

Notes to the Accounts

I 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 include the full adoption of Financial Reporting Standard No.17 "Retirement Benefits" and also UITF 38 "Accounting for ESOP Trusts". The prior year comparatives have been restated accordingly.

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 2004. 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.

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 Incentive Plan liabilities. The Trustee purchases the Company's ordinary shares in the open market using funds provided by the Company. These shares are carried at original cost and are shown as a reduction in shareholders' funds.

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.

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.

Notes to the Accounts continued

I Accounting Policies continued

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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where these give rise to either an obligation to pay more tax or a right to pay less tax in the future. Timing differences arise when items of income and expense are included at different values or at different times in the assessment of accounting and taxable profits. Net deferred tax assets are recognised only if it is regarded as more likely than not that they will be capable of recovery in the foreseeable future. Deferred tax is not provided on timing differences associated with the revaluation of assets if there is no commitment to sell the asset, nor is it provided on unremitted overseas earnings if there is no commitment to remit those earnings. Deferred tax liabilities are not discounted.

For presentation purposes, any recognised deferred tax balances associated with net defined benefit pension assets and liabilities are offset against those assets and liabilities on the Balance Sheet.

Pension and Other Post-Retirement Benefit Costs

(i) Defined Contribution Schemes

The contributions due in respect of the year are charged to the Profit and Loss Account. Any difference between amounts charged and actual contributions paid is carried as either a prepayment, if paid in advance, or as an accrual, if paid in arrears, on the Balance Sheet.

(ii) Defined Benefit Schemes

The current annual service cost and any gains or losses arising on settlements and curtailments in the period are charged to operating profit. They are included as part of staff costs. Past service costs are recognised when granted unless vesting is prospective in which case the cost is spread over the vesting period.

The interest cost associated with the unwinding of the pension liability and the expected return on the assets set aside to meet that liability are offset and shown as "Other net finance cost – retirement benefits" immediately after "Interest payable and similar charges" in the Profit and Loss Account. Actuarial gains and losses arising in the year are recognised immediately in the Statement of Total Recognised Gains and Losses.

Where defined benefit schemes are operated on a funded basis, the assets of the schemes are held separately from those of the Group, in funds administered by a trustee. The assets are measured at fair value. The liabilities are measured on an actuarial basis, by an independent actuary, using the projected unit method and a discount rate equivalent to the rate of return on a high quality (AA) corporate bond of similar currency and life to the liabilities. Full actuarial valuations are obtained on a triennial basis, at a minimum, and are updated at each Balance Sheet date. The resulting net defined benefit assets or liabilities are presented separately after all other net assets on the face of the Balance Sheet. Where appropriate these balances are presented net of any related deferred tax.

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 in order 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.

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 2004	Average rates 2003	Year-end rates 2004	Year-end rates 2003
US dollar	1.83	1.64	1.92	1.79
Euro	1.47	1.45	1.41	1.42

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 reconciliation of net assets to the Balance Sheet is shown in part c) of this Note. In both cases the reconciling items are considered to be of a Group nature, and not directly attributable to individual segments. Discontinued operations record the results of the five industrial hose operations that were disposed of in August 2004. These were Senior Flexonics Limited, Flexonics SAS, Senior Flexonics B.V., Habia Teknofluor A.B. and the trade and assets of the US Hose Division of Senior Operations Inc.

a) By class of business	Turnover		Operating profit		Net assets	
	2004 £m	2003 £m	2004 £m	Operating profit (restated) 2003 £m	2004 £m	Net assets (restated) 2003 £m
Aerospace	139.6	143.8	5.9	4.2	107.7	115.4
Automotive	122.9	129.6	5.9	7.0	48.5	50.8
Industrial	44.9	50.0	(0.5)	0.9	23.5	24.4
Total	307.4	323.4	11.3	12.1	179.7	190.6
Inter-segment sales	(0.6)	(0.5)	–	–	–	–
Total continuing operations	306.8	322.9	11.3	12.1	179.7	190.6
Discontinued operations	19.1	32.0	0.4	1.0	0.4	8.2
	325.9	354.9	11.7	13.1	180.1	198.8

Operating profits shown above are stated after charging £1.7m (2003 – £1.3m) of reorganisation and restructuring costs and £5.1m (2003 – £5.4m) of goodwill amortisation. These are attributed to the segments as follows:

	Reorganisation and restructuring		Goodwill amortisation	
	2004 £m	2003 £m	2004 £m	2003 £m
Aerospace	0.7	0.7	3.4	3.5
Automotive	0.3	0.5	0.7	0.7
Industrial	0.7	0.1	1.0	1.1
Total continuing operations	1.7	1.3	5.1	5.3
Discontinued operations	–	–	–	0.1
	1.7	1.3	5.1	5.4

b) By geographical market	Turnover by destination		Turnover by origin		Operating profit by origin 2004 £m	Operating profit by origin 2003 (restated) £m	Net assets	
	2004 £m	2003 £m	2004 £m	2003 £m			2004 £m	2003 (restated) £m
North America	161.7	178.6	168.4	190.2	8.0	11.0	87.8	96.5
United Kingdom	44.9	47.6	53.8	54.9	0.6	(0.3)	48.8	51.9
Rest of Europe	89.2	82.6	67.1	63.1	(0.3)	0.1	35.1	34.7
Rest of World	17.5	18.2	24.0	18.8	3.0	1.3	8.0	7.5
Total	313.3	327.0	313.3	327.0	11.3	12.1	179.7	190.6
Inter-segment sales	(6.5)	(4.1)	(6.5)	(4.1)	–	–	–	–
Total continuing operations	306.8	322.9	306.8	322.9	11.3	12.1	179.7	190.6
Discontinued operations	19.1	32.0	19.1	32.0	0.4	1.0	0.4	8.2
	325.9	354.9	325.9	354.9	11.7	13.1	180.1	198.8

