



Senior plc Corporate Profile

Senior is an international manufacturing group with operations in 11 countries. Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide aerospace, automotive and specialised industrial markets.

Aerospace

45% of Group turnover⁽¹⁾

Engine structures and mountings, fluid control systems, metallic high-pressure ducting, composite low-pressure ducting

Automotive

40% of Group turnover⁽¹⁾

Flexible exhaust connectors, engine emission pipework, diesel fuel systems, air conditioning/turbo charger pipework

Industrial

15% of Group turnover⁽¹⁾

Metallic and fabric expansion joints, flexible metallic hoses, composite hoses, ventilation ducting

Note

⁽¹⁾Continuing business only

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Financial Highlights 2004

	Year ended 31 December	
	2004	2003 ⁽¹⁾
Turnover from continuing operations	£306.8m	£322.9m
Underlying profit before tax ⁽²⁾	£12.7m	£11.4m
Underlying earnings per share ⁽²⁾	3.65p	3.13p
(Loss) on businesses sold	(£13.3m)	£nil
(Loss)/profit before taxation	(£5.2m)	£6.4m
Basic (loss)/earnings per share	(2.25p)	1.50p
Free cash flow ⁽²⁾	£10.5m	£20.2m
Net borrowings	£50.6m	£64.2m
Dividends per share	2.00p	2.00p

Note

⁽¹⁾The comparative figures for 2003 have been restated to reflect the adoption of FRS 17 "Retirement Benefits" and UITF 38 "Accounting for ESOP Trusts".

⁽²⁾See Finance Director's Review for derivation of non-statutory information.

Turnover⁽³⁾ £m



Operating Margin⁽³⁾ %



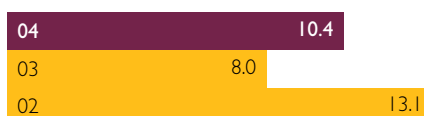
Underlying Earnings Per Share pence



Dividends Per Share pence



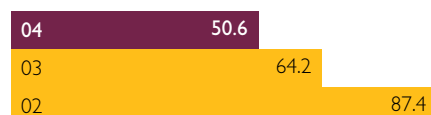
Gross Capital Expenditure £m



Free Cash Flow £m



Net Debt £m



Note

⁽³⁾Continuing business before amortisation of goodwill

Chairman's Statement



"Senior has delivered an encouraging set of results, achieving an increase in underlying earnings per share and a reduction in debt despite the adverse effects of the weakening US dollar and significant raw material price increases. The Group's recent automotive diesel programme wins, scheduled to start production in late 2006, combined with the ongoing recovery in the civil aerospace market, mean Senior has an excellent base for profitable growth in the medium-term."

Senior made further progress during 2004 in building the foundations for an improved future performance. The ongoing focus on better production efficiency, process improvement and enhanced product development are all targeted at delivering profitable organic growth for the future. It is particularly encouraging to report that, in the latter part of 2004, the Group secured a number of automotive programmes for new products developed over the past two years. The year's main operating challenge was the significant rise in raw material prices. Profits were also adversely impacted by the translation effect of the continued weakening of the US dollar. Against this background, the Group reported an improvement in underlying earnings per share and a further reduction in net debt.

Financial Results

Largely because of the weaker US dollar and the disposals completed in the year, Group turnover declined by 8.2% to £325.9m (2003 – £354.9m) and operating profit before goodwill amortisation by 9.2% to £16.8m (2003 – £18.5m). A much reduced charge for interest and lower net finance charges for retirement benefits resulted in underlying profit before taxation increasing to £12.7m (2003 – £11.4m). Underlying earnings per share increased by 16.6% to 3.65p (2003 – 3.13p restated for the full implementation in 2004 of Financial Reporting Standard 17 "Retirement Benefits" and Urgent Issues Task Force 38 "Accounting for ESOP Trusts"). The derivation of underlying earnings per share and other non-statutory information is explained in the Finance Director's Review.

The loss on disposal of businesses was £13.3m (2003 – £nil) such that the Group reported a loss after tax of £6.9m (2003 – £4.6m profit). The basic loss per share was 2.25p (2003 – 1.50p earnings per share).

In the Aerospace Division, the reported turnover reduction of 2.9% to £139.6m (2003 – £143.8m) was entirely due to the weaker US dollar. Underlying demand

improved and this, together with a continued focus on manufacturing efficiency and the benefit of prior year cost reductions, resulted in operating profit before goodwill amortisation increasing by 20.8% to £9.3m (2003 – £7.7m). The recovery in the civil sector gained momentum throughout the year and demand in the defence and military sector remained steady. The operating margin was 6.7% (2003 – 5.4%).

Sales of automotive vehicles were flat in both North America and Europe. However, turnover in the Group's Automotive Division declined by 5.2% to £122.9m (2003 – £129.6m), primarily due to adverse exchange rate movements and some North American product programmes coming to an end. In Europe and the Rest of the World the Group's automotive turnover increased. Impacted by adverse exchange rate movements, raw material price increases and supplier problems in France, Divisional operating profit before goodwill amortisation declined by 14.3% to £6.6m (2003 – £7.7m) resulting in an operating margin of 5.4% (2003 – 5.9%).

In the Industrial Division, the sale of the five industrial hose businesses, for a total consideration of £8.3m, was completed in August bringing the Group's ongoing disposal programme to an end. The turnover of the three remaining industrial businesses declined by 10.2% to £44.9m (2003 – £50.0m) and the operating profit before goodwill amortisation to £0.5m (2003 – £2.0m). The reductions were the result of poor market conditions and the costs of the major rationalisation exercises undertaken at two of the three operations.

Net debt at the end of 2004 was £50.6m, a 21% reduction from the 2003 year-end debt of £64.2m.

Dividend

The Board is recommending an unchanged final dividend of 1.35p per share in respect of 2004, bringing the total dividend for the year to 2.00p per share (2003 – 2.00p).

Employees and the Board

Gordon Campbell joined the Group as a non-executive Director in July 2004 and I would like to welcome him to the Board. Having been appointed to the Board during the year he will stand for re-election by the shareholders at the forthcoming Annual General Meeting.

The Group's employees have once again worked with enthusiasm and commitment whilst dealing with the many challenges our economies, industries and customers presented to us. I would like to thank them for their wholehearted contribution during 2004.

