current year	-	(1.3)	(1.3)	-	(1.7)	(1.7)
Gains/(losses) arising in the current year that were not recognised	0.3	(0.1)	0.2	-	(0.8)	(0.8)
Unrecognised gains/(losses) on hedges at 31 December	0.3	(1.4)	(1.1)	-	(2.5)	(2.5)

Of which:

Amount expected to be recognised within one year	0.3	(0.3)	-	-	(0.7)	(0.7)
Amount expected to be recognised after one year	-	(1.1)	(1.1)	-	(1.8)	(1.8)

As explained in the Finance Director's Review on pages 8 and 9 the Group's policy is to hedge transaction exposures, translation of overseas assets and interest rate exposures. Of these only the hedging of transaction exposures and interest rate exposures gives rise to unrecognised gains and losses which may ultimately be recognised in the Profit and Loss Account.

20 Provisions for Liabilities and Charges

	Group	Group	Company	Company
	2002	2001	2002	2001
	£m	£m	£m	£m
Deferred tax	1.1	1.0	0.2	-
Pension and other post-retirement benefit costs (Note 24)	1.6	1.5	-	-
	2.7	2.5	0.2	-

The movement in pension and other post-retirement benefit costs represents a charge to the Profit and Loss Account.

Analysis of Group deferred tax provided is as follows:

	Group	Group	Company	Company
	provided	provided	provided	provided
	2002	2001	2002	2001
	£m	£m	£m	£m
Accelerated capital allowances	0.4	0.6	-	-
Timing differences related to pension costs	1.2	1.4	1.2	1.4
Short-term timing differences	1.0	0.7	(0.2)	(0.5)
Tax losses carried forward	(1.5)	(1.7)	(0.8)	(0.9)
Net deferred tax liability	1.1	1.0	0.2	-

Movement in deferred tax liability

	Group	Company
	£m	£m
At 1 January 2002	1.0	-
Credit to profit and loss account – UK	(0.4)	(0.1)
– Overseas	-	-
Charge to statement of total recognised gains and losses – UK	0.3	0.3
Currency variations	0.2	-
At 31 December 2002	1.1	0.2

21 Share Capital

	2002 £m	2001 £m
Authorised:		
500.0 million 10p ordinary shares (2001 – 500.0 million)	50.0	50.0
Issued:		
307.4 million 10p ordinary shares – fully paid (2001 – 307.4 million)	30.7	30.7

1984 Executive Share Option Scheme:

Date of grant	Subscription price	Normal exercise period	Executive options 2001	Granted 2002	Lapsed 2002	Exercised 2002	Executive options 2002
7 May 1992	78.37p	7 years to 6 May 2002	112,980	–	112,980	–	–

The subscription prices and numbers of shares have been adjusted for rights issues subsequent to the grant dates. These Executive Options are normally exercisable between three and ten years from the date of grant.

No options granted under the 1999 Executive Share Option Plan were exercised during 2002. At 31 December 2002 there were outstanding:

1999 Executive Share Option Plan:

Date of grant	Subscription price	Normal exercise period	Executive options 2001	Granted 2002	Lapsed 2002	Exercised 2002	Executive options 2002
13 May 1999	154.35p	3 years to 12 May 2005	1,100,919	–	504,155	–	596,764
5 April 2000	82.50p	3 years to 4 April 2004	227,272	–	–	–	227,272
13 September 2000	54.17p	3 years to 12 September 2006	4,264,989	–	767,926	–	3,497,063
10 October 2000	53.33p	3 years to 9 October 2006	624,087	–	481,661	–	142,426
23 March 2001	52.58p	3 years to 22 March 2007	625,000	–	200,000	–	425,000
11 April 2001	52.58p	3 years to 10 April 2007	105,000	–	–	–	105,000
31 October 2001	30.00p	3 years to 30 October 2007	835,000	–	80,000	–	755,000
			7,782,267	–	2,033,742	–	5,748,525

These options will normally only become exercisable provided that the Group's Underlying Earnings per Share grows by not less than 4% per annum compound above the growth in the UK Retail Price Index over a period of three or more financial years commencing in January of the year of grant, and will lapse if not exercised within six years of the date of grant.

