

Officers and Advisers

Secretary and Registered Office

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No. 282772

Registrars

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Auditors

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Colmore Gate
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Solicitors

Slaughter and May
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Principal UK Clearing Bankers

HSBC Bank plc
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Royal Bank of Scotland
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Report of the Directors

The Directors have pleasure in presenting their report and supplementary reports, together with the audited financial statements for the year ended 31 December 2001.

Activities and Business Review

Senior plc is a holding company. Its Principal Group Undertakings are shown on pages 46 and 47 and comments on each Division's results and activities in 2001 are included in the Chief Executive's Review on pages 5 to 8.

Acquisitions and Disposals

Acquisitions and disposals during 2001 are reported in Note 25 to the Accounts.

Results and Dividends

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

An interim dividend of 1.84p per share (2000 – 1.84p) has already been paid and the Directors recommend a final dividend of 0.16p per share (2000 – 3.04p). The final dividend, if approved, will be payable on 30 May 2002 to shareholders on the register at the close of business on 3 May 2002. This brings the total dividend for the year to 2.00p per share (2000 – 4.88p) and reflects the Board's desire to return the dividend cover to more traditional levels.

Share Capital

During 2001, 2,298 shares were allotted in respect of the Sharesave Plan.

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 14 to 17. None of the Directors has any interest in contracts with the Company or its subsidiary undertakings.

J R Kerr-Muir and R T Turner retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. Neither has a service agreement with the Company.

Research and Development

In 2001, the Group incurred £3.4 million (2000 – £3.5 million) on research and development, before recoveries from customers of £0.2 million (2000 – £0.3 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 £38,000 (2000 – £68,000) 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 14 days (2000 – 30 days). However, this figure is not considered indicative of the typical payment terms adhered to, which are estimated to be on average about 30 days.

Major Shareholdings

At 28 February 2002, 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	55,462,682	18.04%
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	13,347,711	4.34%
Capital Group Companies, Inc.	11,833,900	3.85%
Barclays Global Investors	9,420,521	3.06%
S G Asset Management	9,308,520	3.03%

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.

Report of the Directors *continued*

Special Business at the Annual General Meeting

Resolutions 6 to 8 invite shareholders to approve amendments to the Senior plc 1999 Executive Share Option Plan (the "XSOP"), the Senior plc Long Term Share Incentive Plan (the "LTIP") and the Senior plc Savings Related Share Option Plan (the "SAYE").

The rules of each of the share plans contain a limit that no more than 10% of the Company's share capital may be issued or be made the subject of options to subscribe for shares in a 10 year period. In addition, the XSOP and the LTIP contain a limit that no more than 5% of the Company's share capital may be issued or made the subject of options to subscribe for shares in a 10 year period. Those limits will remain in place. However, the rules also contain a number of secondary limits which control the rate at which options or awards are granted.

The amendments in each case are to remove those secondary limits, which have in practice reduced the Company's flexibility in making option grants, and the Company is satisfied that, following such amendments, the rules of the share plans will continue to be consistent with the current guidelines issued by the Association of British Insurers.

The amendments to the rules of the XSOP and the SAYE (UK Section) are subject to Inland Revenue approval before they become effective.

Shareholders will see from the Notice of Meeting that they are also asked to consider as Special Business and, if thought fit, to pass resolutions authorising the Directors to allot shares. If approved, the powers granted by these Resolutions 9 and 10 will last for five years. It is, however, established practice for these authorities to be renewed annually.

Resolutions 9 and 10 will empower the Directors to issue 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), and to make a rights issue of that amount to existing shareholders in proportion to their shareholdings, without the need to comply with the technical requirements of the statutory provisions, which create problems, particularly with regard to overseas shareholders. The Directors have no present intention of exercising this authority, other than in connection with the grant of share options. Resolution 9 also 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). The authorities granted pursuant to Resolution 9 and Resolution 10 will both expire on 2 May 2007.

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

L Grant, Secretary
13 March 2002

Report of the Directors – Remuneration

The Remuneration Committee

The Remuneration Committee consists entirely of non-executive Directors. Its current members are 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 and Company Secretary.

The remuneration of 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. 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 and committees, and is based upon advice taken by the Board from independent consultants.

The non-executive Directors, who are all independent, do not have service agreements with the Company and do not participate in any pension, bonus, share incentive or other share option plans.

Report of the Directors – Remuneration *continued*

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. It seeks advice from external remuneration consultants before recommending proposals for Board approval.

The Board, having considered the matter, does not believe it is appropriate to seek shareholder approval for the existing remuneration policy. However, any major changes in remuneration policy will be tabled for shareholder approval.

a) Salaries

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

b) Annual Performance Bonus Scheme

Under the 2001 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 of the Group compared to the prior year and budget in respect of underlying earnings per share and cash flow. As a result of the cash flow performance of the Group a bonus of 25% of salary was payable in respect of 2001 (2000 – nil).

The scheme in place for 2002 is largely unchanged from the 2001 scheme.

c) Share Plans

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

In October 2001, on the advice of external remuneration consultants, the Remuneration Committee agreed, under the discretion allowed it under the rules of the Long Term Share Incentive Plan and 1999 Executive Share Option Plan, to remove, for future awards or grants, the automatic right under those plans for awards to vest, or options be exercised, should there be a Change of Control or similar event. The Committee itself now has the discretion to decide the extent to which any vesting or exercise takes place in such circumstances.

At the Annual General Meeting on 2 May 2002, shareholders are being asked to remove from the rules of the 1999 Executive Share Option Plan, the Long Term Share Incentive Plan and the Savings Related Share Option Plan the secondary limits which control the rate at which options or awards can be granted. Further explanation may be found on page 14 of the Report of the Directors.

The executive Directors are eligible for the following share plans:

i) 1999 Executive Share Option Plan

Following approval by shareholders at the Annual General Meeting in May 1999, the Executive Share Option Plan was launched later that month with grants of options to certain senior managers and the then executive Directors.

Further options were granted in 2000 and in March, April and October 2001 to executive Directors and certain senior managers and these will normally 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.

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. Performance Awards were provided under the Plan to the then executive Directors and certain senior managers in 1997, 1998 and 1999, with vesting based on a comparison of the Company's Total Shareholder Return against a peer group over a fixed three year period. In 2000, the Performance Awards provided in 1997 produced an 83.2% release of shares; all other such Awards have, or are expected to, lapse.

With the advice of external remuneration consultants the Remuneration Committee agreed, under the discretion allowed it under the rules of the Plan, to revise the criteria under which Awards would normally vest. Under the revised criteria, 30% of the Award will 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, which are shown below under Directors' Interests, and to certain senior managers.

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 within the Group, with further invitations each September since. Executive Directors are eligible to participate and their options under the Plan are shown below under Directors' Interests.

Report of the Directors – Remuneration continued

d) 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 G R Menzies and M Rollins and their pension arrangements are only based upon their pensionable salaries up to “cap”.

e) Other Benefits

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

Directors' Emoluments

Aggregate remuneration	2001 £000's	2000 £000's
Emoluments	776	1,977
Gains on exercise of share options and incentives (see below)	–	90
Money purchase contributions	–	19
Total	776	2,086

The gains on exercise of share options and incentives shown above for 2000 relate to former Directors.

Directors' emoluments	Salary £000's	Bonus £000's	Taxable benefits £000's	2001 Total £000's	2000 Total £000's
Executive					
G R Menzies (from 21.03.00)	270	111	23	404	290
M Rollins (from 01.08.00)	160	40	13	213	91
Non-executive					
J R Kerr-Muir	66	–	–	66	41
M Clark (from 01.02.01)	27	–	–	27	–
R T Turner	25	–	–	25	25
Former Directors					
A K Watkins (to 11.05.01)	32	–	–	32	153
J L Hudson (to 11.05.01)	9	–	–	9	25
T B Garthwaite	–	–	–	–	517
W L Kowal	–	–	–	–	358
A R Parrish	–	–	–	–	477
	589	151	36	776	1,977

The bonus figure shown for G R Menzies comprises £44,000, which he received in lieu of the retirement benefits detailed in (d) above, and a bonus of £67,000 payable to him for 2001 under the Annual Performance Bonus Scheme. A bonus of £40,000 is payable to M Rollins under the Annual Performance Bonus Scheme.