Outlook

The recovery in the aerospace industry is well underway with demand for large civil aircraft increasing and, whilst automotive market demand remains steady, new programme wins in the diesel sector, in Europe and more particularly in North America, augur well for the future. The new automotive products go into production from mid 2006 onwards and, as previously stated, capital investment is expected to increase significantly during 2005 as production capacity is installed to meet the growth in demand.

The Group's disposal programme, which commenced in 2000, is at an end and most of the planned plant rationalisations have been completed. The US dollar has been relatively stable against other major currencies since the year-end but raw material prices show few signs of declining. Trading in the first two months of 2005 has been satisfactory.

As a result, the Group can anticipate a challenging but less volatile environment in 2005 with encouraging prospects thereafter as the new automotive programmes go into production and the aerospace market continues to grow.

James Kerr-Muir
Chairman

Chief Executive's Review



"The Group remains committed to the strategy of operational improvement, cost reduction and value enhancement through product and process design and development. Operational excellence, impeccable customer service and profitable pricing continue to be core Group objectives."

Senior is a supplier of engineered products to OEM customers. The demands upon its factories are directly linked to the market conditions its customers are experiencing as well as the relative success of their products in their chosen market sectors. Over the past two years, Senior has significantly increased its resources in the development of new products and processes in order to increase sales to the OEM customers and, irrespective of the market conditions, grow the top line sales of the Group. These efforts are beginning to bear fruit.

In Aerospace, the civil aircraft sector continues to recover. Boeing is forecast to build 314 planes in 2005 compared to 285 in 2004. At Airbus, the expectation is for deliveries of 350 aircraft in 2005, up from 320 in 2004. Combined, this 10% increase in high value products – aircraft and engines – demonstrates the ongoing recovery across the industry. The regional jet builders (and their engine suppliers) are not as ambitious because most of their main customers, the big North American hub operators, remain in financial difficulty. Senior's Aerospace Division has around 29% of its turnover in the defence and military sector where demand has been strong, particularly for replacement parts for aircraft serving in active military regions around the world. The Division also contains elements of medical and semi-conductor business, both of which saw solid demand in 2004.

Across the Aerospace Division, the total anticipated shipset value for each Airbus A380 aircraft has grown to about £190k. The substantial development costs on the programme are coming to an end and it is anticipated that more than ten shipsets will be delivered in 2005 as production commences. The maiden flight of the A380 is targeted for the first half of 2005. The shipset value on the Lockheed Martin

Joint Strike Fighter has also increased (now approximately £300k). Whilst volume production is still some years off, revenue is beginning to be generated with test, prototype and pre-production parts now in manufacture. Being incremental to current production, both these programmes will add future sales and value to the Division.

Other potential incremental programmes of note include the Eurofighter, which has now recommenced assembly, the Boeing 787 and Airbus 350 aircraft, for which tenders are now being sought, and the A400M, a new European military transport aircraft.

Senior's Automotive Division experienced a range of challenges and opportunities during 2004. The marketplaces in North America and Europe are mature and saw little growth in the period. In the USA, however, Asian car companies continued to increase share at the expense of the "Big 3", whose market share declined from 60.2% in 2003 to 58.7% in 2004. Their initiatives to retain market share, and stem the decline, led to continued pressure on the Division's product pricing. The situation was exacerbated by the steep increase in the price of many raw materials, including the stainless steels used in abundance by Senior. During the year, the management time absorbed in dealing with these pricing issues was considerable.

The Group's automotive operation in the USA continued to reduce sales as product programmes came to an end as expected and, together with the raw material issues, it was a challenge to ensure the momentum required in new product development was maintained. Pleasingly, these efforts were rewarded during 2004, with the booking of several new product

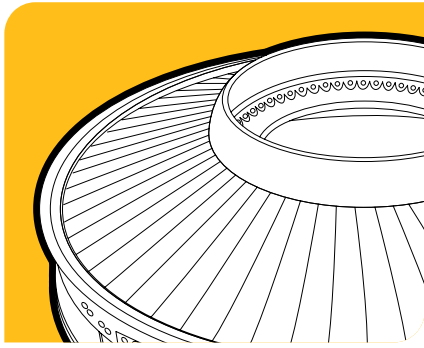
programmes, mainly associated with commercial diesel engine production.

In Europe, all commercial vehicles and about 50% of passenger cars use diesel engines, whereas in North America the number of diesel engines produced is much lower because they are rarely installed in passenger vehicles. New US legislation means that by 2007 all US diesel engines must conform to much tougher emission standards and, to achieve this, all manufacturers of diesel engines are converting to what is known as "common rail" technology. This technology is already widely used by the European manufacturers to increase power output, reduce noise and vibration, improve fuel consumption and meet the more stringent emissions legislation.

Over the past three years, the product development efforts of Senior Automotive have been increasingly focused on diesel engines both in Europe and the USA and several new incremental programmes were won during 2004. It is planned that the manufacturing capacity needed to put these new products into production will increase overall Group capital expenditure to nearly twice depreciation in 2005.

The planned industrial disposal programme was completed in 2004 with the Industrial Division reducing from eight operations to three, following the sale of the Division's five industrial hose businesses. The market conditions experienced by the remaining three proved to be mixed. Canada's economy continued strongly, which helped, but demand from oil and gas, power generation and UK construction were well below expectation. A substantial cost reduction programme was initiated to improve the future performance of the Division, the benefits of which are expected to be seen in 2005 assisted by some degree of market recovery.

Aerospace Division



Geographic turnover by destination

68% North America

10% UK

21% Rest of Europe

1% Rest of World

The civil aerospace market began to show signs of progressive recovery in 2004, following the market turmoil experienced in 2002 and 2003 as a result of the events of 9/11. Further recovery is expected in 2005.

Amongst the larger civil aircraft manufacturers, Airbus is expected to deliver 350 planes in 2005, a 15% increase over the 305 planes delivered in 2003 and a 9% increase over the 320 planes delivered in 2004. By contrast, Boeing is moving from 281 deliveries in 2003 and 285 in 2004 to an expected 314 deliveries in 2005 – a 12% increase over the three years. In the regional jet sector, Bombardier delivered 242 planes in 2003 but only 195 in 2004, a reduction of 19%. The other major regional jet manufacturer, Embraer, increased its deliveries by 47% from 101 in 2003 to 148 in 2004. The engine manufacturers' demands upon our operations mirrored the changes in the mix of demand for the aircraft.