Notes to the Accounts continued

2 Segment Information continued

Operating profits shown above are stated after charging £1.7m (2003 – £1.3m) of reorganisation and restructuring costs and £5.1m (2003 – £5.4m) of goodwill amortisation. These are attributed to the segments as follows:

	Reorganisation and restructuring		Goodwill amortisation	
	2004 £m	2003 £m	2004 £m	2003 £m
North America	0.5	0.7	2.4	2.7
United Kingdom	0.5	0.3	2.3	2.3
Rest of Europe	0.7	0.3	0.1	0.1
Rest of World	–	–	0.3	0.2
Total continuing operations	1.7	1.3	5.1	5.3
Discontinued operations	–	–	–	0.1
	1.7	1.3	5.1	5.4

c) Net assets reconciliation	2004 £m	2003 (restated) £m
Net assets, as above	180.1	198.8
Net pension deficits	(41.2)	(44.0)
Net other unallocated assets/(liabilities)	(13.0)	(11.1)
Net borrowings	(50.6)	(64.2)
Net assets, per Balance Sheet	75.3	79.5

3 Operating Profit

	Continuing 2004 £m	Discontinued 2004 £m	Total 2004 £m	Continuing 2003 (restated) £m	Discontinued 2003 (restated) £m	Total 2003 (restated) £m
Turnover	306.8	19.1	325.9	322.9	32.0	354.9
Cost of sales	(240.5)	(14.8)	(255.3)	(251.4)	(24.6)	(276.0)
Gross profit	66.3	4.3	70.6	71.5	7.4	78.9
Distribution costs	(3.6)	(0.5)	(4.1)	(3.8)	(0.9)	(4.7)
Administrative expenses	(51.4)	(3.4)	(54.8)	(55.6)	(5.5)	(61.1)
Operating profit	11.3	0.4	11.7	12.1	1.0	13.1

4 Interest Payable and Other Net Finance Cost – Retirement Benefits

Interest payable comprises:

	2004 £m	2003 £m
Bank loans and overdrafts	0.8	1.2
All other loans	4.3	4.9
	5.1	6.1

Other net finance cost – retirement benefits comprises:

	2004 £m	2003 £m
Expected return on assets	(8.1)	(6.3)
Interest on scheme liabilities	9.3	8.5
	1.2	2.2

5 (Loss)/Profit on Ordinary Activities Before Taxation

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

	2004 £m	2003 £m
Depreciation – continuing operations	12.7	15.0
– discontinued operations	0.6	1.1
Goodwill amortisation – continuing operations	5.1	5.3
– discontinued operations	–	0.1
Operating lease rentals – on land and buildings	2.9	3.4
– on plant and equipment	0.8	1.0
Auditors' remuneration	0.4	0.4
Grant income	–	1.2
Reorganisation and restructuring costs	1.7	1.3

Amounts incurred on research and development during the year amounted to £4.8m (2003 – £4.0m), before recoveries from customers of £0.5m (2003 – £0.2m).

Fees payable to Deloitte for non-audit services amounted to £0.4m (2003 – £0.5m). These fees relate to taxation compliance (£0.3m) and taxation consulting services (£0.1m).

Audit fees include £0.1m (2003 – £0.1m) payable in respect of the Company.

6 Employee Costs

Particulars of employees (including Directors) are shown below:

	2004 £m	2003 (restated) £m
Wages and salaries	107.4	112.6
Social security and other costs	13.4	14.1
Pension costs – defined benefit schemes	2.0	2.0
Pension costs – defined contribution schemes	2.2	2.7
	125.0	131.4

Pension costs – defined benefit schemes is the service cost in accordance with FRS 17.

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

	2004 Number	2003 Number
Production	4,201	4,262
Distribution	55	61
Sales	334	378
Administration	424	448
	5,014	5,149

Disclosure on Directors' remuneration, share options, long-term share 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 11 to 15 within the Report of the Directors – Remuneration Report and form part of these audited financial statements.

Notes to the Accounts continued

7 Tax on (Loss)/Profit on Ordinary Activities

The Group tax charge comprises:

	2004	2003 (restated)
	£m	£m
Current tax:		
UK corporation tax at 30% (2003 – 30%)	0.1	(0.2)
Overseas taxation	2.5	2.6
Adjustments in respect of prior years	(0.9)	(0.4)
Total current tax charge	1.7	2.0
Deferred tax:		
Origination and reversal of timing differences	–	–
Adjustments in respect of prior years	–	(0.2)
Total deferred tax credit	–	(0.2)
	1.7	1.8

The above tax charge is stated inclusive of a charge of £0.2m (2003 – £nil) arising in respect of exceptional items in relation to profit on sale of fixed assets.

Factors affecting the Group tax charge for the year:

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

	2004	2003 (restated)
	£m	£m
(Loss)/profit on ordinary activities before taxation	(5.2)	6.4
Adjust:		
Amortisation of goodwill	5.1	5.4
Profit arising on sale of fixed assets	(0.5)	(0.4)
Loss on disposal of discontinued operations	13.3	–
Profit on ordinary activities, as adjusted	12.7	11.4
Tax at UK corporation tax rate of 30% (2003 – 30%)	3.8	3.4
Tax deductible goodwill amortisation in overseas subsidiaries	(0.5)	(0.6)
Unrelieved tax losses	2.1	1.0
Permanent disallowables	0.2	0.9
Other timing differences originating/(reversing)	(1.0)	0.5
Net effect of different rates of tax on overseas earnings	(2.0)	(2.8)
Adjustments to current tax charge in respect of prior periods	(0.9)	(0.4)
Current tax charge	1.7	2.0

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 £12.4m 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 foreseeable future.

The Company has £5.0m 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 because at the year-end there was no commitment to remit the retained earnings of overseas subsidiaries to the UK.