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

Directors' Interests

M Clark joined the Board on 1 February 2001, and his interests are shown from that date. A K Watkins and J L Hudson retired from the Board on 11 May 2001 and their interests are shown up to 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 2001	Shares 2000
G R Menzies	300,000	100,000
M Rollins	85,000	20,000
J R Kerr-Muir	60,819	50,623
M Clark (from 01.02.01)	20,000	–
R T Turner	36,900	36,900
A K Watkins (to 11.05.01)	185,078	60,000
J L Hudson (to 11.05.01)	23,125	23,125

Report of the Directors – Remuneration continued

Options and other share incentives

Date of grant/award	At 31.12.00	Granted 2001	Exercised 2001	Gains on exercise /vesting 2001	Market price on exercise /vesting 2001	Lapsed 2001	At 31.12.01	Option price	Exercise period/maturity date
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

Inclusive of the above Long Term Share Incentive Awards to Directors, at 31 December 2001, 870,716 ordinary shares (2000 – 934,829 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 2001 was £298,000 (2000 – £491,000). The Trust has materially waived its rights to dividends on these shares. The potential beneficiaries of this plan include executive Directors and senior management within the Group and, accordingly, the executive Directors are collectively treated as being interested in those shares.

The middle market price of the shares at 31 December 2001 was 34.25p (2000 – 52.5p). During 2001 the shares traded in the range of 72p to 25p.

No change in any of the Directors' share interests occurred during the period 31 December 2001 to 13 March 2002.

Directors' Pension Entitlements

The following Directors had accrued entitlements under final salary plans as follows:

Name of Director	Directors' contributions in the year	Increase in accrued pension excluding inflation	Transfer value of increase	Accrued pension 2001	Accrued pension 2000
	£000's	£000's	£000's	£000's	£000's
G R Menzies	5	3	42	6	3
M Rollins	5	3	20	10	8
T B Garthwaite	-	-	-	-	79
W L Kowal	-	-	-	-	42
A R Parrish	-	-	-	-	10

The increase in accrued pension during the year excludes any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less Director's contributions.

The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead, they represent a potential liability of the Company/Pension Plan.

Members of the Plans have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

None of the Directors who held office during the year were members of money purchase arrangements. Contributions paid by the Company or its subsidiaries, together with any amount in respect of unfunded pension obligations provided for but not paid, were as follows:

Name of Director	2001	2000
	£000's	£000's
W L Kowal	-	6
A R Parrish	-	13
	-	19

Report of the Directors – Ethical, Social, Health, Safety and Environmental Policy

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.

Report of the Directors – Ethical, Social, Health, Safety and Environmental Policy *continued*

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.

Report of the Directors – Corporate Governance

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.

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 two 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 Operations 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 9.

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 9.

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 (eleven times in 2001) 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 fully circulated 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.

b) Directors' Remuneration

The Report of the Directors on Remuneration on pages 14 to 17 describes how the Board has applied itself to remuneration matters.

Report of the Directors – Corporate Governance *continued*

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 9.

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 2001 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 being 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.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

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

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.

Report of the Directors – Corporate Governance *continued*

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 2001 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the 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.

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. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Report of the Directors 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 or the Listing Rules 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 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 Report of the Directors and the other information contained in the Annual Report for the above year as described in the contents section 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. 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 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.

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 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Colmore Gate
Birmingham B3 2BN

13 March 2002

Group Profit and Loss Account

For the year ended 31 December	Notes	2001 £m	2000 restated £m
Turnover			
Continuing operations		452.8	466.5
Discontinued operations		10.9	38.9
	2, 3	463.7	505.4
Operating profit before exceptional items			
Continuing operations		34.3	46.4
Amortisation of goodwill		(6.2)	(6.1)
Total continuing operations		28.1	40.3
Discontinued operations		0.1	(0.6)
		28.2	39.7
Exceptional items			
Reorganisation and rationalisation charges – continuing operations		(2.9)	(8.0)
– discontinued operations		–	(1.2)
Other exceptional items		(4.0)	(5.5)
	2 d)	(6.9)	(14.7)
Total operating profit			
Continuing operations		21.2	26.8
Discontinued operations		0.1	(1.8)
	2, 3	21.3	25.0
Share of operating profit in associated undertaking		0.3	1.3
Amortisation of goodwill on associated undertaking		(0.1)	(0.3)
Profit on sale of fixed assets – continuing operations		0.1	–
Loss on disposal of discontinued operations (including goodwill of £3.6m previously written off to reserves)	25	(0.8)	(15.9)
Loss on disposal of associated undertaking – discontinued		(1.5)	–
Profit on ordinary activities before interest and taxation		19.3	10.1
Other interest receivable and similar income		0.7	2.0
Interest payable and similar charges	4	(10.5)	(11.3)
Profit on ordinary activities before taxation	5	9.5	0.8
Tax on profit on ordinary activities	7	(5.1)	(0.9)
Profit/(loss) for the financial year	22	4.4	(0.1)
Dividends	8, 22	(6.1)	(15.0)
Loss for the year		(1.7)	(15.1)
Earnings/(loss) per share			
Basic	9	1.46p	(0.08)p
Diluted	9	1.45p	(0.08)p
Underlying	9	5.51p	5.87p
Dividends per share	8	2.00p	4.88p

The restatement of 2000 relates only to the adoption of Financial Reporting Standard No.19 "Deferred Tax".

The Notes to the Accounts on pages 24 to 44, together with pages 46 and 47, form part of these Accounts.

Balance Sheets

At 31 December	Notes	Group 2001 £m	Group 2000 restated £m	Company 2001 £m	Company 2000 £m
Fixed assets					
Intangible assets – goodwill	11	98.4	112.2	-	-
Tangible assets	12	102.7	106.9	0.2	0.3
Investments	13	0.2	8.0	473.7	234.1
		201.3	227.1	473.9	234.4
Current assets					
Stocks	14	52.2	60.7	-	-
Debtors: Amounts falling due after more than one year	15	3.6	3.4	4.6	4.4
Debtors: Amounts falling due within one year	15	75.1	107.6	3.2	2.3
Cash at bank and in hand		14.9	16.4	8.4	1.2
		145.8	188.1	16.2	7.9
Creditors: Amounts falling due within one year	16	(92.0)	(125.5)	(21.7)	(19.6)
Net current assets/(liabilities)		53.8	62.6	(5.5)	(11.7)
Total assets less current liabilities		255.1	289.7	468.4	222.7
Creditors: Amounts falling due after more than one year	17	(127.5)	(162.1)	(345.5)	(97.8)
Provisions for liabilities and charges	20	(2.5)	(3.5)	-	-
Net assets		125.1	124.1	122.9	124.9
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	73.2	72.1	4.9	6.9
Equity shareholders' funds	22	125.1	124.0	122.9	124.9
Minority interests – equity		-	0.1	-	-
Total capital employed		125.1	124.1	122.9	124.9

Approved by the Board on 13 March 2002

J R Kerr-Muir, Director

M Rollins, Director

Group Statement of Total Recognised Gains and Losses

For the year ended 31 December	2001 £m	2000 restated £m
Profit/(loss) for the financial year	4.4	(0.1)
Currency translation differences on overseas assets and goodwill	(1.3)	2.6
Tax benefits on foreign exchange losses	0.5	-
Total recognised gains and losses relating to the year	3.6	2.5
Prior year adjustment (FRS19 "Deferred Tax")	0.4	-
Total gains and losses recognised since last annual accounts	4.0	-

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

The Notes to the Accounts on pages 24 to 44, together with pages 46 and 47, form part of these Accounts.

Group Cash Flow Statement

For the year ended 31 December	Notes	2001 £m	2001 £m	2000 £m	2000 £m
Net cash inflow from operating activities	10 a)		46.9		50.1
Dividend income from associated undertaking			0.2		0.2
Returns on investments and servicing of finance					
Interest received		0.7		2.7	
Interest paid		(10.4)		(11.4)	
Net cash outflow from returns on investments and servicing of finance			(9.7)		(8.7)
Taxation					
UK corporation tax paid		(0.4)		-	
Overseas tax recovered/(paid)		7.4		(4.9)	
			7.0		(4.9)
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(16.5)		(17.4)	
Sale of property, plant and equipment		0.9		0.6	
Net cash outflow from capital expenditure and financial investments			(15.6)		(16.8)
Acquisitions and disposals					
Purchase of subsidiary undertakings – deferred consideration		(0.6)		(1.0)	
Sale of subsidiary undertakings		6.6		(2.2)	
Sale of associated undertaking		5.9		-	
Net cash disposed on sale of subsidiary undertakings		(0.4)		(0.6)	
Net cash inflow/(outflow) from acquisitions and disposals			11.5		(3.8)
Dividends paid on ordinary shares			(15.0)		(15.0)
Financing					
Share issues			-		0.1
New loans initiated by Group		32.3		38.9	
Repayment of existing loans		(57.6)		(34.7)	
			(25.3)		4.2
Increase in cash in the period	10 b)		-		5.4

The Notes to the Accounts on pages 24 to 44, together with pages 46 and 47, form part of these Accounts.