Demand for military and defence products remained at around 29% of Divisional sales. This continued to help Senior Aerospace SSP, in Los Angeles, which designs and fabricates high pressure ducting systems. The company moved ahead strongly on all fronts during the year and completed its factory modernisation programme. It now has a manufacturing facility that truly reflects its world leading product design capability.

Senior Aerospace Metal Bellows in Sharon, Massachusetts, specialises in edge-welded bellows products. It benefited from the recovery in civil aircraft build rates, the demand for spares as more aircraft returned to the sky, and from the military and defence sector remaining strong. The cost reductions implemented in 2002 and 2003 also helped the company's profitability during 2004.

Senior Aerospace BWT, in the UK, made little progress in 2004. This company has a technical leadership position in ultra low weight passenger cabin ducting with its biggest customer being Bombardier to whom it sells in US dollars – hence the dual challenges in 2004 of declining demand and a declining sterling selling price. There are a variety of initiatives and new product programmes in development to help mitigate this situation in the future.

Senior Aerospace Composites is located in Wichita, Kansas, and manufactures composite ducting, but to a different specification to BWT. This company has borne very significant start-up costs on the Airbus A380, but these are now declining as the A380 programme starts production. Recovery in demand for business jets at its biggest customer, Cessna, will also help the business to move ahead.

In France, Senior Aerospace Ermeto was the main operation in the Group affected by the pause in production of the Eurofighter. This programme is scheduled to recommence during 2005. Ermeto supplies pipework and associated components for the hydraulic systems on the Eurofighter and other aircraft. Product development and production improvements are helping its recovery. At Senior Aerospace Calorstat, also in France, 2004 was a year of significant progress, helped by new leadership of the business and demand being ahead of expectations at a number of its customers.

Senior Aerospace Bird Bellows has a leading position in the supply of flexible high pressure metallic ducting components. Airbus's increasing build rate is helping Bird to grow turnover with the business also benefiting from the offload work being outsourced by Airbus, as it prepares for increased volumes and the ramp up in production of the much larger A380.

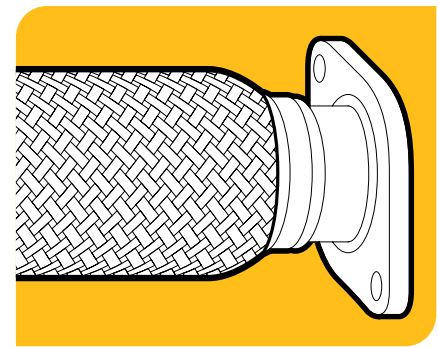
Senior Aerospace Bosman, in Holland, made significant progress in securing new business with OEMs as its traditional repair business declined. Product detail manufacture is being outsourced to lower cost countries and the business is planning to move to a smaller facility incorporating design, final assembly and testing only. New business, both in aerospace and power generation, is in discussion.

In San Diego, USA, the Group has two aerospace operations. Senior Aerospace Jet Products began to see some recovery in 2004 as the build rate of the Boeing 737 increased. At Senior Aerospace Ketema, an improved result was helped by higher levels of demand on a range of programmes. However, the operation will experience a significant mix change in 2005 as new business from Goodrich, Rolls-Royce and Pratt & Whitney goes into production

to replace reduced demand from the regional jet engine manufacturers. This will entail further investment in the complex machining equipment necessary to meet the stringent manufacturing demands required by the new generation of aircraft engines.

Overall, the Aerospace Division made healthy progress during 2004 with improved operating profits and an increase in operating margin. 2004 was a typical year for capital expenditure with £4.1m invested (75% of depreciation). The focus on lean manufacturing remains as strong as ever and this should help further progress to be made as the aerospace market continues its recovery.

Automotive Division



Geographic turnover by destination

34% North America

7% UK

48% Rest of Europe

11% Rest of World

The Group's main automotive markets, the USA and Europe, were flat in 2004. Within them, however, the trend of the Asian brands winning market share from the regional brands continued. In the USA, the "Big 3" market share declined again, whilst Toyota and Nissan made further inroads. In Europe, BMW had a good year, Fiat a poor one and Toyota again advanced its market position.

Volume was not the primary challenge in 2004 for Senior Automotive. The major challenge was, and still is, raw materials with some genuine shortages, suppliers demanding huge price rises and the vehicle manufacturers resisting component price increases because of the impact on their own limited profitability.

The worst impact was at Senior Automotive Bartlett, in the USA, where some of its products were designed out of customers' vehicles and some legacy products moved to lower cost countries. The operation got through the year, with huge management effort, and with very substantial progress made in securing incremental business with new customers for new products. These products, all for diesel engine applications, include high pressure fuel lines, common rails and exhaust gas recycling coolers.

Test facilities are being substantially upgraded and manufacturing capacity installed ready for production starting in late 2006, in order that the customers' diesel engines will meet the new 2007 emissions legislation. Capital expenditure at this plant will be substantially higher in 2005 and 2006 as a result. The ongoing enquiry rate associated with this legislation change still remains high. The recovery in Bartlett's financial performance should start in 2006.

Senior Automotive Crumlin has also been focused on product development whilst, like Bartlett, it has suffered migration of legacy products to lower cost operations. Diesel engines are in widespread use in passenger cars in Europe and Crumlin has designed, developed and tested a new exhaust gas recycling cooler that is lighter and more efficient than anything else on the market. Substantial prototype and application engineering work is in progress with three high volume European diesel engine manufacturers.

At Senior Automotive Blois, in France, 2004 turned out to be a year of great challenge. Its financial performance deteriorated as a result of unexpectedly high volume increases, a key production plant supplier going into receivership and a key supplier failing to consistently maintain supplies at the required level. However, additional raw material sources have now been commissioned with new machine capacity, from a different equipment supplier, shortly due for installation. Recovery is expected in 2005.

Senior Automotive Kassel, in Germany, moved ahead in 2004, helped by the cost reduction actions taken in 2003 and by stronger demand from its traditional customers. The company has many new product applications in discussion and further progress is expected.

Senior Automotive Olomouc, a greenfield site in the Czech Republic, remained profitable throughout 2004 having moved into profit for the first time at the end of 2003. Its products had been relocated from the Group's Blois facility in France over the previous two years. It is anticipated that further expansion will take place at this site in due course.

Senior Automotive Sao Paulo, in Brazil, also moved ahead in 2004. A more stable local economy and steadier market demand helped its automotive business. A higher level of demand was seen for its industrial products.