8 Dividends

	Rates per share 2004	Rates per share 2003	2004 £m	2003 £m
Interim – paid	0.65p	0.65p	2.0	2.0
Final – proposed	1.35p	1.35p	4.1	4.1
	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, being those share options granted where the exercise price is less than the average price of the Company's ordinary shares during the year. In 2004, the effect of these share options is anti-dilutive and has therefore been excluded from the calculation of diluted weighted average number of shares. In 2003, these share options had a dilutive effect of 2.4m shares.

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

	Earnings per share 2004 pence	Earnings per share 2003 (restated) pence	Earnings 2004 £m	Earnings 2003 (restated) £m
Basic (loss)/profit on ordinary activities after taxation	(2.25)	1.50	(6.9)	4.6
Adjust: Amortisation of goodwill	1.66	1.77	5.1	5.4
Profit on sale of fixed assets net of tax of £0.2m (2003 – £nil)	(0.10)	(0.14)	(0.3)	(0.4)
Loss on disposal of discontinued operations	4.34	–	13.3	–
Underlying earnings after taxation of £1.5m (2003 – £1.8m)	3.65	3.13	11.2	9.6
Underlying earnings before taxation			12.7	11.4
Weighted average number of shares – basic			306.5m	306.5m
– diluted			306.5m	308.9m
– underlying			306.5m	306.5m
(Loss)/earnings per share – basic			(2.25)p	1.50p
– diluted			(2.25)p	1.49p
– underlying			3.65p	3.13p

10 Group Cash Flow Statement

a) Reconciliation of operating profit to net cash inflow from operating activities	2004 £m	2003 (restated) £m
Group operating profit	11.7	13.1
Depreciation of tangible fixed assets	13.3	16.1
Amortisation of goodwill	5.1	5.4
(Increase)/decrease in stocks	(4.4)	6.2
(Increase)/decrease in debtors	(3.3)	5.7
Increase/(decrease) in creditors	3.0	(10.0)
Pension payments in excess of service cost	(4.0)	(1.3)
Working capital currency variations	(1.0)	(2.3)
Net cash inflow from operating activities	20.4	32.9

The net cash inflow from operating activities includes an outflow of £1.2m (2003 – £2.7m inflow) in respect of discontinued activities.

Notes to the Accounts continued

10 Group Cash Flow Statement continued

b) Reconciliation of net cash flow to movement in net debt	2004 £m	2003 £m
(Decrease)/increase in cash in the period	(5.4)	3.9
Decrease in loans	19.2	15.1
Net cash inflow on forward contracts	(4.5)	(4.5)
Change in net debt resulting from cash flows	9.3	14.5
Non cash items	(0.4)	–
Currency variations on net borrowings	4.7	8.7
Movement in net debt in the period	13.6	23.2
Net debt at 1 January	(64.2)	(87.4)
Net debt at 31 December (Note 10c)	(50.6)	(64.2)

c) Analysis of net debt	At 1 January 2004 £m	Cash flow £m	Non cash items £m	Exchange movement £m	At 31 December 2004 £m
Cash	11.6	(4.0)	–	(0.2)	7.4
Overdrafts	(0.1)	(1.4)	–	–	(1.5)
	11.5	(5.4)	–	(0.2)	5.9
Debt due within one year	(5.8)	4.6	–	0.1	(1.1)
Debt due after one year	(71.2)	14.3	–	4.3	(52.6)
Finance leases	(2.0)	0.3	(0.4)	–	(2.1)
Forward exchange contract gains/(losses)	3.3	(4.5)	–	0.5	(0.7)
Total	(64.2)	9.3	(0.4)	4.7	(50.6)

Debt due within one year shown above includes short-term bank borrowings of £1.1m (2003 – £3.0m).

The forward exchange contract losses are included in other creditors and accruals.

11 Intangible Fixed Assets – Goodwill

Movements in the year	Group 2004 £m	Group 2003 £m
Cost		
At 1 January	104.2	108.8
Disposals	(1.8)	–
Currency variations	(3.1)	(4.6)
At 31 December	99.3	104.2
Amortisation		
At 1 January	27.5	23.0
Charge for the year	5.1	5.4
Disposals	(0.5)	–
Currency variations	(0.8)	(0.9)
At 31 December	31.3	27.5
Net book value		
At 31 December	68.0	76.7

12 Tangible Fixed Assets

a) Movements in the year	Group Freehold land and buildings £m	Group Leasehold land and buildings, long leases £m	Group Leasehold land and buildings, short leases £m	Group Plant and equipment £m	Group Total £m	Company Total £m
Cost or valuation						
At 1 January 2004:						
– Cost	39.5	0.1	1.1	173.2	213.9	0.5
– Valuation	1.0	–	–	–	1.0	–
Additions	1.6	–	0.1	8.7	10.4	–
Disposals	(0.1)	–	–	(2.0)	(2.1)	–
Business disposals	(0.9)	–	–	(15.3)	(16.2)	–
Currency variations	(1.2)	–	(0.1)	(5.1)	(6.4)	–
At 31 December 2004	39.9	0.1	1.1	159.5	200.6	0.5
Cost	38.9	0.1	1.1	159.5	199.6	0.5
Professional valuation (see c) below) – 1988	1.0	–	–	–	1.0	–
At 31 December 2004	39.9	0.1	1.1	159.5	200.6	0.5
Depreciation						
At 1 January 2004	8.4	–	0.7	126.7	135.8	0.3
Charge for the year	1.0	–	–	12.3	13.3	0.1
Disposals	–	–	–	(1.9)	(1.9)	–
Business disposals	(0.3)	–	–	(11.9)	(12.2)	–
Currency variations	(0.3)	–	–	(4.1)	(4.4)	–
At 31 December 2004	8.8	–	0.7	121.1	130.6	0.4
Net book value						
At 31 December 2004	31.1	0.1	0.4	38.4	70.0	0.1
At 31 December 2003	32.1	0.1	0.4	46.5	79.1	0.2

The depreciable amount included in freehold land and buildings at 31 December 2004 amounted to £36.2m (2003 – £37.1m).