Notes to the 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. However, following the adoption of Financial Reporting Standard No.19 "Deferred Tax" comparative figures have been restated. The Accounts also reflect the adoption of Financial Reporting Standard No.18 "Accounting Policies", the effect of which has had no impact on the results of both the current and prior years, and 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 pages 46 and 47, drawn up to 31 December 2001. 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",

1 ACCOUNTING POLICIES continued

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.

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".

Notes to the Accounts continued

1 ACCOUNTING POLICIES continued

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. Previously, provision for deferred tax was accounted for on the partial provision basis required by Statement of Standard Accounting Practice No.15. The effect of this change in accounting policy on the results of the current and previous financial year is disclosed in Note 7. Comparative figures have been restated in the Group Profit and Loss Account, Balance Sheet and Notes to the Accounts.

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 in the year ending 31 December 2003. These 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.

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 2001	Average rates 2000	Year-end rates 2001	Year-end rates 2000
US dollar	1.45	1.52	1.46	1.49
Euro	1.61	1.64	1.63	1.59

1 ACCOUNTING POLICIES continued

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. Gains and losses arising on forward contracts held in respect of transaction exposure 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 as follows:

a) By class of business	Turnover	Turnover	Operating	Operating	Net	Net
	2001	2000	profit	profit	assets	assets
	£m	£m	£m	£m	£m	restated £m
Aerospace	196.8	180.5	12.8	6.8	147.3	147.2
Automotive	129.0	157.5	5.5	19.6	43.5	49.0
Specialised Industrial	128.0	129.4	2.9	0.4	61.3	66.7
Total	453.8	467.4	21.2	26.8	252.1	262.9
Inter-segment sales	(1.0)	(0.9)	-	-	-	-
Total continuing operations	452.8	466.5	21.2	26.8	252.1	262.9
Discontinued operations	10.9	38.9	0.1	(1.8)	(3.1)	1.8
	463.7	505.4	21.3	25.0	249.0	264.7

Operating profits shown above are stated after charging £6.9 million (2000 – £14.7 million) of exceptional items and £6.2 million (2000 – £6.1 million) of goodwill amortisation. These are attributed to the segments as follows:

	Exceptional items		Goodwill amortisation	
	2001	2000	2001	2000
	£m	£m	£m	£m
Aerospace	1.6	7.2	3.6	3.5
Automotive	4.7	3.1	1.1	1.2
Specialised Industrial	0.6	3.2	1.5	1.4
Total continuing operations	6.9	13.5	6.2	6.1
Discontinued operations	-	1.2	-	-
	6.9	14.7	6.2	6.1

b) By geographical market	Turnover by	Turnover by	Turnover by	Turnover by	Operating	Operating	Net assets	Net assets
	destination	destination	by origin	by origin	profit by	profit by	2001	2000
	2001	2000	2001	2000	origin	origin	restated	restated
	£m	£m	£m	£m	£m	£m	£m	£m
North America	279.1	291.0	295.0	313.1	19.9	24.7	143.0	148.8
United Kingdom	56.1	55.9	76.7	79.0	5.5	3.3	65.2	69.0
Rest of Europe	96.9	89.0	73.4	65.7	(2.1)	(2.2)	36.3	31.6
Rest of World	29.3	37.9	16.3	16.0	(2.1)	1.0	7.6	13.5
Total	461.4	473.8	461.4	473.8	21.2	26.8	252.1	262.9
Inter-segment sales	(8.6)	(7.3)	(8.6)	(7.3)	-	-	-	-
Total continuing operations	452.8	466.5	452.8	466.5	21.2	26.8	252.1	262.9
Discontinued operations	10.9	38.9	10.9	38.9	0.1	(1.8)	(3.1)	1.8
	463.7	505.4	463.7	505.4	21.3	25.0	249.0	264.7

2001 discontinued operations reflect the turnover and operating results of Polenz GmbH, Senior Air Systems, Senior Flexonics Australia Pty. Limited and Senior Flexonics New Zealand Limited, all of which were sold during 2001 and Senior Flexonics (Singapore) Pte. Limited which was closed in 2001.

Notes to the Accounts continued

2 SEGMENT INFORMATION continued

Operating profits shown above are stated after charging £6.9 million (2000 – £14.7 million) of exceptional items and £6.2 million (2000 – £6.1 million) of goodwill amortisation. These are attributed to the segments as follows:

	Exceptional items		Goodwill amortisation	
	2001 £m	2000 £m	2001 £m	2000 £m
North America	2.4	9.1	3.2	3.0
United Kingdom	0.2	2.4	2.4	2.4
Rest of Europe	0.3	1.7	0.2	0.2
Rest of World	4.0	0.3	0.4	0.5
Total continuing operations	6.9	13.5	6.2	6.1
Discontinued operations	-	1.2	-	-
	6.9	14.7	6.2	6.1

c) Net assets reconciliation	2001	2000
	£m	restated £m
Net assets, as above	249.0	264.7
Unallocated liabilities, net	(1.2)	(1.9)
Investment in associated undertaking	-	7.8
Net borrowings	(122.7)	(146.5)
Net assets, per Balance Sheet	125.1	124.1

d) Total exceptional items	2001	2000
	£m	£m
Reorganisation and rationalisation charges – continuing operations	2.9	8.0
– discontinued operations	-	1.2
Write-off of non contractually guaranteed development engineering cost	-	4.0
Strategic review cost	-	1.5
Impairment of goodwill, previously recognised on acquisition of Brazilian operations (see below)	4.0	-
	6.9	14.7

The impairment review was based on a comparison of the carrying value, including goodwill, to a net present value calculation based on current cash flow projections discounted at a rate appropriate to such an investment (20%).

3 OPERATING PROFIT

	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	2001 £m	2001 £m	2001 £m	2000 £m	2000 £m	2000 £m
Turnover	452.8	10.9	463.7	466.5	38.9	505.4
Cost of sales	(350.4)	(7.8)	(358.2)	(357.8)	(29.7)	(387.5)
Gross profit	102.4	3.1	105.5	108.7	9.2	117.9
Distribution costs	(3.9)	-	(3.9)	(3.6)	(0.3)	(3.9)
Administrative expenses	(77.3)	(3.0)	(80.3)	(78.3)	(10.7)	(89.0)
Operating profit	21.2	0.1	21.3	26.8	(1.8)	25.0
Administrative expenses comprise:						
Administration costs	(64.2)	(3.0)	(67.2)	(62.7)	(9.5)	(72.2)
Rationalisation and reorganisation costs	(2.9)	-	(2.9)	(8.0)	(1.2)	(9.2)
Strategic review cost	-	-	-	(1.5)	-	(1.5)
Impairment of goodwill	(4.0)	-	(4.0)	-	-	-
Amortisation of goodwill	(6.2)	-	(6.2)	(6.1)	-	(6.1)
Total administrative expenses	(77.3)	(3.0)	(80.3)	(78.3)	(10.7)	(89.0)

4 INTEREST PAYABLE

Interest payable comprises:

	2001	2000
	£m	£m
Bank loans and overdrafts	4.6	5.6
All other loans	5.8	5.5
Share of interest charge of associated undertaking	0.1	0.2
	10.5	11.3

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2001	2000
	£m	£m
Depreciation – continuing operations	18.3	17.9
– discontinued operations	0.1	0.4
Operating lease rentals – on land and buildings	3.6	4.3
– on plant and equipment	1.1	1.2
Auditors' remuneration	0.4	0.4
Grant income	(0.3)	(0.3)

Amounts incurred on research and development during the year amounted to £3.4 million (2000 – £3.5 million), before recoveries from customers of £0.2 million (2000 – £0.3 million).

Fees payable to Deloitte & Touche for non-audit services amounted to £nil (2000 – £nil).

Audit fees include £0.1 million (2000 – £0.1 million) payable in respect of the Company.

6 EMPLOYEE COSTS

Particulars of employees (including Directors) are shown below:

	2001	2000
	£m	£m
Wages and salaries	137.3	138.6
Social security and other costs	14.9	15.0
Pension costs – defined benefit schemes	1.5	1.7
Pension costs – defined contribution schemes	3.5	3.6
	157.2	158.9

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

	2001	2000
	Number	Number
Production	4,874	5,054
Distribution	60	71
Sales	472	551
Administration	611	726
	6,017	6,402

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 15 to 18 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:

	2001	2000 restated
	£m	£m
Current tax:		
UK corporation tax at 30% (2000 – 30%)	0.5	–
Overseas taxation	2.1	5.0
Adjustments in respect of prior years	(4.3)	0.6
Total current tax (credit)/charge	(1.7)	5.6
Deferred tax:		
Origination and reversal of timing differences	2.6	(5.0)
Adjustments in respect of prior years	4.1	(0.3)
Total deferred tax charge/(credit)	6.7	(5.3)
Share of associated undertaking's taxation	0.1	0.6
	5.1	0.9

The above tax charge is stated net of a credit of £nil (2000 – £4.1 million) arising in respect of exceptional items in relation to losses on disposed businesses.