No shares were allotted in respect of options granted under the Savings Related Share Option Plan during the year. At 31 December 2002 there were outstanding:

Savings Related Share Option Plan:

Date of grant	Subscription price	Normal exercise period	Sharesave options 2001	Granted 2002	Lapsed 2002	Exercised 2002	Sharesave options 2002
22 November 1996	96.00p	6 months to 31 July 2002	350,325	–	346,732	–	3,593
3 October 1997	129.50p	6 months to 31 May 2003	92,745	–	1,065	–	91,680
6 October 1998	114.00p	6 months to 31 May 2002	109,880	–	109,880	–	–
6 October 1998	114.00p	6 months to 31 May 2004	162,855	–	20,151	–	142,704
1 October 1999	91.50p	6 months to 31 May 2003	247,339	–	88,001	–	159,338
1 October 1999	91.50p	6 months to 31 May 2005	88,359	–	9,809	–	78,550
6 October 2000	43.50p	6 months to 31 May 2004	2,087,675	–	1,098,974	–	988,701
6 October 2000	43.50p	6 months to 31 May 2006	787,785	–	456,506	–	331,279
9 October 2001	42.00p	6 months to 31 May 2005	1,769,868	–	682,483	–	1,087,385
9 October 2001	42.00p	6 months to 31 May 2007	656,953	–	131,778	–	525,175
6 September 2002	25.25p	6 months to 31 May 2006	–	3,133,721	37,623	–	3,096,098
6 September 2002	25.25p	6 months to 31 May 2008	–	1,514,036	–	–	1,514,036
			6,353,784	4,647,757	2,983,002	–	8,018,539

Notes to the Accounts continued

22 Reconciliation of Movements in Shareholders' Funds

a) Group	Share capital	Share premium account	Other reserves			Profit and loss account	Total
			Revaluation	Special	Total		
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2002	30.7	3.5	0.7	17.0	17.7	73.2	125.1
Profit for the financial year	-	-	-	-	-	3.9	3.9
Dividends	-	-	-	-	-	(6.1)	(6.1)
Currency variations	-	-	-	-	-	(1.6)	(1.6)
At 31 December 2002	30.7	3.5	0.7	17.0	17.7	69.4	121.3

Cumulative goodwill written off against reserves is as follows:

	Total £m
At 1 January 2002 and 31 December 2002	59.0

b) Company	Share capital	Share premium account	Other reserve	Profit and loss account	Total
At 1 January 2002	30.7	3.5	83.8	4.9	122.9
Profit for the financial year (2001 – £4.1 million)	-	-	-	7.2	7.2
Dividends	-	-	-	(6.1)	(6.1)
At 31 December 2002	30.7	3.5	83.8	6.0	124.0

In accordance with Section 230 of the Companies Act 1985, the Company has not presented its own Profit and Loss Account.

c) Group and Company

Shareholders' funds are attributable entirely to equity interests.

In 1997, £87.0 million of the Share Premium Account was cancelled and replaced by a Special Reserve against which Group goodwill, arising on acquisitions since completion of the previous restructuring of shareholders' funds in June 1991 and December 1997, of £70.0 million has been set off. Subject to first settling existing creditors, this reserve becomes distributable by the Company to the extent of future increases in issued share capital and Share Premium Account or may be used in the write off of goodwill in the Company's investments in its own direct subsidiaries.

23 Guarantees and Other Financial Commitments

a) Capital commitments

Capital commitments of the Group contracted for but not provided for in the Accounts at 31 December 2002 were £0.6 million (2001 – £2.1 million).

The Company had capital commitments at 31 December 2002 of £nil (2001 – £nil).

b) Operating lease commitments

The Group leases certain land and buildings and plant and equipment. The net rental for 2002 on the land and buildings leases was £3.4 million (2001 – £3.6 million). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The total rental for 2002 on the plant and equipment leases was £0.9 million (2001 – £1.1 million). The lease agreements provide that the Group pays substantially all insurance, maintenance and repairs.