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 £3.1m (2003 – £2.7m) in respect of assets held under finance leases. The related depreciation charge was £0.1m (2003 – £0.1m).

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

	Freehold land and buildings 2004 £m	Freehold land and buildings 2003 £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.

f) Group freehold land and buildings includes the Metal Bellows site which was purchased during the year at a cost of £0.6m under an option contained in the original purchase and sale agreement. The open market value of the site was assessed as £3.5m by an independent, professional valuation carried out prior to the purchase (in October 2002).

Notes to the Accounts continued

I3 Fixed Asset Investments

a) Investments	Group 2004	Group 2003	Company 2004	Company 2003 (restated)
	£m	£m	£m	£m
Shares at cost less amounts written off	–	–	0.3	0.3
Loans due from subsidiary undertakings	–	–	191.0	396.5
Capital contributions to subsidiary undertaking	–	–	30.0	30.0
	–	–	221.3	426.8

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 2004	426.8
Decrease in loans to subsidiary undertakings	(205.5)
At 31 December 2004	221.3

I4 Stocks

	Group 2004 £m	Group 2003 £m
Raw materials and consumables	15.3	17.3
Work-in-progress	17.4	15.3
Finished goods and goods for resale	5.7	7.5
	38.4	40.1

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

I5 Debtors

	Group 2004 £m	Group 2003 (restated) £m	Company 2004 £m	Company 2003 (restated) £m
Amounts falling due within one year:				
Trade debtors	49.2	51.3	–	–
Amounts recoverable on contracts	4.5	4.9	–	–
Due from subsidiary undertakings	–	–	1.9	0.6
Current tax recoverable	1.2	1.3	–	–
Value added tax	0.9	0.9	–	–
Other debtors	0.7	0.4	0.7	0.3
Prepayments and accrued income	3.5	8.1	0.5	0.5
	60.0	66.9	3.1	1.4
Amounts falling due after more than one year:				
Trade debtors	0.1	0.2	–	–
Other debtors	3.7	0.8	–	–
	3.8	1.0	–	–
Total debtors	63.8	67.9	3.1	1.4

16 Creditors: Amounts Falling Due Within One Year

	Group 2004	Group 2003 (restated)	Company 2004	Company 2003 (restated)
	£m	£m	£m	£m
Bank overdrafts (Note 18)	1.5	0.1	0.4	7.7
Short-term bank loans (Note 18)	1.1	3.0	–	–
Current portion of long-term loans (Note 18)	–	2.8	–	2.8
Obligations under finance leases (Note 18)	0.3	0.3	–	–
Trade creditors	30.5	29.4	0.4	0.2
Due to subsidiary undertakings	–	–	0.2	–
Corporation tax	9.5	6.0	0.2	2.1
Social security and PAYE	4.6	4.6	0.1	0.1
Value added tax	0.1	0.3	–	0.1
Proposed dividend	4.1	4.1	4.1	4.1
Other creditors and accruals	24.4	27.2	1.4	2.1
	76.1	77.8	6.8	19.2

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 2004	Group 2003	Company 2004	Company 2003
	£m	£m	£m	£m
Loans (Note 18)	52.6	71.2	52.1	70.7
Loans due to subsidiary undertakings	–	–	46.0	219.9
Obligations under finance leases (Note 18)	1.8	1.7	–	–
Other creditors	0.3	0.5	–	–
	54.7	73.4	98.1	290.6
Loans comprise:				
Revolving credit facility (Note 23c)	–	14.8	–	14.8
Other loans	0.5	0.5	–	–
Less – current portion	–	–	–	–
	0.5	15.3	–	14.8
8.57% Private placement loan – 2004 (Note 23d)	–	2.8	–	2.8
8.75% Private placement loans – 2007 (Note 23d)	13.0	14.0	13.0	14.0
6.52% Private placement loans – 2008 (Note 23d)	39.1	41.9	39.1	41.9
Less – current portion	–	(2.8)	–	(2.8)
	52.1	55.9	52.1	55.9
Total loans falling due after more than one year	52.6	71.2	52.1	70.7

Notes to the Accounts continued

18 Maturity Profile of Gross Indebtedness

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Borrowings are repayable as follows:				
In one year or less or on demand:				
– Bank overdrafts	1.5	0.1	0.4	7.7
– Bank loans	1.1	3.0	–	–
– Other loans	–	2.8	–	2.8
In more than one year but not more than two years:				
– Bank loans	–	–	–	–
– Other loans	–	–	–	–
In more than two years but not more than five years:				
– Bank loans	–	14.8	–	14.8
– Other loans	52.1	55.9	52.1	55.9
In more than five years:				
– Other loans	0.5	0.5	–	–
Total borrowings	55.2	77.1	52.5	81.2
Obligations under finance leases are repayable as follows:				
– In one year or less	0.3	0.3	–	–
– In more than one year but not more than two years	0.2	0.3	–	–
– In more than two years but not more than five years	0.5	0.4	–	–
– In more than five years	1.1	1.0	–	–
Total obligations under finance leases	2.1	2.0	–	–
Total gross indebtedness	57.3	79.1	52.5	81.2

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 6 and 7) and in the Accounting Policies (pages 25 and 26). 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 £53.7m (2003 – £77.0m), overdrafts £1.5m (2003 – £0.1m) and finance leases £2.1m (2003 – £2.0m), together with other non-interest bearing liabilities is repayable over the following periods:

Repayable period	Gross debt 2004 £m	Other 2004 £m	Total 2004 £m	Gross debt 2003 £m	Other 2003 £m	Total 2003 £m
In one year or less or on demand	2.9	–	2.9	6.2	–	6.2
In more than one year but not more than two years	0.2	0.1	0.3	0.3	0.4	0.7
In more than two years but not more than five years	52.6	0.2	52.8	71.1	0.1	71.2
In more than five years	1.6	–	1.6	1.5	–	1.5
Gross financial liabilities	57.3	0.3	57.6	79.1	0.5	79.6