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:

	2001	2000 restated
	£m	£m
Profit on ordinary activities before taxation	9.5	0.8
Adjust:		
Amortisation of goodwill	6.2	6.1
Amortisation of goodwill on associated undertaking	0.1	0.3
Impairment of goodwill	4.0	–
Profit arising on sale of fixed assets	(0.1)	–
Loss on disposal of discontinued operations	0.8	15.9
Loss on disposal of associated undertaking	1.5	–
Profit on ordinary activities, as adjusted	22.0	23.1
Tax at UK corporation tax rate of 30% (2000 – 30%)	6.6	6.9
Tax deductible goodwill amortisation in overseas subsidiaries	(1.2)	(1.3)
Unrelieved tax losses	3.1	4.3
UK tax losses used against overseas earnings remitted	–	1.8
Other timing differences (reversing)/originating	(3.0)	3.1
Net effect of different rates of tax on overseas earnings	(2.8)	(7.5)
Current tax credit attributable to loss on disposal of discontinued operations	–	(1.7)
Adjustments to current tax charge in respect of prior periods	(4.3)	0.6
Share of associated undertaking's taxation	(0.1)	(0.6)
Current tax (credit)/charge	(1.7)	5.6

Factors that may affect future tax charges:

The Group's future mix of overseas profits is anticipated to remain broadly unchanged although, unlike 2001, no significant adjustments to the current tax charge in respect of prior periods are likely. Accordingly, the Group is anticipating to return to a current tax chargeable position in future.

As a result of adverse 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 £10.1 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 £3.1 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 £6.3 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.

7 TAX ON PROFIT ON ORDINARY ACTIVITIES continued

No deferred tax has been provided in respect of gains arising from the revaluation of properties since it is anticipated that any gains arising on a future sale would be offset by unused capital losses.

The potential liability in respect of UK corporation tax on remittance of overseas earnings to the UK has been provided only to the extent that the Directors have an intention to remit the retained earnings of overseas subsidiary undertakings to the UK.

Restatement of tax charge/balances:

Following the adoption of Financial Reporting Standard No.19 "Deferred Tax" during the current year, comparative figures have been restated in the Group Profit and Loss Account, Balance Sheet and Notes to the Accounts. The effect on the Group's previously reported results and net assets for 2000 has been to increase the loss for the year by £0.4 million and to increase the net assets by £0.4 million. The effect of the change in accounting policy on the profit for the financial year has not been material.

8 DIVIDENDS

	Rates per share	Rates per share	2001	2000
	2001	2000	£m	£m
Interim – paid	1.84p	1.84p	5.6	5.7
Final – proposed	0.16p	3.04p	0.5	9.3
	2.00p	4.88p	6.1	15.0

9 EARNINGS PER SHARE

The calculation 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 prior year diluted earnings per share has been restated to a loss per share to take account of the earnings restatement caused by the adoption of FRS19. However, it has not been adjusted for the theoretically dilutive effect of those share options granted where the exercise price is more than the average price of the Company's ordinary shares, as it is not considered that this provides any meaningful information.

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

	Earnings per share	Earnings per share	Earnings	Earnings
	2001	2000 restated	2001	2000 restated
	pence	pence	£m	£m
Basic profit/(loss) on ordinary activities after taxation	1.46	(0.08)	4.4	(0.1)
Adjust:				
Amortisation of goodwill	2.01	1.99	6.2	6.1
Amortisation of goodwill on associated undertaking	0.03	0.09	0.1	0.3
Impairment of goodwill	1.30	-	4.0	-
Profit arising on sale of fixed assets	(0.03)	-	(0.1)	-
Loss on disposal of discontinued operations	0.26	5.19	0.8	15.9
Loss on disposal of associated undertaking	0.48	-	1.5	-
Taxation attributable to above adjustments	-	(1.32)	-	(4.1)
Underlying earnings	5.51	5.87	16.9	18.1
Weighted average number of shares – basic			306.5m	306.4m
– diluted			307.1m	306.8m
– underlying			306.5m	306.4m
Earnings/(loss) per share				
– basic	1.46p	(0.08)p		
– diluted	1.45p	(0.08)p		
– underlying	5.51p	5.87p		

Notes to the Accounts *continued*

10 GROUP CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow from operating activities	2001	2000
	£m	£m
Group operating profit	21.3	25.0
Depreciation of tangible fixed assets	18.4	18.3
Amortisation of goodwill	6.2	6.1
Impairment of goodwill	4.0	-
Decrease in stocks	4.9	1.3
Decrease/(increase) in debtors	12.2	(8.6)
(Decrease)/increase in creditors	(20.4)	4.0
Working capital currency variations	0.3	4.0
Net cash inflow from operating activities	46.9	50.1

The net cash inflow from operating activities includes an outflow of £0.4 million (2000 - £2.5 million) in respect of discontinued activities.

b) Reconciliation of net cash flow to movement in net debt	2001	2000
	£m	£m
Increase in cash in the period	-	5.4
Decrease/(increase) in loans	25.3	(4.2)
Change in net debt resulting from cash flows	25.3	1.2
Currency variations on net borrowings	(1.5)	(6.9)
Movement in net debt in the period	23.8	(5.7)
Net debt at 1 January	(146.5)	(140.8)
Net debt at 31 December (Note 10c)	(122.7)	(146.5)

c) Analysis of net debt	At 1 January 2001	Cashflow	Exchange movement	At 31 December 2001
	£m	£m	£m	£m
Cash	16.4	(1.3)	(0.2)	14.9
Overdrafts	(2.8)	1.3	-	(1.5)
Debt due within one year	(3.5)	(6.3)	-	(9.8)
Debt due after one year	(156.2)	31.8	(1.3)	(125.7)
Finance leases	(0.4)	(0.2)	-	(0.6)
Total	(146.5)	25.3	(1.5)	(122.7)

Debt due within one year shown above includes short-term bank borrowings of £0.1 million (2000 - £2.1 million).

11 INTANGIBLE FIXED ASSETS - GOODWILL

Movements in the year	Group 2001	Group 2000
	£m	£m
Cost		
At 1 January	123.1	117.8
Adjustments (see below)	(3.5)	-
Currency variations	(0.2)	5.3
At 31 December	119.4	123.1
Amortisation		
At 1 January	10.9	4.5
Charge for the year - underlying	6.2	6.1
- impairment	4.0	-
Currency variations	(0.1)	0.3
At 31 December	21.0	10.9
Net book value		
At 31 December	98.4	112.2

The adjustment is 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 £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 2001:						
- Cost	40.5	0.1	2.2	177.9	220.7	0.9
- Valuation	1.0	-	-	-	1.0	-
Additions	2.8	-	-	13.7	16.5	0.1
Disposals	-	-	(0.7)	(3.3)	(4.0)	(0.4)
Businesses disposed	(0.3)	-	-	(4.2)	(4.5)	-
Currency variations	0.1	-	(0.1)	(0.7)	(0.7)	-
At 31 December 2001	44.1	0.1	1.4	183.4	229.0	0.6
Cost	43.1	0.1	1.4	183.4	228.0	0.6
Professional valuation (see c) below) - 1988	1.0	-	-	-	1.0	-
At 31 December 2001	44.1	0.1	1.4	183.4	229.0	0.6
Depreciation						
At 1 January 2001	6.4	-	1.0	107.4	114.8	0.6
Charge for the year	1.0	-	0.1	17.3	18.4	0.1
Disposals	-	-	(0.2)	(3.1)	(3.3)	(0.3)
Businesses disposed	-	-	-	(3.2)	(3.2)	-
Currency variations	(0.1)	-	(0.1)	(0.2)	(0.4)	-
At 31 December 2001	7.3	-	0.8	118.2	126.3	0.4
Net book value						
At 31 December 2001	36.8	0.1	0.6	65.2	102.7	0.2
At 31 December 2000	35.1	0.1	1.2	70.5	106.9	0.3

The depreciable amount included in freehold land and buildings at 31 December 2001 amounted to £40.4 million (2000 - £37.8 million).