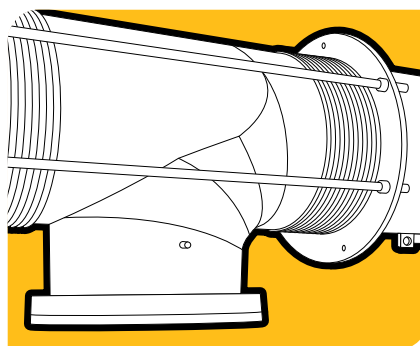
Senior's operation in India, Senior Automotive New Delhi, grew strongly, winning new business for its domestic OEM automotive market as well as serving the growing European automotive aftermarket. As a result, plans are in place to increase the floorspace of the factory during 2005 and to install

additional manufacturing capacity. Further growth in this business is anticipated.

Senior Automotive Cape Town, in South Africa, had a successful year, beginning with the move into a much larger factory, the installation of new manufacturing equipment and the start of production on a series of new product lines. The Automotive Division's key legacy product, for which Senior has a substantial market position, is the exhaust flex for front wheel drive cars. This historically migrated from Bartlett in the USA and Crumlin in the UK to Cape Town as customers took advantage of the weak local currency. More recently, the South African Rand has strengthened so stemming the flow. Nonetheless, unit volumes on existing programmes continue to grow.

Whilst 2004 was a challenging year for Senior Automotive, the Division is now beginning to see the fruits of the effort and resource that has gone into new product development over the past two years. As a consequence, the performance of the Division is expected to improve in the coming years.

Industrial Division



Geographic turnover by destination

50% North America
46% UK
0% Rest of Europe
4% Rest of World

The final planned disposal was completed during 2004, leaving turnover at the remaining three operations at £44.9m in 2004 (2003 – £50.0m). The five industrial hose operations that left the Group in August 2004 had sales for the seven months prior to disposal of £19.1m (£32.0m for the full year in 2003). The financial details of the disposal are contained in the Finance Director's Review.

Of the three remaining businesses, Canada did well, helped by a supportive economy, continued attention to its cost base and the development of a more cost-effective supply base.

At Pathway, in the USA, the factory in Tennessee was closed and the factory

in Texas expanded. All production operations are now in the Texan facility. Pathway is a world leader in the design, fabrication and installation of large expansion joints for process plant, oil and gas and power generation applications but, during 2004, the market demand for its products remained at a low level. A recovery in demand has become evident at the start of 2005 and this, together with the management and cost base overhaul now being implemented, should result in the performance of Pathway improving.

Senior Hargreaves is the market leader in the design, fabrication and installation of ventilation ductwork but new construction in the UK has recently been in the doldrums. The business underwent a strategic review in 2004 with the result that, in future, a greater emphasis will be placed on higher specification applications and the retail side of the business. Hargreaves is expected to start to make progress in 2005 with the new strategy in place and the completion of the ongoing Wembley Stadium contract.

The three industrial businesses are all in shape to improve their performance in 2005 and continue to progress thereafter.

Graham Menzies
 Chief Executive

Finance Director's Review



Financial Performance

The Group fully implemented Financial Reporting Standard 17 "Retirement Benefits" and Urgent Issues Task Force 38 "Accounting for ESOP Trusts" in the period. The comparative figures for 2003 have been restated with underlying earnings per share for 2003 being restated to 3.13p from the previously reported 3.52p.

The Chairman has commented on the Group's headline results in his statement. For a second consecutive year, the reported results were significantly impacted by adverse currency movements with the average rate of the US dollar weakening by 10.4% (US\$1.83:£ in 2004 compared to US\$1.64:£ in 2003). Overall, on translation, currency movements reduced turnover of continuing operations by £19.8m (6.1%) and operating profit from continuing operations before goodwill amortisation by £1.5m (8.6%) when compared to 2003.

Hence, when stated on a constant currency basis, Group turnover from continuing activities increased by 1.2% to £306.8m (2003 – £303.1m using 2004 average exchange rates) and the Group's operating profit from continuing operations before goodwill amortisation increased by 3.1% to £16.4m (2003 – £15.9m). The operating profit of the Aerospace Division improved by 32.9% to £9.3m (2003 – £7.0m), the Automotive Division declined by 7.0% to £6.6m (2003 – £7.1m) and the Industrial Division, heavily impacted by the restructurings at Pathway and Hargreaves, declined to £0.5m (2003 – £1.8m).

The Group's operating profit is reported after £1.7m (2003 – £1.3m) of reorganisation and restructuring costs. The main reasons for the 2004 charge were: the consolidation of Pathway's manufacturing onto a single site (£0.4m); the outsourcing of component manufacture at Senior Aerospace Bosman (£0.4m) and the business restructurings at Senior Automotive Blois and Senior Hargreaves (each £0.3m).

Interest Charge

The net interest charge fell by 41% to £2.9m (2003 – £4.9m) due to a £0.8m interest receipt, received in connection with the recovery of the US tax overpaid in prior periods, as well as the combination of lower interest rates, reduced borrowings and the weaker US dollar. Interest cover, calculated on operating profit before goodwill amortisation less the net finance cost in respect of retirement benefits, was 5.4 times (2003 – 3.3 times).

Net Finance Cost – Retirement Benefits

The net finance cost in respect of retirement benefits fell to £1.2m (2003 – £2.2m). This cost, which was reported for the first time in 2004 following the full implementation of FRS 17, arises from the difference between the expected return on pension assets and the interest on pension scheme liabilities.

Taxation

The overall tax charge for 2004 was £1.7m (2003 – £1.8m) with £0.2m (2003 – £nil) relating to the profit on sale of fixed assets. The Group's effective tax rate for 2004, measured on profit before goodwill amortisation and the effect of the disposal of operations and fixed assets, was 11.8% (2003 – 15.8%). The low 2004 effective tax rate benefited from £0.9m of adjustments in respect of prior years. During the year, cash refunds of £4.0m were received in respect of US tax overpaid in prior periods such that, overall, the Group recovered a net £2.7m in respect of taxes in 2004 compared to the £0.8m paid during 2003.

Disposals

The Group disposed of its five industrial hose businesses (located in the UK, France, Holland, Sweden and the USA) in August. The consideration was discharged by way of £5.8m of cash at completion and the issue of a £2.5m convertible loan note and £2.5m in convertible preference shares. In calculating the total anticipated consideration of £8.3m, on a debt-free/cash-free basis, full provision was made against the carrying value of the convertible preference shares. A loss on disposal of £13.3m was recorded after taking account of the £0.6m of disposal costs, £1.3m of goodwill held on the Group's balance sheet and £8.7m of goodwill previously written-off directly to reserves.