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

	2004 £m	2003 £m
Committed:		
Expiring in one year or less	–	–
Expiring in more than one year but not more than two years	46.0	–
Expiring in more than two years but not more than five years	13.0	45.2
Uncommitted	14.1	13.6
Total unused facilities	73.1	58.8

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 2004 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	–	–	–	–	–	–
US dollar	52.5	16.1	36.4	–	7.46%	3.6
Euro	5.1	3.1	1.7	0.3	5.93%	8.3
Other	–	–	–	–	–	–
	57.6	19.2	38.1	0.3		

At 31 December 2003 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	–	–	–	–	–	–
US dollar	59.0	11.7	47.0	0.3	7.53%	4.3
Euro	18.0	15.8	2.0	0.2	5.79%	9.0
Other	2.6	2.6	–	–	–	–
	79.6	30.1	49.0	0.5		

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 nil years (2003 – 1.5 years) and Euro 1.5 years (2003 – 2.0 years).

b) The Group's financial assets, including cash at hand and in bank £7.4m (2003 – £11.6m), have the following interest rate and currency profile at 31 December:

Currency	Total	Floating rate (see below)	Non- interest bearing	Total	Floating rate (see below)	Non- interest bearing
	2004	2004	2004	2003	2003	2003
	£m	£m	£m	£m	£m	£m
Sterling	4.6	3.9	0.7	1.7	1.3	0.4
US dollar	3.5	3.0	0.5	2.6	2.1	0.5
Euro	2.0	1.9	0.1	6.0	5.9	0.1
Other	1.1	1.1	–	2.3	2.3	–
	11.2	9.9	1.3	12.6	11.6	1.0

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 2.0 years (2003 – 2.0 years); US dollar 9.5 years (2003 – 9.8 years); Euro 2.0 years (2003 – 2.1 years) and other currencies nil years (2003 – nil years).

(iii) Fair values of financial assets and liabilities

	Book value 2004	Fair value 2004	Book value 2003	Fair value 2003
	£m	£m	£m	£m
Cash at bank	7.4	7.4	11.6	11.6
Debtors due in more than one year	3.8	3.8	1.0	1.0
Other assets	–	–	–	–
Gross financial assets	11.2	11.2	12.6	12.6
Gross debt	57.3	59.0	79.1	82.4
Other creditors due in more than one year	0.3	0.3	0.5	0.5
Gross financial liabilities	57.6	59.3	79.6	82.9
Interest rate lock and rate swaps	–	(0.9)	–	(1.1)
Forward foreign exchange contracts	–	0.6	4.1	4.6

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 forward foreign exchange contracts. 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 6 and 7 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 2004 £m	Losses 2004 £m	Total net gains/(losses) 2004 £m	Gains 2003 £m	Losses 2003 £m	Total net gains/(losses) 2003 £m
Unrecognised gains/(losses) on hedges at 1 January	0.5	(1.1)	(0.6)	0.3	(1.4)	(1.1)
(Gains)/losses arising in previous years that were recognised in current year	(0.5)	0.3	(0.2)	(0.3)	0.3	–
Gains/(losses) arising in previous years that were not recognised in current year	–	(0.8)	(0.8)	–	(1.1)	(1.1)
Gains/(losses) arising in the current year that were not recognised	0.6	(0.1)	0.5	0.5	–	0.5
Unrecognised gains/(losses) on hedges at 31 December	0.6	(0.9)	(0.3)	0.5	(1.1)	(0.6)
Of which:						
Amount expected to be recognised within one year	0.6	(0.4)	0.2	0.5	(0.3)	0.2
Amount expected to be recognised after one year	–	(0.5)	(0.5)	–	(0.8)	(0.8)

As explained in the Finance Director's Review on pages 6 and 7 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 2004 £m	Group 2003 (restated) £m	Company 2004 £m	Company 2003 (restated) £m
Deferred tax	0.3	0.7	–	–

Analysis of deferred tax provided is as follows:

	Group provided 2004 £m	Group provided 2003 (restated) £m	Company provided 2004 £m	Company provided 2003 (restated) £m
Accelerated capital allowances	0.3	0.3	–	–
Short-term timing differences	0.9	1.2	–	–
Tax losses carried forward	(0.9)	(0.8)	–	–
Net deferred tax liability	0.3	0.7	–	–

Movement in deferred tax liability

	Group £m	Company £m
At 1 January 2004 as previously reported	1.0	0.3
Restatement (Note 26b)	(0.3)	(0.3)
At 1 January 2004 as restated	0.7	–
Charge/(credit) to profit and loss account – UK	–	–
– Overseas	–	–
Business disposals	(0.3)	–
Currency variations	(0.1)	–
At 31 December 2004	0.3	–

21 Share Capital

	2004 £m	2003 £m
Authorised: 500.0m 10p ordinary shares (2003 – 500.0m)	50.0	50.0
Issued: 307.5m 10p ordinary shares – fully paid (2003 – 307.4m)	30.7	30.7

1999 Executive Share Option Plan:

No options granted under the 1999 Executive Share Option Plan were granted or exercised during the year. At 31 December 2004 there were outstanding:

Date of grant	Subscription price	Normal exercise period	Executive options 2003	Granted 2004	Lapsed 2004	Exercised 2004	Executive options 2004
13 May 1999	154.35p	3 years to 12 May 2005	554,822	–	108,612	–	446,210
5 April 2000	82.50p	3 years to 4 April 2006	227,272	–	–	–	227,272
13 September 2000	54.17p	3 years to 12 September 2006	3,234,884	–	341,038	–	2,893,846
10 October 2000	53.33p	3 years to 9 October 2006	142,426	–	80,924	–	61,502
23 March 2001	52.58p	3 years to 22 March 2007	425,000	–	195,000	–	230,000
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	700,000	–	135,000	–	565,000
12 March 2003	23.08p	3 years to 11 March 2009	7,212,842	–	613,451	–	6,599,391
			12,602,246	–	1,579,025	–	11,023,221

The options outstanding under this plan were overstated on the Annual Report 2003. This has been amended in the opening balance for 2004.