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

c) The professional valuation of freehold properties were undertaken on the basis of open market value for continued existing use of the properties concerned.

d) The net book value of fixed assets includes £1.2 million (2000 - £0.9 million) in respect of assets held under finance leases. The related depreciation charge was £0.1 million (2000 - £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 2001 £m	Freehold land and buildings 2000 £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	Group	Company	Company
	2001	2000	2001	2000
	£m	£m	£m	£m
Shares at cost less amounts written off	-	-	0.3	0.3
Loans due from subsidiary undertakings	-	-	443.2	203.6
Capital contributions to subsidiary undertaking	-	-	30.0	30.0
Investment in associated undertaking	-	7.8	-	-
Investment in own shares held by the Employee Benefit Trust	0.2	0.2	0.2	0.2
	0.2	8.0	473.7	234.1

The Principal Group Undertakings in which the Company and the Group had investments at the year-end are listed on pages 46 and 47.

b) Movements on investments in subsidiary undertakings in the year	Company
	£m
At 1 January 2001	233.9
Increase in loans to subsidiary undertakings	239.6
At 31 December 2001	473.5

c) Movements on investment in associated undertaking in the year	Goodwill	Share of	Total
	£m	net assets	£m
At 1 January 2001	4.5	3.3	7.8
Loss for the period	-	(0.1)	(0.1)
Amortisation for the period	(0.1)	-	(0.1)
Disposal	(4.3)	(3.1)	(7.4)
Currency variation	(0.1)	(0.1)	(0.2)
At 31 December 2001	-	-	-

d) Movements in investment in own shares held by the Employee Benefit Trust in the year	Group	Company
	£m	£m
At 1 January 2001	0.2	0.2
Amortisation	-	-
At 31 December 2001	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 14 to 17.

14 STOCKS

	Group	Group
	2001	2000
	£m	£m
Raw materials and consumables	21.9	22.9
Work-in-progress	20.3	25.2
Finished goods and goods for resale	10.0	12.6
	52.2	60.7

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

15 DEBTORS

	Group 2001	Group 2000 restated	Company 2001	Company 2000
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	62.4	74.0	-	-
Amounts recoverable on contracts	2.8	2.6	-	-
Due from subsidiary undertakings	-	-	1.7	0.5
Current tax recoverable	2.8	7.6	0.7	0.6
Deferred taxation (Note 20)	-	7.4	-	-
Value added tax	1.4	0.8	-	-
Other debtors	1.1	8.4	0.1	0.4
Prepayments and accrued income	4.6	6.8	0.7	0.8
	75.1	107.6	3.2	2.3
Amounts falling due after more than one year:				
Trade debtors	0.2	0.1	-	-
Other debtors	0.7	0.6	-	-
Pension costs (Note 24)	2.7	2.7	4.6	4.4
	3.6	3.4	4.6	4.4
Total debtors	78.7	111.0	7.8	6.7

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2001	Group 2000	Company 2001	Company 2000
	£m	£m	£m	£m
Bank overdrafts	1.5	2.8	5.7	1.3
Short-term bank loans (Note 18)	0.1	2.1	-	-
Current portion of long-term loans (Note 18)	9.7	1.4	9.5	-
Obligations under finance leases (Note 18)	0.1	0.1	-	-
Trade creditors	37.8	54.4	0.2	0.7
Current tax payable	2.9	3.8	0.2	0.4
Social security and PAYE	3.2	3.5	-	0.1
Value added tax	0.6	0.9	0.1	-
Proposed dividend	0.5	9.3	0.5	9.3
Other creditors and accruals	35.6	47.2	5.5	7.8
	92.0	125.5	21.7	19.6

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

Notes to the Accounts continued

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Loans (Note 18)	125.7	156.2	117.2	97.8
Loans due to subsidiary undertakings	-	-	228.3	-
Obligations under finance leases (Note 18)	0.5	0.3	-	-
Other creditors	1.3	5.6	-	-
	127.5	162.1	345.5	97.8
Loans comprise:				
Revolving credit facility (Note 23c)	63.3	85.3	54.8	27.4
Other bank loans	0.1	2.6	-	-
Other loans	0.2	1.4	-	-
Less - current portion	(9.8)	(3.5)	(9.5)	-
	53.8	85.8	45.3	27.4
8.57% Private placement loan - 2004 (Note 23d)	3.4	3.4	3.4	3.4
8.75% Private placement loans - 2007 (Note 23d)*	17.1	16.7	17.1	16.7
6.52% Private placement loans - 2008 (Note 23d)*	51.4	50.3	51.4	50.3
	71.9	70.4	71.9	70.4
Total loans falling due after more than one year	125.7	156.2	117.2	97.8

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

Amounts drawn down under the revolving credit facility comprise £9.5 million equivalent that is repayable in June 2002, £2.2 million equivalent that is repayable in June 2003 and £51.6 million equivalent that falls due for repayment during the period January to July 2002 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 amounts drawn down have been classified as payable in less than one year, between one and two years and between two and five years respectively (see Note 18).

18 MATURITY PROFILE OF FINANCIAL LIABILITIES

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Borrowings are repayable as follows:				
In one year or less or on demand:				
- Bank overdrafts	1.5	2.8	5.7	1.3
- Bank loans	9.6	2.3	9.5	-
- Other loans	0.2	1.2	-	-
In more than one year but not more than two years:				
- Bank loans	2.2	10.2	2.2	-
In more than two years but not more than five years:				
- Bank loans	51.6	75.4	43.1	27.4
- Other loans	3.4	3.6	3.4	3.4
In more than five years:				
- Other loans	68.5	67.0	68.5	67.0
Total borrowings	137.0	162.5	132.4	99.1
Obligations under finance leases are repayable as follows:				
- In one year or less	0.1	0.1	-	-
- In more than one year but not more than two years	0.1	0.1	-	-
- In more than two years but not more than five years	0.1	0.2	-	-
- In more than five years	0.3	-	-	-
Total obligations under finance leases	0.6	0.4	-	-
Total financial liabilities	137.6	162.9	132.4	99.1

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 (page 11) and in the Accounting Policies on page 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 £135.5 million (2000 – £159.7 million), overdrafts £1.5 million (2000 – £2.8 million) and finance leases £0.6 million (2000 – £0.4 million) together with other non-interest bearing liabilities (largely deferred consideration on past acquisitions) is repayable over the following periods:

Repayable period	Gross debt	Other	Total	Gross debt	Other	Total
	2001	2001	2001	2000	2000	2000
	£m	£m	£m	£m	£m	£m
In one year or less or on demand	11.4	–	11.4	6.4	–	6.4
In more than one year but not more than two years	2.3	0.9	3.2	10.3	1.9	12.2
In more than two years but not more than five years	55.1	0.4	55.5	79.2	3.7	82.9
In more than five years	68.8	–	68.8	67.0	–	67.0
Gross financial liabilities	137.6	1.3	138.9	162.9	5.6	168.5

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

	2001	2000
	£m	£m
Committed:		
Expiring in less than one year	15.0	15.0
Expiring in more than two years but not more than five years	34.5	13.2
Uncommitted	26.0	63.8
Total unused facilities	75.5	92.0

(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 2001	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average rate – fixed	Weighted average years for which rate is fixed
Currency	(see below)	(see below)	(see below)	(see below)	(see below)	(see below)
	£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		

At 31 December 2000	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average rate – fixed	Weighted average years for which rate is fixed
Currency	(see below)	(see below)	(see below)	(see below)	(see below)	(see below)
	£m	£m	£m	£m		
Sterling	24.0	24.0	–	–	–	–
US dollar	111.4	19.5	87.2	4.7	7.36%	6.3
Euro	22.0	5.8	15.5	0.7	4.36%	1.1
Yen	7.0	7.0	–	–	–	–
Other	4.1	3.9	–	0.2	–	–
	168.5	60.2	102.7	5.6		

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 2.0 years (2000 – 2.6 years); Euro 2.2 years (2000 – 3.2 years); and other currencies nil years (2000 – 2.0 years).

Notes to the Accounts continued

19 FINANCIAL INSTRUMENTS continued

b) The Group's financial assets, including cash at hand and in bank £14.9 million (2000 – £16.4 million), have the following interest rate and currency profile at 31 December:

Currency	Total	Floating rate	Non-interest	Total	Floating rate	Non-interest
		(see below)	bearing		(see below)	bearing
	2001	2001	2001	2000	2000	2000
	£m	£m	£m	£m	£m	£m
Sterling	3.4	3.0	0.4	2.4	2.1	0.3
US dollar	8.7	8.1	0.6	8.4	7.8	0.6
Euro	1.3	1.3	–	4.4	4.4	–
Other	2.6	2.5	0.1	2.1	2.1	–
	16.0	14.9	1.1	17.3	16.4	0.9

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 (2000 – 2.8 years); US dollar 10.5 years (2000 – 11.0 years) and other currencies 1.5 years (2000 – nil years).