The minimum annual rental commitments under the foregoing leases are as follows:

	2002 Land and buildings £m	2002 Plant and equipment £m	2001 Land and buildings £m	2001 Plant and equipment £m
Operating leases which expire:				
Within one year	0.6	0.2	0.4	0.3
Between two and five years	1.1	0.7	2.0	0.9
After five years	1.1	-	1.0	-
	2.8	0.9	3.4	1.2

23 Guarantees and Other Financial Commitments continued

The net rental for 2002 payable by the Company on a land and buildings lease was £0.2 million (2001 – £0.2 million). The minimum annual rental commitment under this lease, which expires after five years, is £0.2 million (2001 – £0.2 million).

The Company has guaranteed £1.0 million (2001 – £1.0 million) of annual lease commitments of certain subsidiary undertakings.

c) Revolving credit facility

The Company is a guarantor, jointly and severally, with certain subsidiary undertakings, of a committed five year £83.1 million (originally £100.0 million) multi-currency revolving credit facility for the Group dated 28 June 1999 and maturing in June 2004.

Of the total facility, a tranche of originally £30.0 million was committed for 364 days only.

In 2000 and 2001 the Company exercised a term out option converting US\$15.0 million (subsequently reduced to US\$13.9 million) and €3.6 million into two year loans maturing in June 2002 and June 2003 respectively. During 2002 the US\$13.9 million loan was repaid and the Company exercised a term out option converting €14.0 million and US\$2.5 million into two year loans maturing at the end of the facility in June 2004. The remaining balance of the £30.0 million tranche was then cancelled.

At 31 December 2002 the total amounts borrowed under the facility were £31.8 million (2001 – £63.3 million) comprising £4.0 million, €28.9 million, US\$10.3 million and Swedish kroner 35.0 million.

d) Private placement loans

The Company is a guarantor, jointly and severally, with certain subsidiary undertakings of US\$75.0 million (2001 – US\$75.0 million) unsecured loan notes under agreements dated 22 October 1998.

The Company is a guarantor, jointly and severally, with certain subsidiary undertakings of US\$30.0 million (2001 – US\$30.0 million) unsecured loan notes under amended and restated agreements dated 31 October 1995 and 15 January 1999.

e) Bank guarantees

The Company is a guarantor, jointly and severally, with certain UK subsidiary undertakings, of all indebtedness of these subsidiary undertakings to two of the Group's UK clearing bankers.

The Company is a guarantor of all indebtedness of certain US subsidiary undertakings to its US clearing bankers.

f) Forward exchange contracts

The Group enters into forward exchange contracts as part of its hedging policy on exchange exposures arising on translation of overseas assets into sterling. At 31 December 2002, the Group had entered into forward contracts to sell US dollars and Euros for a total sterling value of £44.9 million (2001 – £59.5 million). These contracts all mature within one year.

24. Pension Costs and Other Post-Retirement Benefit Costs

The Group has continued to account for pension costs and other post-retirement benefit costs in accordance with SSAP24 "Accounting for Pension Costs" and the disclosures given, in a) below, are those required by that standard. Whilst the timetable for the full implementation of Financial Reporting Standard No.17 "Retirement Benefits" has been delayed by the Accounting Standards Board, the supplementary transitional disclosures it requires are included in b) below.

a) The Group operates a number of pension plans in the UK, North America and Europe. These include both defined contribution arrangements covering 59% of the Group's employees and defined benefit arrangements covering 30% of the Group's employees.

Defined benefit plans are operated in the UK and the USA. The assets 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 total defined benefit pension costs for the Group were £2.7 million (2001 – £1.5 million). In the prior year the UK plan charge benefited from a credit of £0.4 million in respect of the amortisation of the plan surplus and interest on the excess of the amount funded over the accumulated pension costs. In the current year, due to the reduced surplus shown by the latest valuation, the same items increased the charge by £0.3 million.