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.

Savings Related Share Option Plan:

65,159 shares were allotted in respect of options granted under the Savings Related Share Option Plan during the year. A further 97,668 shares were allotted under the Share Plan in January and February 2005 but these are not included in the table below. At 31 December 2004 there were outstanding:

Date of grant	Subscription price	Normal exercise period	Sharesave options 2003	Granted 2004	Lapsed 2004	Exercised 2004	Sharesave options 2004
6 October 1998	114.00p	6 months to 31 May 2004	121,341	–	121,341	–	–
1 October 1999	91.50p	6 months to 31 May 2005	71,545	–	1,475	–	70,070
6 October 2000	43.50p	6 months to 31 May 2004	739,243	–	739,243	–	–
6 October 2000	43.50p	6 months to 31 May 2006	228,094	–	8,534	–	219,560
9 October 2001	42.00p	6 months to 31 May 2005	893,641	–	420,696	–	472,945
9 October 2001	42.00p	6 months to 31 May 2007	428,271	–	65,887	–	362,384
6 September 2002	25.25p	6 months to 31 May 2006	2,642,773	–	349,862	59,338	2,233,573
6 September 2002	25.25p	6 months to 31 May 2008	1,321,341	–	17,772	5,821	1,297,748
			6,446,249	–	1,724,810	65,159	4,656,280

Notes to the Accounts continued

22 Reconciliation of Movements in Shareholders' Funds

a) Group	Share capital	Share premium	Other reserves	Profit and loss account	Investment in own shares	2004 Total	2003 Total (restated)
	£m	£m	£m	£m	£m	£m	£m
At 1 January as previously reported	30.7	3.5	17.7	70.2	–	122.1	121.3
Restatement (Note 26b)	–	–	–	(41.3)	(1.3)	(42.6)	(42.0)
At 1 January as restated	30.7	3.5	17.7	28.9	(1.3)	79.5	79.3
(Loss)/profit for the financial year	–	–	–	(6.9)	–	(6.9)	4.6
Dividends	–	–	–	(6.1)	–	(6.1)	(6.1)
Goodwill	–	–	–	8.7	–	8.7	–
Pension actuarial loss	–	–	–	(0.3)	–	(0.3)	–
Currency variations	–	–	–	0.4	–	0.4	1.7
At 31 December	30.7	3.5	17.7	24.7	(1.3)	75.3	79.5

Other reserves include a revaluation reserve of £0.7m (2003 – £0.7m) and a special reserve of £17.0m (2003 – £17.0m).

Cumulative goodwill written off directly against reserves is as follows:

	Total
	£m
At 1 January 2004	59.0
Less: recognised in Group Profit and Loss Account on disposal of discontinued operations	(8.7)
At 31 December 2004	50.3

b) Company	Share capital	Share premium	Other reserve	Profit and loss account	Investment in own shares	2004 Total	2003 Total (restated)
	£m	£m	£m	£m	£m	£m	£m
At 1 January as previously reported	30.7	3.5	83.8	5.3	–	123.3	124.0
Restatement	–	–	–	(1.9)	(1.3)	(3.2)	(2.6)
At 1 January as restated	30.7	3.5	83.8	3.4	(1.3)	120.1	121.4
Profit for the financial year	–	–	–	14.1	–	14.1	4.8
Dividends	–	–	–	(6.1)	–	(6.1)	(6.1)
At 31 December	30.7	3.5	83.8	11.4	(1.3)	128.1	120.1

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.

Further information on the number and market value of shares held as investment in own shares is included in the Report of the Directors – Remuneration Report on pages 11 to 15.

In 1997, £87.0m 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 £70.0m 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 2004 were £2.5m (2003 – £1.6m).

The Company had capital commitments at 31 December 2004 of £nil (2003 – £nil).

23 Guarantees and Other Financial Commitments continued

b) Operating lease commitments

The Group leases certain land and buildings and plant and equipment. The net rental for 2004 on the land and buildings leases was £2.9m (2003 – £3.4m). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The total rental for 2004 on the plant and equipment leases was £0.8m (2003 – £1.0m). 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:

	2004 Land and buildings £m	2004 Plant and equipment £m	2003 Land and buildings £m	2003 Plant and equipment £m
Operating leases which expire:				
Within one year	0.3	0.3	0.3	0.2
Between two and five years	0.6	0.5	0.8	0.6
After five years	1.7	–	2.0	–
	2.6	0.8	3.1	0.8

The net rental for 2004 payable by the Company on a land and buildings lease was £0.2m (2003 – £0.2m). The minimum annual rental commitment under this lease, which expires after five years, is £0.2m (2003 – £0.2m).

The Company has guaranteed £1.4m (2003 – £1.3m) of annual lease commitments of certain current and previous subsidiary undertakings.

c) Revolving credit facility

At the beginning of 2003, the Company was a guarantor, jointly and severally, with certain subsidiary undertakings, of a committed £83.1m (originally £100m) multi-currency revolving credit facility for the Group, maturing in June 2004.

During 2003, as a result of the maturity of several termed out loans and the cancellation of £11m of unutilised commitments, the facility became a £59m committed facility.

In October 2003 this facility was refinanced with a committed £46m multi-currency revolving credit facility dated 23 October 2003 and maturing 31 October 2006, of which the Company is a guarantor, jointly and severally, with certain subsidiary undertakings.

At December 2003 the total amounts borrowed under this facility were £14.8m, comprising €17.5m and Swedish kroner 32.5m.

At December 2004 there were no amounts drawn under this facility.

d) Private placement loans

The Company is a guarantor, jointly and severally, with certain subsidiary undertakings of US\$75.0m (2003 – US\$75.0m) unsecured loan notes under amended agreements dated 22 October 1998 and 31 December 2004.