(iii) Fair values of financial assets and liabilities

	Book value	Fair value	Book value	Fair value
	2001	2001	2000	2000
	£m	£m	£m	£m
Cash at bank	14.9	14.9	16.4	16.4
Debtors due in more than one year	0.9	0.9	0.7	0.7
Other assets	0.2	0.2	0.2	0.2
Gross financial assets	16.0	16.0	17.3	17.3
Gross debt	(137.6)	(135.8)	(162.9)	(160.9)
Other creditors due in more than one year	(1.3)	(1.3)	(5.6)	(5.6)
Gross financial liabilities	(138.9)	(137.1)	(168.5)	(166.5)
Interest rate lock and rate swaps	–	(2.0)	–	(1.9)
Forward rate agreements	0.1	(0.4)	(0.6)	(0.7)

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 10 and 11 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

	Total net	Total net
	gains/(losses)	gains/(losses)
	2001	2000
	£m	£m
Unrecognised losses on hedges at 1 January	(2.0)	(1.8)
Losses arising in previous years that were recognised in current year	0.3	0.4
Losses arising in previous years that were not recognised in current year	(1.7)	(1.4)
Losses arising in the current year that were not recognised	(0.8)	(0.6)
Unrecognised losses on hedges at 31 December	(2.5)	(2.0)
Of which:		
Amount expected to be recognised within one year	(0.7)	(0.4)
Amount expected to be recognised after one year	(1.8)	(1.6)

As explained in the Finance Director's Review on pages 10 and 11 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 2001	Group 2000 restated	Company 2001	Company 2000
	£m	£m	£m	£m
Deferred tax	1.0	2.0	-	-
Pension and other post-retirement benefit costs (Note 24)	1.5	1.5	-	-
	2.5	3.5	-	-

Analysis of Group deferred tax provided is as follows:

	Provided 2001	Provided 2000 restated
	£m	£m
Accelerated capital allowances	0.6	1.2
Timing differences related to pension costs	1.4	1.3
Short-term timing differences	0.7	(4.2)
Tax losses carried forward	(1.7)	(1.3)
Overseas exceptional losses carried forward	-	(2.4)
Net deferred tax liability/(asset)	1.0	(5.4)
Comprising:		
Deferred tax asset (Note 15)	-	(7.4)
Deferred tax provision (above)	1.0	2.0

The deferred tax asset of £7.4 million recognised at 31 December 2000 relates to US tax losses carried forward and other US short-term timing differences.

Movement in deferred tax (asset)/liability

	Group £m	Company £m
At 1 January 2001 as previously reported	(5.0)	-
Prior year adjustment (FRS19)	(0.4)	-
At 1 January 2001 as restated	(5.4)	-
Charge to profit and loss account - UK	-	-
- Overseas	2.6	-
- Adjustments in respect of prior years	4.1	-
Currency variations	(0.3)	-
At 31 December 2001	1.0	-

Notes to the Accounts continued

21 SHARE CAPITAL

	2001	2000
	£m	£m
Authorised:		
500.0 million 10p ordinary shares (2000 – 500.0 million)	50.0	50.0
Issued:		
307.4 million 10p ordinary shares – fully paid (2000 – 307.4 million)	30.7	30.7

1984 Executive Share Option Scheme:

Date of grant	Subscription price	Normal exercise period	Executive options	Granted	Lapsed	Exercised	Executive options
			2000	2001	2001	2001	2001
7 May 1992	78.37p	7 years to 6 May 2002	170,768	–	57,788	–	112,980
3 September 1993	117.31p	7 years to 2 September 2003	68,494	–	68,494	–	–
			239,262	–	126,282	–	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 could be exercised during 2001. At 31 December 2001 there were outstanding:

1999 Executive Share Option Plan:

Date of grant	Subscription price	Normal exercise period	Executive options	Granted	Lapsed	Exercised	Executive options
			2000	2001	2001	2001	2001
13 May 1999	154.35p	3 years to 12 May 2005	1,299,664	–	198,745	–	1,100,919
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	4,495,891	–	230,902	–	4,264,989
10 October 2000	53.33p	3 years to 9 October 2006	624,087	–	–	–	624,087
23 March 2001	52.58p	3 years to 22 March 2007	–	625,000	–	–	625,000
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	–	–	835,000
			6,646,914	1,565,000	429,647	–	7,782,267

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.

2,298 shares with a nominal value of 10p each were allotted in respect of options granted under the Savings Related Share Option Plan for consideration of £1,000. At 31 December 2001 there were outstanding:

Savings Related Share Option Plan:

Date of grant	Subscription price	Normal exercise period	Sharesave options	Granted	Lapsed	Exercised	Sharesave options
			2000	2001	2001	2001	2001
22 November 1996	96.00p	6 months to 31 July 2002	398,188	–	47,863	–	350,325
3 October 1997	129.50p	6 months to 31 May 2001	111,699	–	111,699	–	–
3 October 1997	129.50p	6 months to 31 May 2003	110,374	–	17,629	–	92,745
6 October 1998	114.00p	6 months to 31 May 2002	162,698	–	52,818	–	109,880
6 October 1998	114.00p	6 months to 31 May 2004	187,668	–	24,813	–	162,855
1 October 1999	91.50p	6 months to 31 May 2003	390,514	–	143,175	–	247,339
1 October 1999	91.50p	6 months to 31 May 2005	145,157	–	56,798	–	88,359
6 October 2000	43.50p	6 months to 31 May 2004	2,742,039	–	652,066	2,298	2,087,675
6 October 2000	43.50p	6 months to 31 May 2006	1,016,658	–	228,873	–	787,785
9 October 2001	42.00p	6 months to 31 May 2005	–	1,784,628	14,760	–	1,769,868
9 October 2001	42.00p	6 months to 31 May 2007	–	709,987	53,034	–	656,953
			5,264,995	2,494,615	1,403,528	2,298	6,353,784

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 2001 as previously reported	30.7	3.5	0.7	17.0	17.7	71.7	123.6
Prior year adjustment (FRS19 "Deferred Tax")	-	-	-	-	-	0.4	0.4
At 1 January 2001 as restated	30.7	3.5	0.7	17.0	17.7	72.1	124.0
Profit for the financial year	-	-	-	-	-	4.4	4.4
Dividends	-	-	-	-	-	(6.1)	(6.1)
Goodwill (see below)	-	-	-	-	-	3.6	3.6
Currency variations	-	-	-	-	-	(0.8)	(0.8)
At 31 December 2001	30.7	3.5	0.7	17.0	17.7	73.2	125.1

Movements of cumulative goodwill written off against reserves were as follows:

	Total
	£m
At 1 January 2001	62.6
Goodwill previously written off now charged to loss on disposal of discontinued operations	(3.6)
At 31 December 2001	59.0

b) Company	Share capital	Share premium account	Other reserve	Profit and loss account	Total
	At 1 January 2001	30.7	3.5	83.8	6.9
Profit for the financial year (2000 - £18.5 million)	-	-	-	4.1	4.1
Dividends	-	-	-	(6.1)	(6.1)
At 31 December 2001	30.7	3.5	83.8	4.9	122.9

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

The change in accounting policy in respect of deferred tax has had no effect on the Company Balance Sheet as at 31 December 2000.

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 2001 were £2.1 million (2000 - £2.8 million).

The Company had capital commitments at 31 December 2001 of £nil (2000 - £nil).

b) Operating lease commitments

The Group leases certain land and buildings and plant and equipment. The net rental for 2001 on the land and buildings leases was £3.6 million (2000 - £4.3 million). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The total rental for 2001 on the plant and equipment leases was £1.1 million (2000 - £1.2 million). The lease agreements provide that the Group pays substantially all insurance, maintenance and repairs.

Notes to the Accounts continued

23 GUARANTEES AND OTHER FINANCIAL COMMITMENTS continued

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

	2001 Land and buildings £m	2001 Plant and equipment £m	2000 Land and buildings £m	2000 Plant and equipment £m
Operating leases which expire:				
Within one year	0.4	0.3	0.1	0.2
Between two and five years	2.0	0.9	2.6	1.0
After five years	1.0	-	1.5	-
	3.4	1.2	4.2	1.2

The net rental for 2001 payable by the Company on a land and buildings lease was £0.2 million (2000 – £0.2 million). The minimum annual rental commitment under this lease, which expires after five years, is £0.2 million (2000 – £0.2 million).