In the UK the plan is valued on a triennial basis with the latest valuation having taken place at 6 April 2001. At this date the valuation showed the value of assets held was £115 million and that the actuarial value of assets held was 100% of the benefits that had accrued to members after allowing for future increases in earnings. It was assumed that future investment returns would exceed pay increases by 3.0% per annum and would exceed both inflation and pension increases by 3.5% per annum.

Notes to the Accounts continued

24. Pension Costs and Other Post-Retirement Benefit Costs continued

In the USA the plans are valued annually and at 31 December 2002 the market value of the assets was US\$20.6 million (2001 – US\$23.5 million), being 68% (2001 – 87%) of the pension obligations.

The excess of the amount funded over the accumulated pension costs for the Group of £1.5 million (2001 – £2.7 million) is included within debtors falling due after more than one year. The excess of the amount funded over the accumulated pension costs for the Company of £4.1 million (2001 – £4.6 million) is included within debtors falling due after more than one year.

The cost of post-retirement healthcare benefits in both 2002 and 2001 was not material. The cumulative cost of benefits accrued in earlier years is being spread over the expected average remaining service life of plan members and a provision of £0.3 million (2001 – £0.3 million) is included in the Group Balance Sheet. In addition the Group has recorded a provision of £1.3 million (2001 – £1.2 million) in respect of the unfunded pension obligations arising on businesses acquired during 1994. These amounts are not expected to change under FRS17.

b) FRS17 Retirement Benefits

In addition to the above 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 £3.3 million (2001 – £3.5 million). A total of £1.9 million (2001 – £2.7 million) of contributions were outstanding at the year-end. The above figures include one small multi-employer defined benefit scheme in which it is not possible to identify the Group's share of the underlying assets and liabilities. Consequently the scheme has been accounted for as a defined contribution scheme as permitted by Financial Reporting Standard 17 paragraph 9(b). The Group is not aware of any surplus or deficit in this scheme that will cause contribution rates to vary significantly in the next year.

The calculations used for FRS17 disclosures have been based on the most recent actuarial valuations, updated as necessary to take account of the requirements of FRS17 in order to assess the position of the plans at 31 December 2002.

UK Plan Plan assets	31 December 2002		31 December 2001	
	Fair value	Expected	Fair value	Expected
	£m	rate of return	£m	rate of return
Equities	45.4	7.0%	57.0	7.5%
Bonds	19.0	5.0%	16.8	5.5%
Gilts	30.2	4.0%	30.9	4.5%
Cash and other	2.5	3.0%	6.4	3.5%
Total	97.1	5.6%	111.1	6.1%
Present value of plan liabilities	(131.5)		(116.5)	
Scheme surplus/(deficit)	(34.4)		(5.4)	
% funding	73.8%		95.4%	
Contribution rates for current year	10.7%		10.4%	
Contributions made in the current year	£1.4m		£1.4m	
Contribution rates for next year	10.7%		10.4%	
Major assumptions (per annum %)				
Inflation	2.25%		2.5%	
Increase in salaries	3.25%		3.5%	
Increase in pensions	2.25%		2.5%	
Increase in deferred pensions	2.25%		2.5%	
Rate used to discount scheme liabilities	5.5%		6.0%	
Average future investment returns	5.6%		6.5%	

24. Pension Costs and Other Post-Retirement Benefit Costs continued

Movement in the scheme deficit during the year	£m
Deficit at 1 January	(5.4)
Current service cost	(1.3)
Contributions	1.4
Other finance income	(0.2)
Actuarial loss	(28.9)
Deficit at 31 December	(34.4)

The UK plan shows a deficit under FRS17 of £34.4 million, but was fully funded at the last valuation date under SSAP24. The difference arises principally due to the method of discounting the plan liabilities and the movement in asset values since that time. Under SSAP24, the liabilities are discounted at a long-term portfolio average rate of return, in effect, matching the discount rate with the expected long-term investment performance of the fund. Under FRS17 the liabilities are discounted at a long-term high quality (AA) corporate bond rate effective at the point of valuation. This method is expected to lead to considerable volatility in the net pension balance reported in the balance sheet under FRS17.