The Company is a guarantor, jointly and severally, with certain subsidiary undertakings of US\$25.0m (2003 – US\$30.0m) unsecured loan notes under amended and restated agreements dated 31 October 1995, 15 January 1999 and 31 December 2004.

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 also a guarantor, jointly and severally, with certain subsidiary undertakings, of a \$5m (£2.6m) letter of credit issued by one of the Group's UK clearing bankers to guarantee certain potential liabilities of a US subsidiary.

The Company is a guarantor of all indebtedness of certain US subsidiary undertakings to its US clearing banker, including a committed single bank \$25m (£13.0m) three-year revolving credit facility and a \$5m (£2.6m) letter of credit facility, maturing on 31 May 2007. At December 2004 there were no amounts drawn under the revolving credit facility and \$1.9m (£1.0m) drawn under the letter of credit facility.

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 2004, the Group had entered into forward contracts to sell US dollars, Canadian dollars, Euros and Czech koruna for a total sterling value of £46.7m (2003 – £50.3m). These contracts all mature within one year.

Notes to the Accounts continued

24 Pension Costs and Other Post-Retirement Benefit Costs

The Group has fully implemented Financial Reporting Standard No.17 "Retirement Benefits" during the year. The Group operates a number of pension plans in the UK, North America and Europe. These include both defined contribution arrangements and defined benefit arrangements. The largest defined benefit arrangement, the Senior plc Pension Plan, is a funded scheme in the UK. The latest full actuarial valuation was carried out as at 6 April 2004 and, for the purposes of accounting under FRS 17, this valuation has been rolled forward to 31 December 2004. In addition, the Group operates three defined benefit schemes in the USA. Separate disclosure is made for the funded UK and US defined benefit arrangements. In both the UK and the USA the assets of funded schemes 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 Group also has a small number of unfunded post-retirement plans, including a closed healthcare scheme in the USA. Separate disclosure is provided for these arrangements.

a) Defined Contribution Schemes

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 £2.2m (2003 – £2.7m). A total of £1.4m (2003 – £1.4m) of contributions were outstanding at the year-end.

b) Defined Benefit Schemes

Net Post-Retirement Benefit Liability	31 December 2004 £m	31 December 2003 £m
UK funded arrangements	33.5	35.5
US funded arrangements	4.2	5.2
Other post-retirement liabilities	3.5	3.3
Per Balance Sheet	41.2	44.0

c) Assets, liabilities and assumptions in funded plans

UK Plan Plan assets	31 December 2004		31 December 2003		31 December 2002	
	Fair value £m	Expected return %	Fair value £m	Expected return %	Fair value £m	Expected return %
Equities	66.6	7.5	64.9	7.5	45.4	7.0
Bonds	20.5	4.9	13.8	5.5	19.0	5.0
Gilts	29.7	4.0	31.8	4.5	30.2	4.0
Properties and other	0.6	3.0	0.2	3.5	2.5	3.0
Total	117.4	6.1	110.7	6.4	97.1	5.6
Present value of plan liabilities	(150.9)		(146.2)		(131.5)	
Scheme (deficit)	(33.5)		(35.5)		(34.4)	
% funding	77.8%		75.7%		73.8%	
Contribution rates for current year	10.7%		10.7%		10.7%	
Normal contributions made in the current year	£1.4m		£1.6m		£1.6m	
Additional discretionary contributions	£1.4m		£0.9m		–	
Contribution rates for next year*	12.8%		10.7%		10.7%	
Major assumptions (per annum %)						
Inflation	2.60%		2.60%		2.25%	
Increase in salaries	3.60%		3.60%		3.25%	
Increase in pensions	2.60%		2.60%		2.25%	
Increase in deferred pensions	2.60%		2.60%		2.25%	
Rate used to discount scheme liabilities	5.40%		5.50%		5.50%	
Average future investment returns	6.10%		6.40%		5.60%	

*The actuarial valuation confirmed an increase in the future contribution rate (effective 1 January 2005) from 10.7% to 12.8%. This will be supplemented by additional contributions of £2.6m per annum to fund the past service deficit. The past service deficit, as determined for funding purposes, was £18.5m. This is substantially lower than the FRS 17 deficit, primarily due to the discount rate used to value the liabilities, and also due to timing differences.

24 Pension Costs and Other Post-Retirement Benefit Costs continued

US Plan Plan assets	31 December 2004		31 December 2003		31 December 2002	
	Fair value	Expected return	Fair value	Expected return	Fair value	Expected return
	£m	%	£m	%	£m	%
Equities	15.6	8.0	13.6	8.0	12.8	8.0
Bonds	–	–	–	–	–	–
Gilts	–	–	–	–	–	–
Properties and other	–	–	–	–	–	–
Total	15.6	8.0	13.6	8.0	12.8	8.0
Present value of plan liabilities	(19.8)		(18.8)		(18.7)	
Scheme (deficit)	(4.2)		(5.2)		(5.9)	
% funding	78.7%		72.3%		68.4%	
Contribution rates for current year	16.3%		3.9%		1.0%	
Normal contributions made in the current year	£2.9m		£0.7m		£0.2m	
Contribution rates for next year	nil%		16.3%		3.9%	
Major assumptions (per annum %)						
Inflation	2.50%		2.50%		2.50%	
Increase in salaries	4.00%		4.00%		4.00%	
Increase in pensions	0.00%		0.00%		0.00%	
Increase in deferred pensions	0.00%		0.00%		0.00%	
Rate used to discount scheme liabilities	6.00%		6.25%		6.75%	
Average future investment returns	8.00%		8.00%		8.00%	