Earnings and Dividends per Share

As a result of the loss on disposal of the industrial hose businesses, the Group reported a basic loss per share of 2.25p (2003 – earnings per share of 1.50p). Underlying earnings per share, before goodwill amortisation and the effect of the disposal of operations and fixed assets, was 3.65p (2003 – 3.13p).

An unchanged final dividend of 1.35p per share is proposed to be paid on 27 May 2005 to shareholders on the register on 29 April 2005. This will bring the total dividends paid in respect of 2004 to 2.00p (2003 – 2.00p).

Cash Flow

Free cash flow was £10.5m (2003 – £20.2m). The year-on-year reduction was largely due to £4.0m (2003 – £1.3m) of pension payments in excess of service cost and an adverse working capital movement of £5.7m (2003 – £0.4m). This was primarily due to changes in customer mix, year-end development inventory for the Joint Strike Fighter, which was due for shipment in early 2005, and a higher level of contract debtors at Senior Hargreaves, a significant portion of which has already been recovered in 2005. Net capital expenditure increased to 73% of depreciation (2003 – 43%).

Funding and Liquidity

Net borrowings for the Group fell by £13.6m in the year to end at £50.6m, with exchange rate movements, principally the weakening US dollar (from \$1.79:£ to \$1.92:£), accounting for £4.7m of the reduction. Gross debt at the year-end was £57.3m (2003 – £79.1m) of which 92% was in US dollar as a policy hedge against the Group's US dollar assets. Gearing, at the year-end, was 67% (2003 – 81%) measured on total shareholders' funds and 43% (2003 – 52%) measured on net assets before retirement benefit liabilities.

The Group primarily finances its borrowings through the US private placement market and two revolving credit facilities. During the year, the term of the smaller, US\$25m, revolving credit facility was extended by 12 months to May 2007. At the end of 2004 the Group had total facilities of £130.4m, of which £73.1m was unused. £111.1m of the total facilities were committed for more than one year.

Financial Risk Management

The main financial risks faced by the Group continue to be movements in interest rates and foreign currency exchange rates as well as funding and liquidity risks. All such risks are managed by a centralised treasury department which reports to the Group Finance Director. It operates under the guidance of the Treasury Committee, which meets quarterly and acts according to the laid-down objectives, policies and authority levels approved by the Board. The Group's external auditors attend the Treasury Committee once a year. All activities are focused on the management and hedging of risk and it is Group policy not to engage in speculative financial transactions.

Cash Flow	2004	2003
	£m	£m
Operating profit	11.7	13.1
Goodwill amortisation	5.1	5.4
Depreciation	13.3	16.1
Net capital expenditure ^{o)}	(9.7)	(6.9)
Pension payments above service cost	(4.0)	(1.3)
Working capital movement	(5.7)	(0.4)
Net interest paid	(2.9)	(5.0)
Tax recovered/(paid)	2.7	(0.8)
Free cash flow	10.5	20.2
Net disposals and acquisitions	4.5	0.4
Dividends paid	(6.1)	(6.1)
Effect of exchange rates	4.7	8.7
Reduction in net borrowings	13.6	23.2
Net borrowings	50.6	64.2

^{o)}Includes finance leased capital expenditure of £0.4m (2003 – £nil)

The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and profit and loss accounts of overseas operations. The Group has a policy of hedging its net investment in overseas operations through currency denominated loans and forward contracts but it does not hedge the effects of currency movements on the translation of its overseas earnings into sterling. Transaction exposures are, however, normally hedged through forward exchange contracts on a rolling 12 month basis.

It is Group policy to have the majority of its gross borrowings subject to fixed rates of interest. This is achieved through having a mixture of fixed and variable rate borrowings and by entering into interest rate swaps. At the year-end 66% (2003 – 62%) of gross borrowings were subject to fixed rates.

Pensions

The Group operates a number of defined benefit pension plans, with the largest being the UK scheme, as well as a number of geographically based defined contribution and government sponsored arrangements. The Group fully implemented FRS 17 "Retirement Benefits" during the year.

At the end of 2004, total FRS 17 pension and post-retirement liabilities were £41.2m (2003 – £44.0m) with £33.5m (2003 – £35.5m) being in respect of the UK scheme. The triennial actuarial valuation of the UK scheme was carried out during 2004 with the past service deficit being confirmed as £18.5m. This is to be funded by additional Company contributions of £2.6m per annum. During 2004 an additional contribution of £1.4m was made in respect of the UK scheme in anticipation of the outcome of the actuarial valuation and a supplementary payment of £2.4m made in respect of the three US defined benefit schemes to improve their funding position. The actuarial deficit for the UK scheme is lower than the FRS 17 deficit primarily due to the different discount rates used to value the liabilities.

In total, £2.0m (2003 – £2.0m) was charged to the profit and loss account during 2004 for defined benefit schemes, in addition to the net finance costs described earlier. The total charge for defined contribution schemes was £2.2m (2003 – £2.7m).

International Accounting Standards

Senior will be reporting its financial results in accordance with International Financial Reporting Standards (IFRS) from 1 January 2005. The conversion project is ongoing and the Auditors are due to report to the Audit Committee in May 2005. It is considered that the standards potentially having the most significant effect on the Group are:

IFRS 2 Share-based Payments – IFRS 2 requires all options granted since 7 November 2002 to be valued at the date of the grant and the value amortised through the profit and loss account over the likely life of the option. The Group only granted such options on 12 March 2003. Under IFRS 2 the expense, calculated on the basis of the fair value at the date of the award using the Black-Scholes pricing model, is estimated at less than £0.1m for each of 2004 and 2005.

IFRS 3 Business Combinations – Under IFRS, goodwill is no longer amortised but is instead held at its carrying value on the balance sheet and tested annually for impairment. The transitional arrangements contained in IFRS do not require this standard to be applied to acquisitions made prior to 1 January 2004 and the Group intends to take this option. Under UK GAAP, the goodwill amortisation charge for 2004 was £5.1m and hence Group profit before tax would be expected to have been a similar amount higher if 2004 results had been reported under IFRS.

IAS 19 Employee Benefits – IAS 19 is similar to FRS 17, which was adopted by the Group during 2004. The Group intends to follow the "FRS 17" option under IAS 19 of immediately recognising all actuarial gains and losses through reserves. Accordingly, the introduction of IAS 19 is not expected to result in any material differences to either

the Group's consolidated balance sheet or profit and loss account for 2004.