Had the Group adopted FRS17 early the following items would have been recorded in the accounts in respect of the UK schemes:

(i) Amount that would have been charged to operating profit	2002 £m
Service cost	1.3

(ii) Amount that would have been included as other finance income	2002 £m
Expected return on scheme assets	6.7
Interest on scheme liabilities	(6.9)
	(0.2)

(iii) Amount that would have been included in the Statement of Total Recognised Gains and Losses	2002 £m	2002 % of assets
Difference between actual and expected return	(17.4)	(18)
Experience gains and losses on scheme liabilities	(5.9)	(6)
Effect of changes in assumptions	(5.6)	
	(28.9)	(30)

US Plan Plan assets	31 December 2002		31 December 2001	
	Fair value £m	Expected rate of return	Fair value £m	Expected rate of return
Equities	12.8	8%	16.1	8%
Bonds	-		-	
Other	-		-	
Total	12.8	8%	16.1	8%
Present value of plan liabilities	(18.7)		(18.4)	
Scheme surplus/(deficit)	(5.9)		(2.3)	
% funding	68.4%		87.5%	
Contribution rates for current year	1.0%		-	
Contributions made in the current year	£0.2m		£0.0m	
Contribution rates for next year	3.9%		1.0%	
Major assumptions (per annum %)				
Inflation	2.5%		2.5%	
Increase in salaries	4.0%		4.0%	
Increase in pensions	2.5%		2.5%	
Increase in deferred pensions	2.5%		2.5%	
Rate used to discount scheme liabilities	6.75%		7.25%	
Average future investment returns	8.0%		8.0%	

Notes to the Accounts continued

24. Pension Costs and Other Post-Retirement Benefit Costs continued

Movement in the scheme deficit during the year	£m
Deficit at 1 January	(2.3)
Current service cost	(0.6)
Contributions	0.2
Other finance income	(0.1)
Actuarial loss	(3.4)
Exchange	0.3
Deficit at 31 December	(5.9)

The US plan shows a deficit of £5.9 million, whilst under SSAP24 the accounts currently only include a liability of £1.2 million. The plan deficit includes prior service liabilities and actuarial losses, that for accounting purposes are being spread over the average remaining life of the employees and therefore have yet to be recognised in the accounts.

Had the Group adopted FRS17 early the following items would have been recorded in the accounts in respect of the US schemes:

(i) Amount that would have been charged to operating profit	2002
	£m
Service cost	0.6

(ii) Amount that would have been included as other finance income	2002
	£m
Expected return on scheme assets	1.2
Interest on scheme liabilities	(1.3)
	(0.1)

(iii) Amount that would have been included in the Statement of Total Recognised Gains and Losses

	2002	2002
	£m	% of assets
Difference between actual and expected return	(2.5)	(19)
Experience gains and losses on scheme liabilities	0.1	-
Effect of changes in assumptions	(1.0)	
Exchange	0.3	
	(3.1)	(24)

If the Group had adopted FRS17 early the Group profit and loss reserve would have been restated as follows:

	£m
Profit and loss reserves as currently stated	69.4
Less: SSAP24 prepayment	(1.5)
Less: FRS17 deficit	(40.3)
Add: related deferred tax asset	12.7
	40.3

25 Acquisitions and Disposals

a) The following disposals of businesses took place during the year:

In September 2002, the Group's four European Expansion Joints operations, comprising the share capital of Senior Flexonics Bredan A/S and the businesses conducted by BHC a.s., Senior Flexonics Polska Spólka zo.o. and the UK Expansion Joints Division of Senior UK Limited, were sold at a combined loss of £3.5 million, including the write-off of £1.4 million of goodwill.

b) The effect of business disposals during the year was as follows:

	2002	2001
	Disposals	Disposals
	£m	£m
Goodwill	(1.4)	-
Property, plant and equipment (Note 12)	(3.0)	(1.3)
Stocks	(2.0)	(3.6)
Debtors	(2.9)	(2.2)
Cash/bank overdrafts	-	(0.4)
Creditors	2.0	2.5
Current taxation	-	0.5
(Profit)/loss on sale	3.5	(2.8)
	(3.8)	(7.3)
Consideration:		
Cash received	(3.1)	(7.9)
Costs	0.3	0.7
Deferred consideration receivable	(1.0)	(0.1)
	(3.8)	(7.3)