d) Roll forward of scheme deficits

	31 December 2004				31 December 2003			
	UK plans	US plans	Unfunded plans	Total	UK plans	US plans	Unfunded plans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Opening net deficit	(35.5)	(5.2)	(3.3)	(44.0)	(34.4)	(5.9)	(3.1)	(43.4)
Current service costs (Note 6)	(1.4)	(0.4)	(0.1)	(1.9)	(1.5)	(0.5)	–	(2.0)
Past service costs (Note 6)	–	(0.1)	–	(0.1)	–	–	–	–
Other net finance cost (Note 4)	(1.0)	–	(0.2)	(1.2)	(1.8)	(0.3)	(0.1)	(2.2)
Contributions	2.8	2.9	0.3	6.0	2.5	0.7	0.1	3.3
Actuarial gain/(loss)	1.6	(1.7)	(0.2)	(0.3)	(0.3)	0.3	–	–
Exchange	–	0.3	–	0.3	–	0.5	(0.2)	0.3
Closing net deficit	(33.5)	(4.2)	(3.5)	(41.2)	(35.5)	(5.2)	(3.3)	(44.0)

e) Other post-retirement liabilities

This balance comprises an unfunded German pension plan of £2.2m (2003 – £2.0m), unfunded closed pension and post-retirement healthcare plans in the USA of £0.4m (2003 – £0.4m) and provision for post-retirement payments in France of £0.9m (2003 – £0.9m). The aggregate current service cost is £0.1m. The German plan has been subject to formal actuarial valuation on a projected unit method with the following assumptions: discount rate 5.25%, salary growth 2% and inflation 1.5%. In France, the provision arises from a legal obligation to make a payment to retirees at the time of retirement.

Notes to the Accounts continued

24 Pension Costs and Other Post-Retirement Benefit Costs continued

f) History of experience gains and losses

UK plan	2004 £m	2003 £m	2002 £m
Difference between actual and expected return on assets as a % of plan assets	1.8 1%	8.0 7%	(17.4) 18%
Experience gains and losses on scheme liabilities as a % of scheme liabilities	6.1 4%	– –	(5.9) 4%
Effect of changes in assumptions	(6.3)	(8.3)	(5.6)
Total amount recorded in the statement of total recognised gains and losses as a % of scheme liabilities	1.6 1%	(0.3) –	(28.9) 22%
US plan	2004 £m	2003 £m	2002 £m
Difference between actual and expected return on assets as a % of plan assets	(0.3) 2%	1.5 11%	(2.5) 19%
Experience gains and losses on scheme liabilities as a % of scheme liabilities	(0.8) 4%	– –	0.1 –
Effect of changes in assumptions	(0.6)	(1.2)	(1.0)
Exchange	0.3	0.5	0.3
Total amount recorded in the statement of total recognised gains and losses as a % of scheme liabilities	(1.4) 7%	0.8 4%	(3.1) 17%
Unfunded schemes	2004 £m	2003 £m	2002 £m
Experience gains and losses on scheme liabilities as a % of scheme liabilities	– –	– –	– –
Effect of changes in assumptions	(0.2)	–	–
Exchange	–	(0.2)	(0.1)
Total amount recorded in the statement of total recognised gains and losses as a % of scheme liabilities	(0.2) 6%	(0.2) 6%	(0.1) 3%

25 Acquisitions and Disposals

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

In August 2004, the Group's five industrial hose operations, comprising the share capitals of Senior Flexonics Limited, Flexonics SAS, Senior Flexonics B.V., Habia Teknofluor A.B. and the trade and assets of the US Hose Division of Senior Operations Inc., were sold at a combined loss of £13.3m. This comprises the write-off of £8.7m of goodwill previously written-off directly to reserves, and the £4.6m loss to net book value shown in the table below.

25 Acquisitions and Disposals continued

b) The effect of business disposals during 2004 was as follows:

	2004 Disposals £m
Goodwill	(1.3)
Property, plant and equipment	(4.0)
Stocks	(6.1)
Debtors	(6.8)
Cash	(0.5)
Creditors	5.6
Deferred tax	0.3
Loss on sale	4.6
	(8.2)
Consideration:	
Cash received	(5.8)
Costs	0.6
Deferred consideration receivable	(3.0)
	(8.2)

The £4.5m net cash inflow shown in the Group Cash Flow Statement comprises net cash receipts of £5.2m in respect of current year disposals less £0.5m of cash disposed offset by the settlement of £0.2m deferred consideration payable in respect of previous acquisitions.

The £3.0m of deferred consideration receivable shown above includes convertible preference shares with a face value of £2.5m against which full provision has been made.

26 Restatement of Comparative Information

During the year 2004 the Group has fully adopted Financial Reporting Standard No.17 "Retirement Benefits", and has also applied UITF 38 "Accounting for ESOP Trusts". These two changes in accounting policy have necessitated the restatement of the results as previously reported in the 2003 Annual Report and Accounts. The detail of these restatements is as follows.

a. Group Profit and Loss Account

	£m	£m
Profit for the financial year 2003 as previously reported		5.8
Operating profit impact		
(a) FRS 17 – reverse SSAP 24 cost (£3.0m) and charge FRS 17 pension cost (£2.0m)	1.0	
(b) UITF 38 – reverse revaluation credit taken in 2003	(0.1)	
Net change in operating profit (£13.1m restated less £12.2m previously reported)		0.9
Less: net finance cost – retirement benefits		(2.2)
Less: tax impact of above		0.1
Restated profit for the financial year 2003		4.6

Had SSAP 24 been retained for 2004, the loss for the year would have been in the region of £1.7m higher.

b. Group Balance Sheet

	£m	£m
Net assets as at 31 December 2003 as previously reported		122.1
Less: SSAP 24 prepayment in debtors	(1.5)	
Add: post-retirement balances in creditors: amounts falling due within one year	1.2	
Add: post-retirement balances in provisions for liabilities and charges	1.7	
Add: deferred tax liability derecognised	0.3	
Less: FRS 17 net deficit as at 31 December 2003	(44.0)	
Aggregate impact of pension related changes	(42.3)	
Restatement of investment in own shares to cost	1.0	
Net impact on Group retained profit and loss account (Note 22a)		(41.3)
Less: investment in own shares transferred to shareholders' funds at original cost of £1.3m		(1.3)
Restated net assets as at 31 December 2003		79.5