The Company has guaranteed £1.0 million (2000 – £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 £97.8 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. The remaining balance of £16.1 million was rolled over during the year for a further 364 days. At 31 December 2001 the total amounts borrowed under the facility were £63.3 million (2000 – £85.3 million) comprising £5.8 million, €30.7 million, US\$45.5 million, Danish kroner 61.5 million and Swedish kroner 38.5 million.

d) Private placement loans

The Company is a guarantor, jointly and severally, with certain subsidiary undertakings of US\$75.0 million (2000 – 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 (2000 – 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 2001, the Group had entered into forward contracts to sell US dollars and Euros for a total sterling value of £59.5 million (2000 – £42.3 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. However, in November 2000, the Accounting Standards Board issued Financial Reporting Standard No.17 "Retirement Benefits" replacing SSAP24. FRS17 is fully effective for periods ending on, or after, 22 June 2003, though certain disclosures are required in the transition period, for periods ending on or after 22 June 2001. These additional disclosures are incorporated 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 58% of the Group's employees and defined benefit arrangements covering 32% 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.

24 PENSION COSTS AND OTHER POST-RETIREMENT BENEFIT COSTS continued

The total defined benefit pension costs for the Group were £1.5 million (2000 – £1.7 million), with the UK plan having benefited from a credit of £0.4 million (2000 – £0.4 million) this year in respect of amortising a surplus over 10 years ending in 2008 and interest on the excess of the amount funded over the accumulated pension costs.

In the UK the major plan is valued on a triennial basis with the latest valuation having taken place at 6 April 2001. The valuation was brought forward by one year due to the significant changes in the membership during the previous two years. 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 Limited Price Indexation price increases by 4.0% per annum and price inflation by 4.0% per annum.

In the USA the plans are valued annually and at 31 December 2001 the market value of the assets was US\$23.5 million (2000 – US\$26.4 million), being 87% (2000 – 120%) of the pension obligations. No overall material surplus or deficiency exists in respect of other UK or overseas plans.

The excess of the amount funded over the accumulated pension costs for the Group of £2.7 million (2000 – £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 £4.6 million (2000 – £4.4 million) is included within debtors falling due after more than one year.

The cost of post-retirement healthcare benefits in both 2001 and 2000 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 (2000 – £0.3 million) is included in the Group Balance Sheet. In addition, the Group has recorded a provision of £1.2 million (2000 – £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 arrangements for the period was £3.5 million (2000 – £3.6 million). A total of £2.7 million of contributions were outstanding at 31 December 2001. The above figures include two small multi-employer defined benefit plans in which it is not possible to identify the Group's share of the underlying assets and liabilities. Consequently the plans have been accounted for as defined contribution schemes as permitted by FRS17 paragraph 9(b). The Group is not aware of any surplus or deficit in these plans 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 2001.

Plan assets:

At 31 December 2001

	UK plan Fair value £m	UK plan Expected rate of return	US plan Fair value £m	US plan Expected rate of return
Equities	57.0	8.0%	16.1	8.0%
Bonds	47.7	5.0%	-	-
Other	6.4	5.0%	-	-
Total	111.1	6.5%	16.1	8.0%
Present value of plan liabilities at 31.12.01	(116.5)		(18.4)	
Plan deficit	(5.4)		(2.3)	
% funding	95.4%		87.5%	
Contribution rates for 2001	10.4%		-	
Contributions made in the year ended 31.12.01	£1.4m		-	
Contribution rates for 2002	10.4%		1.0%	
Major assumptions (per annum %)				
inflation	2.5%		2.5%	
Increase in salaries	3.5%		4.0%	
Increase in pensions	2.5%		2.5%	
Increase in deferred pensions	2.5%		2.5%	
Rate used to discount plan liabilities	6.0%		7.25%	
Average future investment returns	6.5%		8.0%	

Notes to the Accounts continued

24 PENSION COSTS AND OTHER POST-RETIREMENT BENEFIT COSTS continued

The UK plan shows a deficit under FRS17 of £5.4 million, but is fully funded under SSAP24. The difference arises principally due to the method of discounting the plan liabilities. 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 asset reported in the balance sheet under FRS17, as very approximately, a 0.5% movement in this rate leads to a £16 million change in the discounted liability.

The US plan shows a deficit of £2.3 million, whilst under SSAP24 the accounts currently only include a liability of £1.0 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.

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	73.2
Less: SSAP24 prepayment	(2.7)
Less: FRS17 deficit	(7.7)
Add: related deferred tax asset	2.5
	65.3

25 ACQUISITIONS AND DISPOSALS

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

- i) In March 2001, the share capital of Polenz GmbH was sold at a profit of £3.5 million.
- ii) In June 2001, the Senior Air Systems business was sold at a loss of £1.1 million, together with a write-off of £3.5 million of goodwill previously set-off against reserves.
- iii) In October 2001, the share capitals of Senior Flexonics Australia Pty. Limited and Senior Flexonics New Zealand Limited were sold at a combined profit of £0.4 million, less a write-off of £0.1 million of goodwill previously set-off against reserves.

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

	2001 Disposals £m	2000 Disposals £m
Property, plant and equipment (Note 12)	(1.3)	(0.4)
Stocks	(3.6)	(1.1)
Debtors	(2.2)	(1.7)
Cash/bank overdrafts	(0.4)	(0.6)
Creditors	2.5	2.2
Current taxation	0.5	-
(Profit)/loss on sale	(2.8)	4.4
	(7.3)	2.8
Consideration:		
Cash (received)/paid	(7.9)	1.9
Costs	0.7	0.3
Deferred consideration (receivable)/payable	(0.1)	0.6
	(7.3)	2.8

The £6.6 million net cash inflow shown in the Group Cash Flow Statement comprises net cash receipts of £7.2 million in respect of current year disposals offset by the settlement of £0.6 million deferred consideration payable in respect of prior year disposals.

c) The £15.9 million loss on disposal of discontinued operations in 2000 relates to the disposal of Nordklima Luft-und-Wärmetechnik GmbH in July 2000 and to adjustments to the losses previously reported on the disposal of the Precision Tube companies and Thermal Engineering Division in 1999 and 1997, respectively.

d) The loss on disposal of associated undertakings of £1.5 million relates to the disposal of the Group's total investment in its associated undertaking, a 20% shareholding in Techno Flex Company Limited, in June 2001. Net disposal proceeds were £5.9 million.

Five Year Summary

	2001	2000 restated	1999	1998	1997
Group profit and loss accounts	£m	£m	£m	£m	£m
Turnover					
Continuing operations	452.8	466.5	421.9	365.5	326.9
Discontinued operations	10.9	38.9	74.9	144.1	152.4
	463.7	505.4	496.8	509.6	479.3
Operating profit before impairment and amortisation of goodwill					
Continuing operations	31.4	32.9	23.3	46.3	35.8
Discontinued operations	0.1	(1.8)	(3.4)	5.8	6.2
	31.5	31.1	19.9	52.1	42.0
Impairment of goodwill	(4.0)	-	(12.8)	-	-
Amortisation of goodwill	(6.2)	(6.1)	(3.6)	(1.1)	-
Operating profit	21.3	25.0	3.5	51.0	42.0
Share of operating profit in associate net of amortisation of goodwill	0.2	1.0	0.5	-	-
Specified exceptional items*	(2.2)	(15.9)	(25.4)	0.9	1.2
Interest payable, net	(9.8)	(9.3)	(5.4)	(2.4)	(0.1)
Profit/(loss) before taxation	9.5	0.8	(26.8)	49.5	43.1
Taxation	(5.1)	(0.9)	(4.1)	(14.2)	(11.2)
Profit/(loss) after taxation	4.4	(0.1)	(30.9)	35.3	31.9
Dividends	(6.1)	(15.0)	(14.9)	(14.3)	(12.9)
(Loss)/profit for the year	(1.7)	(15.1)	(45.8)	21.0	19.0
Depreciation	18.4	18.3	17.0	15.8	15.9
Gross capital expenditure	16.5	17.4	35.6	37.5	23.4
Basic earnings/(loss) per share	1.46p	(0.08)p	(10.08)p	11.61p	10.48p
Diluted earnings/(loss) per share	1.45p	(0.08)p	(10.06)p	10.54p	10.44p
Underlying earnings per share	5.51p	5.87p	6.03p	11.75p	10.18p
Dividends per share	2.00p	4.88p	4.88p	4.69p	4.24p
Group balance sheets					
Fixed assets	201.3	227.1	226.2	179.0	90.8
Net current assets	53.8	62.6	66.5	92.8	91.3
Creditors due after one year	(127.5)	(162.1)	(154.3)	(115.8)	(47.3)
Provisions for liabilities and charges	(2.5)	(3.5)	(2.7)	(3.5)	(3.3)
Net assets	125.1	124.1	135.7	152.5	131.5
Borrowings, gross	(137.6)	(162.9)	(150.4)	(110.4)	(51.5)
Less cash (including deposits)	14.9	16.4	9.6	31.8	32.2
Net borrowings	(122.7)	(146.5)	(140.8)	(78.6)	(19.3)
Gearing, net	98.1%	118.0%	103.8%	51.6%	14.8%
Group cash flow					
Cash inflow from operating activities	46.9	50.1	36.8	75.2	68.3
Tax receipts/(payments)	7.0	(4.9)	(9.1)	(14.4)	(11.0)
Interest payments, net	(9.7)	(8.7)	(6.7)	(2.2)	(1.2)
Capital expenditure less disposals	(15.6)	(16.8)	(30.7)	(35.1)	(21.7)
Free cash flow	28.6	19.7	(9.7)	23.5	34.4
Dividends paid	(15.0)	(15.0)	(14.5)	(13.4)	(12.1)
Acquisitions less disposals	11.5	(3.8)	(36.5)	(67.5)	(21.0)
Dividend income from associated undertaking	0.2	0.2	0.1	-	-
Proceeds from share issues	-	0.1	0.3	0.1	0.5
Own shares purchased by the Employee Benefit Trust	-	-	(0.6)	(1.0)	-
Maturity/(purchase) of investments - bank deposits	-	-	8.0	10.2	(1.4)
(Decrease)/increase in loans	(25.3)	4.2	38.2	58.6	2.1
Increase/(decrease) in cash in the period	-	5.4	(14.7)	10.5	2.5

The figures for 2000 have been restated to reflect the change in accounting policy relating to deferred tax following the adoption of Financial Reporting Standard No.19 in 2001.