The £2.2 million net cash inflow shown in the Group Cash Flow Statement comprises net cash receipts of £2.8 million in respect of current year disposals offset by the settlement of £0.6 million deferred consideration payable in respect of previous acquisitions.

c) The 2001 loss on disposal of discontinued operations relates to the disposal of Polenz GmbH in March 2001, the Senior Air Systems businesses in June 2001 and Senior Flexonics Australia Pty. and Senior Flexonics New Zealand Limited in October 2001. This loss comprises the £2.8 million profit analysed above and a £3.6 million charge in respect of goodwill previously written off to reserves.

d) The 2001 loss on disposal of associated undertakings relates to the disposal of the Group's total investment in its associated undertakings, a 20% shareholding in Techno Flex Company Limited, in June 2001.

Five Year Summary

	2002	2001	2000	1999	1998
	£m	£m	£m	£m	£m
Group profit and loss accounts					
Turnover					
Continuing operations	398.7	444.3	460.8	416.8	359.6
Discontinued operations	5.7	19.4	44.6	80.0	150.0
	404.4	463.7	505.4	496.8	509.6
Operating profit before impairment and amortisation of goodwill					
Continuing operations	23.4	31.1	34.1	23.9	45.7
Discontinued operations	–	0.4	(3.0)	(4.0)	6.4
	23.4	31.5	31.1	19.9	52.1
Impairment of goodwill	–	(4.0)	–	(12.8)	–
Amortisation of goodwill	(5.8)	(6.2)	(6.1)	(3.6)	(1.1)
Operating profit	17.6	21.3	25.0	3.5	51.0
Share of operating profit in associate net of amortisation of goodwill	–	0.2	1.0	0.5	–
Specified exceptional items*	(4.0)	(2.2)	(15.9)	(25.4)	0.9
Interest payable, net	(6.6)	(9.8)	(9.3)	(5.4)	(2.4)
Profit/(loss) before taxation	7.0	9.5	0.8	(26.8)	49.5
Taxation	(3.1)	(5.1)	(0.9)	(4.1)	(14.2)
Profit/(loss) after taxation	3.9	4.4	(0.1)	(30.9)	35.3
Dividends	(6.1)	(6.1)	(15.0)	(14.9)	(14.3)
(Loss)/profit for the year	(2.2)	(1.7)	(15.1)	(45.8)	21.0
Depreciation	17.8	18.4	18.3	17.0	15.8
Gross capital expenditure (including finance lease assets)	13.1	16.5	17.4	35.6	37.5
Basic earnings/(loss) per share	1.29p	1.46p	(0.08)p	(10.08)p	11.61p
Diluted earnings/(loss) per share	1.29p	1.45p	(0.08)p	(10.06)p	10.54p
Underlying earnings per share	4.47p	5.51p	5.87p	6.03p	11.75p
Dividends per share	2.00p	2.00p	4.88p	4.88p	4.69p
Group balance sheets					
Fixed assets	175.7	201.3	227.1	226.2	179.0
Net current assets	45.8	53.8	62.6	66.5	92.8
Creditors due after one year	(97.5)	(127.5)	(162.1)	(154.3)	(115.8)
Provisions for liabilities and charges	(2.7)	(2.5)	(3.5)	(2.7)	(3.5)
Net assets	121.3	125.1	124.1	135.7	152.5
Borrowings, gross	(101.1)	(137.6)	(162.9)	(150.4)	(110.4)
Less cash (including deposits and forward exchange contracts)	13.7	14.9	16.4	9.6	31.8
Net borrowings	(87.4)	(122.7)	(146.5)	(140.8)	(78.6)
Gearing, net	72.0%	98.1%	118.0%	103.8%	51.6%
Group cash flow					
Cash inflow from operating activities	43.9	46.9	50.1	36.8	75.2
Tax receipts/(payments)	0.3	7.0	(4.9)	(9.1)	(14.4)
Interest payments, net	(7.3)	(9.7)	(8.7)	(6.7)	(2.2)
Capital expenditure (including finance leases) less disposals	(11.7)	(15.6)	(16.8)	(30.7)	(35.1)
Free cash flow	25.2	28.6	19.7	(9.7)	23.5
Dividends paid	(2.5)	(15.0)	(15.0)	(14.5)	(13.4)
Acquisitions less disposals	2.2	11.5	(3.8)	(36.5)	(67.5)
Dividend income from associated undertaking	–	0.2	0.2	0.1	–
Proceeds from share issues	–	–	0.1	0.3	0.1
Own shares purchased by the Employee Benefit Trust	–	–	–	(0.6)	(1.0)
Maturity of investments – bank deposits	–	–	–	8.0	10.2
(Decrease)/increase in loans	(32.3)	(25.3)	4.2	38.2	58.6
Increase in finance leases	1.5	–	–	–	–
Cash inflow on forward exchange contracts	0.2	–	–	–	–
(Decrease)/increase in cash in the period	(5.7)	–	5.4	(14.7)	10.5