IAS 38 Research and Development – Under UK GAAP, research costs must be written-off immediately as incurred whereas development costs may either be capitalised and amortised or written-off as incurred. Historically, Senior has written-off development costs as incurred. IAS 38 requires development expenditure meeting certain criteria to be capitalised, amortised and subjected to an annual impairment review. Much of the Group's development expenditure results in incremental, rather than significant, improvements to existing products and processes and capitalisation under such circumstances is unlikely. Where development expenditure does result in new or significantly improved products or processes, it will only be capitalised where its carrying value can be validated with reasonable certainty. Overall, the adoption of IAS 38 is not anticipated to have a significant effect on the Group's results.

IAS 32 and 39 Financial Instruments – IFRS requires most financial assets and liabilities and all financial instruments to be recognised at fair value at the balance sheet date with changes in their value taken through the profit and loss account. Unless hedge accounting is used, this could introduce significant volatility to a company's profit. Senior intends to apply the hedge accounting provisions of IAS 39, to minimise future volatility, to the extent practically and economically appropriate to do so. Comparative figures for 2004 are not required and, whilst unlikely to have a material effect on the Group's net assets or profit before tax, it is not possible to exactly predict the impact of IAS 32 and 39 on future results.

Non-Statutory Information

In the commentary to the year's results reference is made to non-statutory financial information. Such information includes:

- Operating profit before goodwill amortisation – this is used to illustrate the underlying trading performance of the Group. The Group Profit and Loss Account provides the information to reconcile this to operating profit with segmental detail provided in Note 2.
- Underlying profit before tax and underlying earnings per share – these indicate the overall performance of the Group before the effect of goodwill amortisation and the disposal of businesses and fixed assets. Note 9 reconciles these to the reported results.
- Free cash flow – this highlights the total net cash generated by the Group prior to corporate activity such as acquisitions, disposals and dividend payments. A table earlier in this review explains its derivation.

Mark Rollins
Finance Director



Board of Directors



1 James Kerr-Muir

Non-Executive Chairman, Age 64

Chairman of Davenham Group Holdings plc and a non-executive director of Gartmore Fledgling Trust plc. During the year he was appointed Chairman of Hardys & Hansons plc and he resigned from the Board of Yates Group plc. He joined the Board in 1996 and was appointed Chairman in 2001. He was Chairman of the Remuneration Committee throughout the year and Chairman of the Nominations Committee from 1 July 2004 upon Richard Turner's retirement.

4 Michael Sheppard

Executive Director, Age 46

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

2 Graham Menzies

Group Chief Executive, Age 57

Joined as Group Chief Executive in 2000 previously having been with Adwest Automotive plc for over 14 years, latterly as Chief Executive. He holds graduate and post-graduate qualifications in Mechanical Engineering and Machine Tool Technology. During the year he was appointed a non-executive director of UK Coal PLC and Heywood Williams Group PLC.

5 Martin Clark

Non-Executive Director and Senior Independent Director, Age 59

Joined the Board in 2001 and is also a non-executive director of Clarkson plc. He is Chairman of the Audit Committee and of the Trustee Board of the Senior plc Pension Plan. The Board considers Martin Clark to be independent.

3 Mark Rollins

Group Finance Director, Age 42

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

6 Gordon Campbell

Non-Executive Director, Age 58

Joined the Board on 1 July 2004 and is also Chairman of Babcock International Group PLC and British Nuclear Fuels plc, and was formerly Chief Executive of Courtaulds plc. He is also the non-executive Chairman of ITI Scotland and of Jupiter Second Split Trust plc. The Board considers Gordon Campbell to be independent.

Richard Turner CMG, OBE

Non-Executive Director*, Age 62

He retired from the Board on 1 July 2004. He was also Chairman of the Nominations Committee until that date. The Board considered Richard Turner to be independent.

Main Board

The main Board met a total of ten times during the period 1 January 2004 to 31 December 2004. All the Directors attended the ten Board Meetings, with the exception of Gordon Campbell who was absent from one meeting since his appointment in July 2004.

Audit Committee

Martin Clark (Chairman), James Kerr-Muir, Richard Turner to 1 July 2004, and Gordon Campbell from 1 July 2004. Met three times during the year. James Kerr-Muir resigned from the Committee on 24 December 2004.

Remuneration Committee

James Kerr-Muir (Chairman), Martin Clark, Richard Turner to 1 July 2004 and Gordon Campbell from 1 July 2004. Met three times during the year. James Kerr-Muir resigned from the Committee on 31 January 2005, and Gordon Campbell was appointed Chairman.

Nominations Committee

Richard Turner (Chairman to 1 July 2004), James Kerr-Muir (Chairman from 1 July 2004), Martin Clark and Gordon Campbell from 1 July 2004. Met twice during the year.

There was full attendance at every Committee of the Board during the year, except for one Audit Committee which was not attended by Gordon Campbell.

Report of the Directors

The Directors present their report and supplementary reports, together with the audited financial statements for the year ended 31 December 2004.

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 2004 are included in the Chief Executive's Review on pages 3 to 5.

Acquisitions and Disposals

Disposals during 2004 are reported in Note 25 to the Accounts. There were no acquisitions during the year.

Results and Dividends

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

An interim dividend of 0.65p per share (2003 – 0.65p) has already been paid and the Directors recommend a final dividend of 1.35p per share (2003 – 1.35p). The final dividend, if approved, will be payable on 27 May 2005 to shareholders on the register at the close of business on 29 April 2005. This brings the total dividend for the year to 2.00p per share (2003 – 2.00p).

Share Capital

During 2004, 65,159 shares were allotted in respect of the Senior plc Savings Related Share Option Plan. A further 97,668 shares were allotted under the same Plan in January and February 2005. As at 31 December 2004 the issued share capital of the Company was 307,450,746 ordinary shares. Further details concerning share capital are given in Note 21 to the Accounts and on page 48.

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 11 to 15. None of the Directors has any interest in contracts with the Company or its subsidiary undertakings. M Clark and G R Menzies retire by rotation and, being eligible, offer themselves for re-election at the AGM. M Clark has no service agreement with the Company and G R Menzies has a service agreement subject to 12 months' notice by either party. R T Turner retired from the Board on 1 July 2004. G A Campbell was appointed to the Board on 1 July 2004. He retires in accordance with Article 82 and, being eligible, offers himself for election.

