

10 Report of the Directors

The Directors present their report and supplementary reports, together with the audited financial statements for the year ended 31 December 2003.

Activities and Business Review

Senior plc is a holding company. Its Principal Group Undertakings are shown on page 47 and comments on each Division's results and activities in 2003 are included in the Chief Executive's Review on pages 3 to 6.

Acquisitions and Disposals

There were no acquisitions or disposals during the year.

Results and Dividends

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

An interim dividend of 0.65p per share (2002 – 0.65p) has already been paid and the Directors recommend a final dividend of 1.35p per share (2002 – 1.35p). The final dividend, if approved, will be payable on 27 May 2004 to shareholders on the register at the close of business on 30 April 2004. This brings the total dividend for the year to 2.00p per share (2002 – 2.00p).

Share Capital

During 2003, 2,376 shares were allotted in respect of the Senior plc Savings Related Share Option Plan. A further 2,401 shares were allotted under the same Plan in February 2004. 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 Report of the Directors – Remuneration Report on pages 12 to 16. None of the Directors has any interest in contracts with the Company or its subsidiary undertakings. J R Kerr-Muir and M Rollins retire by rotation and, being eligible, offer themselves for re-election at the AGM. J R Kerr-Muir has no service agreement with the Company and M Rollins has a service agreement subject to 12 months' notice by either party. R T Turner is to retire from the Board at the conclusion of the AGM on 16 April 2004 having served eight years.

Research and Development

In 2003, the Group incurred £4.0m (2002 – £4.0m) on research and development, before recoveries from customers of £0.2m (2002 – £0.2m). The majority of the Group's efforts are devoted towards product development and improved manufacturing techniques.

Charitable and Political Donations

During the year the Group made charitable donations amounting to £17,000 (2002 – £45,000), principally to local charities serving the communities in which the Group operates. No political donations were made.

Policy on Payment of Creditors

The Group's policy is to settle the terms of payment with its suppliers when agreeing the terms of each transaction and to seek to adhere to those terms. Based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by suppliers, the number of days outstanding at the year-end was 16 days (2002 – 16 days). However, these figures are not considered indicative of the typical payment terms adhered to, which are estimated to be on average about 30 days.

Major Shareholdings

At 3 March 2004, the following shareholders had advised holdings in excess of 3% of the issued share capital of the Company:

Schroder Investment Management Limited	33,694,012	10.96%
HSBC Asset Management	16,950,327	5.51%
AXA Investment Management Limited	16,284,590	5.30%
Legal & General Investment Management Limited	15,118,003	4.92%
Deutsche Asset Management Limited	13,706,031	4.46%
HBOS PLC	12,361,671	4.02%
JO Hambro Capital Management Group Limited	9,333,953	3.04%
S G Asset Management	9,308,520	3.03%
BriTel Fund Nominees Ltd	9,286,618	3.02%

So far as is known, no other shareholder had a notifiable interest amounting to 3% or more of the share capital of the Company and the Directors believe that the close company provisions of the Income and Corporation Taxes Act 1988 (as amended) do not apply to the Company.

Compliance with the Hampel Code

Statements of compliance with the Hampel Code and on internal controls are set out on page 20.

Report of the Directors – Remuneration Report

The Company's policy on executive Directors' remuneration is set out in the Report of the Directors – Remuneration Report on pages 12 to 16. The Report of the Directors – Remuneration Report is to be put to shareholder vote at the Annual General Meeting on 16 April 2004.

Special Business at the Annual General Meeting

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

1. Authority to Allot Shares – The Companies Act 1985 prevents Directors from allotting unissued shares without the authority of shareholders in general meeting. Resolution 7 will empower the Directors to issue the authorised but unissued share capital of the Company up to an aggregate nominal amount of £10,200,000 (representing 102,000,000 ordinary shares of 10p each and approximately one third of the total share capital in issue as at 3 March 2004, being a date not more than one month prior to this Notice). The Directors have no present intention of exercising this authority, other than in connection with the grant of share options.

2. Disapplication of Pre-emption Rights – Resolution 8 allows the Directors to make issues for cash, on a non pre-emptive basis, amounting to an aggregate nominal amount of £1,500,000 (representing 15,000,000 ordinary shares of 10p each and approximately 5% of the total share capital in issue as at 3 March 2004, being a date not more than one month prior to this Notice). The resolution will also allow the Directors to make a rights issue, open offer or other pre-emptive offers without the need to comply with the technical requirements of the relevant statutory provisions which are problematic, particularly with regard to overseas shareholders.

If approved, the authorities granted by Resolutions 7 and 8 will last for five years and shall expire on 16 April 2009.

3. Authority to Purchase its Own Shares – Resolution 9 seeks authority for the Company to make market purchases of its own shares for cancellation up to a maximum of 30,700,000 shares representing approximately 10% of the issued ordinary share capital. The Directors may make purchases of the Company's shares if it considers such purchases will result in an increase in earnings per share and are considered to be in the best interests of shareholders generally. The seeking of this authority should not be taken to imply that shares will be purchased.

The Directors believe that it is in the best interests of shareholders that the Company should have the flexibility to make market purchases of its own shares. The number of options to subscribe for equity shares in the Company that are outstanding on 3 March 2004 was 19,331,524 representing 6.29% of the issued share capital at that time. If the full authority to buy back shares is used then such options will represent 6.99% of the issued share capital of the Company.

The authority granted by Resolution 9 shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 or, if earlier, on 16 July 2005. It is intended that the authority granted by Resolution 9 will be renewed annually.

Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Andrew Bodenham, Secretary
3 March 2004