*Specified exceptional items comprise losses on disposal and termination of businesses and associated undertakings, including related goodwill, together with profit or loss on disposal of fixed assets.

Principal Group Undertakings

Operating companies	Business units	Locations
Senior Flexonics Limited	Senior Flexonics – United Flexible	Merthyr Tydfil
Senior Hargreaves Limited	Senior Hargreaves	Bury
Senior UK Limited	Senior Automotive – Crumlin Senior Aerospace – BWT Senior Aerospace – Bird Bellows	Crumlin Macclesfield Congleton
Senior Operations Inc. (incorporated in Delaware, USA)	Senior Automotive – Bartlett Senior Flexonics – Hose Division Senior Flexonics – Pathway Senior Flexonics – Pathway Senior Aerospace – Metal Bellows Senior Aerospace – SSP Senior Aerospace – Composites Senior Aerospace – Ketema Senior Aerospace – Ketema Senior Aerospace – Jet Products	Bartlett, Illinois Romeoville, Illinois New Braunfels, Texas Oak Ridge, Tennessee Sharon, Massachusetts Burbank, California Wichita, Kansas El Cajon, California Saltillo, Mexico San Diego, California
Senior Operations (Canada) Limited (incorporated in Canada)	Senior Flexonics – Canada	Brampton, Ontario
Senior Berghofer GmbH (incorporated in Germany)	Senior Automotive – Kassel	Kassel, Germany
Senior Automotive Czech s.r.o. (incorporated in the Czech Republic)	Senior Automotive – Olomouc	Olomouc, Czech Republic
Senior Aerospace Ermeto SAS	Senior Aerospace – Ermeto	Blois, France
Senior Automotive Blois SAS	Senior Automotive – Blois	Blois, France
Senior Calorstat SAS	Senior Aerospace – Calorstat	Dourdan, France
Flexonics SAS	Senior Flexonics – France	Dourdan, France
Senior Flexonics B.V. (incorporated in Holland)	Senior Flexonics – Holland	Rotterdam, Holland
Senior Aerospace Bosman B.V. (incorporated in Holland)	Senior Aerospace – Bosman	Rotterdam, Holland
Habia Teknofluor AB (incorporated in Sweden)	Senior Flexonics – Habia	Knivsta, Sweden
Senior Automotive S.A. (Pty) Limited (incorporated in the Republic of South Africa)	Senior Automotive – Cape Town	Cape Town, South Africa
Senior do Brasil Ltda (incorporated in Brazil)	Senior Automotive – Sao Paulo	Sao Paulo, Brazil
Senior India Private Limited (incorporated in India)	Senior Automotive – New Delhi	New Delhi, India
Senior Investments AG (incorporated in Switzerland)		Schaffhausen, Switzerland

All Group undertakings are both wholly owned and incorporated in Great Britain and registered in England and Wales unless otherwise indicated. They are all directly owned by subsidiary undertakings of Senior plc and in every case the principal country of operation is the country of incorporation.