* 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 UK Limited	Senior Automotive – Crumlin Senior Aerospace – BWT Senior Aerospace – Bird Bellows Senior Flexonics – European Expansion Joints (UK)	Crumlin Macclesfield Congleton Tipton
Senior Operations Inc. (incorporated in Delaware, USA)	Senior Automotive – Bartlett Senior Flexonics – Specialised Products Senior Flexonics – Hose Division Senior Flexonics – Pathway Senior Aerospace – Metal Bellows Senior Aerospace – SSP Senior Aerospace – Composites Senior Aerospace – Ketema Senior Aerospace – Jet Products	Bartlett, Illinois 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 Ancaster, Ontario
Senior Flexonics Berghöfer 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
BHC a.s. (incorporated in the Czech Republic)	Senior Flexonics – European Expansion Joints (Czech Republic)	Prague, Czech Republic
Senior Flexonics Polska Spółka zo.o. (incorporated in Poland)	Senior Flexonics – European Expansion Joints (Poland)	Warsaw, Poland
Senior Ermeto S.A.S. (incorporated in France)	Senior Aerospace – Ermeto Senior Automotive – Blois	Blois, France Blois, France
Senior Calorstat S.A.S. (incorporated in France)	Senior Aerospace – Calorstat Bellows	Dourdan, France
Flexonics S.A.S. (incorporated in France)	Senior Flexonics – European Hose (France)	Dourdan, France
Senior Engineering Investments B.V. (incorporated in Holland)	Senior Flexonics – Holland (until 30 June 2001)	Rotterdam, Holland
Senior Flexonics Holland B.V. (incorporated in Holland)	Senior Flexonics – Holland (from 1 July 2001)	Rotterdam, Holland
Senior Aerospace Bosman B.V. (incorporated in Holland)	Senior Aerospace – Bosman	Rotterdam, Holland

Operating companies	Business units	Locations
Senior Flexonics Bredan A/S (incorporated in Denmark)	Senior Flexonics – European Expansion Joints (Denmark)	Ringkøbing, Denmark
Habia Teknofluor AB (incorporated in Sweden)	Senior Flexonics – Habia	Knivsta, Sweden
Senior Flexonics 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 Company (incorporated in India)	Senior Automotive – New Delhi	New Delhi, India
Senior Hargreaves Limited	Senior Hargreaves	Bury
Senior Investments A.G. (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 5 to 8.

Additional Shareholder Information

ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2001

	Shareholders number	Shareholders %	Shareholdings millions	Shareholdings %
By Category				
Corporate bodies	910	18.45	287.2	93.43
Other shareholders	4,023	81.55	20.2	6.57
	4,933	100.00	307.4	100.00
By Range of Holdings				
1 - 24,999	4,528	91.79	17.9	5.83
25,000 - 49,999	141	2.86	4.9	1.58
50,000 - 249,999	132	2.68	13.9	4.51
250,000 - 499,999	48	0.97	16.8	5.47
500,000 - 999,999	26	0.53	17.9	5.82
1,000,000 - and over	58	1.17	236.0	76.79
	4,933	100.00	307.4	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 overleaf, 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.

The Share Register is by law a public document which some organisations may use to send unsolicited mail. To prevent that, please write to Mailing Preference Services, Freepost 22, London W1E 7EZ.

CREST

The Company's ordinary shares are traded through CREST, the computerised system of the London Stock Exchange, for settling the sales and purchases of quoted shares and other securities, which has largely replaced the paper based system for institutional trading. It is a voluntary system, enabling shareholders to elect to hold shares and other securities in electronic form, although shareholders who wish to retain share certificates and continue to trade on a certificated basis may do so. Individual shareholders who wish to move their holdings into CREST should consult their broker for advice. Such uncertificated holdings may normally be held through a nominee and thus will no longer appear directly on the register of members.

Shares may, however, continue to be held in the holders' own names on the register under CREST settlement, with no certificates being issued; this is known as the "Sponsored Member" facility; again refer to your broker for further information - a charge may be made for this service. All shareholder documentation would, under these circumstances, continue to be received directly. Normally, this choice would only be made by individual holders, and not by institutions who trade frequently.

Shareholders choosing to trade in CREST in a nominee name will not receive documentation directly, but may request to be put on the Company's mailing list to receive the majority of information. The nominee will however, if requested, complete the appropriate Form of Proxy for each shareholders' meeting on behalf of the holder. In order to attend and vote in person at the Company's General Meetings, a "Letter of Representation" will be required from the nominee, authorising the beneficial holder to vote in respect of his/her beneficial holding.

TAXATION

a) Capital Gains Tax

For the purposes of computing Capital Gains Tax, the market value of the Company's shares on 31 March 1982 (as adjusted for rights issues) was 55.9p.

b) Income Tax

The interim and final dividends for 1997 and the interim dividend for 1998 were Foreign Income Dividends where no tax recovery is possible. Commencing with the final dividend for 1998, the Company reverted to the payment of conventional dividends with tax credit attached, however, commencing 6 April 1999, in general only holders of PEPs and ISAs will be able to recover Income Tax.

**Registered Office and
Group Headquarters**

59/61 High Street
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Registered in England and Wales No. 282772

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Company Secretary

Leigh Grant

Registrars

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

Telephone: 01903 502541
Facsimile: 01903 702481

2002 Financial Calendar

14 March	*Preliminary announcement of 2001 annual results.
27 March	Publication of Annual Report 2001.
1 May	Shares ex-dividend for 2001 final dividend.
2 May	Annual General Meeting.
3 May	Record date for shareholders on the register to receive the 2001 final dividend.
30 May	Payment of 2001 final dividend.
8 August	*Preliminary announcement of 2002 interim results.
12 August	Publication of Interim Report 2002.
30 October	Shares ex-dividend for 2002 interim dividend.
1 November	Record date for shareholders on the register to receive 2002 interim dividend.
29 November	Payment of 2002 interim dividend.

*Copies of preliminary announcements are available from the Company's website or by application to the Company Secretary at the Registered Office.

SHAREHOLDER FACILITIES

a) Low Cost Share Dealing Service

Private individual investors in the Company may take advantage of a low cost postal share dealing service. Basic commission is 1% with a minimum charge of £10 and further details can be obtained from Hoare Govett Limited, One Clove Crescent, PO Box 2094, London E14 2ZZ (Telephone: Purchases – 020 7661 6616 or Sales – 020 7661 6617).

b) Share Price

The Company's share price is published in the Financial Times and certain other daily papers. Information concerning day-to-day movement in the share price can be found on Ceefax on BBC1 page 231 or by telephoning the Financial Times "City Line" (Telephone: 0906 843 3992 – a premium rate phone line).

c) Website

The Company's website www.seniorplc.com provides up to date information on the Company and links to the websites of businesses within the Group. An Investor Relations section has recently been incorporated which allows visitors to the website access to:

- the Senior plc share price, continuously updated (with a 15 minute delay);
- a chart of prices and sale/purchase volumes of Senior plc shares during the day;
- "interactive" share price charting, so the Senior plc share price can be plotted over the viewer's choice of period against, if they wish, the FTSE100 and/or sector indices;
- Senior plc Regulatory News Service (RNS) releases;
- brokers' consensus figures provided by Hemscott;
- alerts, if requested, by e-mail when there are fresh RNS releases, news releases, new Annual or Interim accounts, a new events calendar or results presentations posted on the website; and
- a link to the Registrars' website.

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