Research and Development

In 2004, the Group incurred £4.8m (2003 – £4.0m) on research and development, before recoveries from customers of £0.5m (2003 – £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 £22,000 (2003 – £17,000), principally to local charities serving the communities in which the Group operates. In addition to this amount, following the year-end, the Company made a donation of £20,000 to the Disasters Emergency Committee's Tsunami Earthquake Appeal. 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 37 days (2003 – 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 2 March 2005, 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%
Deutsche Asset Management Limited	13,706,031	4.46%
Morley Fund Management Limited	12,624,076	4.10%
HBOS plc	12,361,671	4.02%
Legal & General Investment Management Limited	12,137,206	3.94%
Hermes Pensions Management Limited	11,067,380	3.60%

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

Compliance with the 2003 FRC Code

Statements of compliance with the 2003 FRC Code and on internal controls are set out on page 20. For the purposes of the 2003 FRC Code, the Company is a "smaller company" and therefore is required to have at least two independent non-executive Directors. Excluding the Chairman, the Company had two independent non-executive Directors throughout the year.

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 11 to 15. The Report of the Directors – Remuneration Report is to be put to shareholder vote at the Annual General Meeting on 15 April 2005.

Annual General Meeting

The Chairman's Letter and Notice of Meeting describe the business to be considered at the Annual General Meeting to be held on Friday 15 April 2005 at ABN Amro, 250 Bishopsgate, London EC2M 4AA at 11.30 am.

Going Concern

Having assessed the future funding requirements of the Group, the Directors are of the opinion that the Group has adequate financial resources to continue to operate for the foreseeable future and it is, therefore, appropriate for the Accounts to be prepared on a going concern basis.

Auditors

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
2 March 2005

Report of the Directors – Remuneration Report

Composition of the Remuneration Committee

The Remuneration Committee consists entirely of non-executive Directors. J R Kerr-Muir and M Clark were members of the Committee throughout the year. RT Turner was a member of the Committee to 1 July 2004; G A Campbell has been a member of the Committee since 1 July 2004. Given the impending and subsequent retirement of RT Turner during the year and the appointment of G A Campbell as his replacement, the Board considered that it would be in the best interest of shareholders for J R Kerr-Muir to remain on the Remuneration Committee to provide continuity during a period of transition. J R Kerr-Muir resigned from the Remuneration Committee on 31 January 2005 and G A Campbell was appointed Chairman of that Committee on the same date.

Role of the Remuneration Committee

The primary role of the Committee is to consider and make recommendations to the Board concerning the remuneration packages and conditions of service of the executive Directors and approximately 90 other senior managers. The terms of reference of the Remuneration Committee may be found on the Company's website. During the financial year the Committee met three times. Details of Directors' attendance at these meetings are disclosed on page 8.

Advisers to the Remuneration Committee

All advisers to the Remuneration Committee are appointed and instructed by the Committee. During the year, the Committee was advised by New Bridge Street Consultants, in relation to the introduction of a new share incentive plan, and by the Group Company Secretary.

Remuneration Policy

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

The non-executive Directors do not participate in any pension, bonus, share incentive or other share option plans. Their remuneration reflects both the time given and the contribution made by them to the Company's affairs, including membership or chairmanship of the Board or its Committees. The remuneration of the non-executive Directors is determined by the Board of Directors. The non-executive Directors do not participate in any discussion or decisions relating to their own remuneration.

Before recommending proposals for Board approval, the Remuneration Committee may seek advice from external remuneration consultants to ensure it is fully aware of comparative external remuneration practice as well as legislative and regulatory developments. The services of remuneration consultants were not used in determining the 2005 salaries.

a) Service Agreements

Each executive Director has a service agreement providing for a rolling period of notice of one year. There are no provisions in those agreements or otherwise for additional termination payments. The service agreements for G R Menzies, M Rollins and M Sheppard are dated 27 April 2000, 1 November 2000 and 4 February 2004, respectively. The agreements contain provisions requiring the relevant Director to mitigate his loss in the event of termination. G R Menzies' agreement (the terms of which remain unchanged since his appointment) provides that in the event of a change of control of the Company, he has the option to resign within three months of such change of control without a duty to mitigate.

The non-executive Directors do not have service agreements with the Company. J R Kerr-Muir was appointed Chairman with effect from 11 May 2001. His contract is terminable upon 12 months' notice by either party on or after the third anniversary. M Clark was appointed with effect from 1 February 2001 for an initial three year term, which has been renewed for a further three year term with effect from 1 February 2004. RT Turner retired from the Board on 1 July 2004. G A Campbell was appointed with effect from 1 July 2004 for an initial three year term.

With prior approval of the Board, executive Directors may hold external non-executive directorships and retain any fees paid for these appointments. At the year-end, G R Menzies held two such positions.

b) Base Salaries

In setting the base salary of each Director, the Committee takes into account the pay practice of other companies and the performance of that Director. The Committee is also responsible for ratifying the salaries of approximately 90 senior managers and therefore is fully cognisant of pay levels in the Group when determining the pay of the executive Directors. Notwithstanding these considerations, the Committee is conscious of the significant cost pressures on the Company by customers and the need to rebuild earnings. The Board as a whole froze their base salaries or fees for 2004. The base salary for G R Menzies for 2005 remains the same as his 2004 salary as he now holds two non-executive directorships for which he retains the fees (rather than one, as had been the case for most of 2004). M Rollins and M Sheppard received inflationary increases to their 2004 base salaries of 2.7% and 3.5% respectively. The 2005 fees for the non-executive Directors will remain the same as those for 2004.

c) Annual Performance Bonus Scheme

Under the performance bonus scheme, bonuses up to 60% (2003 – up to 100%) of basic salary could be earned by the executive Directors depending on the Group's actual performance compared to the prior year and to internal targets in respect of underlying earnings per share and cash flow. The table below provides details of the maximum possible awards for 2004 together with details of the bonuses paid to G R Menzies and M Rollins as a percentage of their respective salaries:

Report of the Directors – Remuneration Report continued

	Cash flow target		Earnings per share target		Total %
	Interim %	Full year %	Internal target %	Year-on-year growth %	
Maximum possible award for 2004	6.0	9.0	20.0	25.0	60.0
2004 bonus paid	4.2	7.1	1.0	3.7	16.0

As M Sheppard serves as a Director of the Company, in addition to his role as Chief Executive of the Automotive and North American Industrial Division, his bonus for the year was 80% dependent on the operating profits and cash flow performance of the Automotive and North American Industrial Division and 20% on Group performance. In 2004 he earned a bonus of 12.9% of salary (2003 – 23.8%) consisting of 9.7% for Divisional performance and 3.2% for Group performance.