Comments on the activities of each Group undertaking are included in the Chief Executive's Review on pages 4 to 7.

Additional Shareholder Information

Analysis of Shareholders at 31 December 2002

	Shareholders number	Shareholders %	Shareholdings millions	Shareholdings %
By Category				
Corporate bodies	827	17.54	286.52	93.21
Other shareholders	3,889	82.46	20.86	6.79
	4,716	100.00	307.38	100.00
By Range of Holdings				
1 – 24,999	4,309	91.37	17.23	5.60
25,000 – 49,999	135	2.86	4.68	1.52
50,000 – 249,999	131	2.78	14.32	4.66
250,000 – 499,999	47	1.00	16.47	5.36
500,000 – 999,999	33	0.70	22.64	7.37
1,000,000 – and over	61	1.29	232.04	75.49
	4,716	100.00	307.38	100.00

Share Registrars

All shareholder records are maintained by Lloyds TSB Registrars and all correspondence should be addressed to the Registrar, Senior plc at the Lloyds TSB Registrars' address shown on page 10, 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 either share certificate or dividend warrant, or request for, or change to, a dividend mandate.

Lloyds TSB Registrars now provide 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

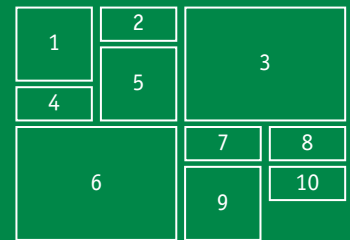
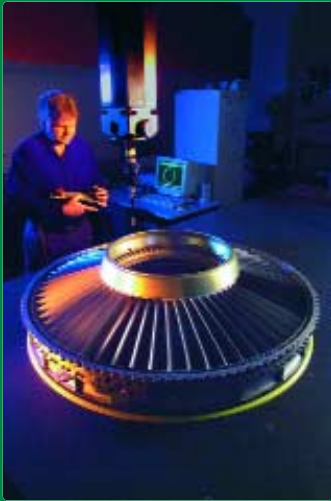
Instead of payment by post to your registered address, dividends can be paid through the BACS system direct into a UK bank or building society account, with the dividend voucher still sent to your registered address. If you wish to use this facility and have not previously applied, then please apply direct to Lloyds TSB Registrars 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 Lloyds TSB Registrars so holdings can be combined, if appropriate.

2003 Financial Calendar

6 March	Preliminary announcement of 2002 annual results.
17 March	Publication of Annual Report 2002.
16 April	Annual General Meeting.
30 April	Shares ex-dividend for 2002 final dividend.
2 May	Record date for shareholders on the register to receive the 2002 final dividend.
29 May	Payment of 2002 final dividend.
7 August	Preliminary announcement of 2003 interim results.
11 August	Publication of Interim Report 2003.
29 October	Shares ex-dividend for 2003 interim dividend.
31 October	Record date for shareholders on the register to receive 2003 interim dividend.
28 November	Payment of 2003 interim dividend.

Copies of preliminary announcements and other investor relations information can be found at www.seniorplc.com or by application to the Company Secretary at the Registered Office.

Employees



- 1 Andrew Zaloga is inspecting a GE Outer Guide Vane Assembly at Senior Aerospace Ketema
- 2 Dorian Shillingford and the management team in Canada
- 3 Some of the Pathway team with a typical expansion joint product
- 4 The team in the development test laboratory at Senior Automotive Bartlett
- 5 The engineering team in Senior Automotive Crumlin supports the operations in the UK, South Africa and Brazil
- 6 Jennifer Hannah-Fox and Bob Zubaty working at Senior Aerospace Jet Products
- 7 Members of the Ford production team in Senior Automotive Bartlett
- 8 Walter Pike with 40 years' service with Arnaud Amay and Raul Sanchez at Senior Aerospace SSP
- 9 Perfect attendance award for Jerome Veldsman in Senior Automotive Cape Town
- 10 The head office team at Rickmansworth in the UK

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