The scheme in place for 2005 is unchanged from the 2004 scheme.

d) Share Plans

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

All executive Directors are currently eligible for the following share plans:

i) 1999 Executive Share Option Plan ("the Plan")

The Plan, which is open to executive Directors and other senior managers, was launched following its approval by shareholders at the Annual General Meeting in May 1999 with the performance target determined by the Remuneration Committee to be challenging in the light of the Company's performance and prevailing financial circumstances at the time. Any performance target must be no less challenging than the one it replaces.

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

- 100% of the Director's basic salary at the time of the award;
- 125% of the Director's basic salary taking into account the combined notional current value of all awards under the LTIP and awards under the Plan in any year; and
- the £30,000 statutory limit for the Approved Option element of the Plan.

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

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

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

For options granted in future, the Remuneration Committee will take into account shareholders' views on performance targets and retesting. No more options shall be granted under the Plan if shareholders approve the Senior plc 2005 Long Term Incentive Plan at the forthcoming AGM.

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.

The maximum aggregate value of awards that may be made to an employee in any financial year is 60% of a participant's basic salary at the date of the award. In October 2001, awards, under the new performance criteria, were made to the executive Directors and are shown on page 14 under Directors' Interests, together with the base underlying earnings per share figure to be used in determining whether the performance target has been met. These are the only outstanding awards under the Long Term Share Incentive Plan. The performance criteria for this award are based on EPS growth performance in excess of inflation, relative to the EPS for the financial year 2000 of the Company, over the four year "restricted period". For the purposes of the award EPS was defined as Earnings Per Share before amortisation of goodwill, profit/loss on sale of fixed assets and profits/losses on disposal of operations and associated undertaking(s). The proportion of the award which may be released is dependent on the percentage annual EPS growth, details of which are set out in the table below:

Percentage annual growth	Proportion of award
Less than 3%	Nil
3%	30%
More than 3% but less than 8%	Pro-rata from 30% and 100%
8% or more	100%

As the performance requirement has not been achieved, the outstanding award is expected to lapse on 30 October 2005. No more awards shall be made under the Long Term Share Incentive Plan if shareholders approve the Senior plc 2005 Long Term Incentive Plan.

iii) *Savings Related Share Option Plan*

The Company's Savings Related Share Option Plan was first launched in 1996 to eligible employees across the Group. There are no performance criteria for this arrangement and options are issued to all participants in accordance with the Inland Revenue rules for such savings related plans. As employees, executive Directors are eligible to participate and their options under the Plan are shown below under Directors' Interests.

iv) *Senior plc 2005 Long Term Incentive Plan*

In September 2004 New Bridge Street Consultants was appointed to advise the Remuneration Committee on the Company's long term incentive arrangements for senior executives. Approval of shareholders is to be sought at the 2005 AGM for the adoption of a new long term share incentive plan to replace the existing 1999 Executive Share Option Plan and the Long Term Share Incentive Plan. A summary of the main terms of the proposed plan is set out in the enclosed Chairman's Letter and Notice of Meeting with this Annual Report. When granting future awards, the Board shall give consideration to the method of sourcing shares for the share schemes, in particular; the balance between issued and unissued shares to be utilised.

e) Retirement Benefits

G R Menzies' and M Rollins' pension arrangements are provided by the Group's UK plan and are based upon their pensionable salaries up to the Inland Revenue "cap". M Sheppard participates in a defined benefit plan that has now closed to new entrants and a defined contribution plan that remains available to the Group's US employees. His base salary is pensionable up to a "cap" of \$205,000 p.a.

f) Other Benefits

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

Directors' Emoluments

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

Directors' emoluments	Salary or fees £000's	Bonus £000's	Taxable benefits £000's	2004 Total £000's	2003 Total £000's
Executive					
G R Menzies	314	50	19	383	415
M Rollins	185	30	13	228	248
M Sheppard	156	20	14	190	229
Non-executive					
J R Kerr-Muir	72	—	—	72	72
M Clark	34	—	—	34	34
G A Campbell (from 1 July 2004)	13	—	—	13	—
R T Turner (to 1 July 2004)	13	—	—	13	25
	787	100	46	933	1,023

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

Aggregate remuneration	2004 £000's	2003 £000's
Emoluments	933	1,023
Gains on exercise of share options and incentives (see below)	—	—
Money purchase pension contributions	6	10
Total	939	1,033

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

	Salary or fees £000's	Bonus £000's	Taxable benefits £000's	2004 Total £000's
	569	145	51	765

No prior year comparison is stated as this is the first time that the data has been presented.

Report of the Directors – Remuneration Report continued

Directors' Interests

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 2004	Shares 2003
G R Menzies	500,000	500,000
M Rollins	100,000	100,000
M Sheppard	–	–
J R Kerr-Muir	150,819	120,819
G A Campbell (appointed to the Board 1 July 2004)	–	–
M Clark	50,000	20,000
R T Turner (retired from the Board 1 July 2004)	36,900	36,900

The 2004 shareholding for R T Turner is stated as at his date of retirement from the Board.

No change in any of the current Directors' share interests occurred during the period 31 December 2004 to 2 March 2005.

Options and other share incentives					Gains on exercise/ vesting 2004	Market price on exercise/ vesting 2004	Lapsed 2004	At 31.12.04	Option price	Exercise period/ maturity date
Date of grant/award	At 31.12.03	Granted 2004	Exercised 2004							
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
12.03.03	1,019,552	–	–	–	–	–	–	1,019,552	23.08p	3 years to 11.03.09
Sharesave Plan										
06.10.00	38,793	–	–	–	–	–	–	38,793	43.50p	6 months to 01.05.06
Long Term Share Incentive 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
12.03.03	521,014	–	–	–	–	–	–	521,014	23.08p	3 years to 11.03.09
Sharesave Plan										
06.10.00	22,270	–	–	–	–	22,270	–	–	43.50p	6 months to 01.05.04
Long Term Share Incentive Plan – Performance Awards										
31.10.01	180,000	–	–	–	–	–	–	180,000	–	30.10.05
M Sheppard										
1999 Executive Share Option Plan										
13.05.99	48,924	–	–	–	–	–	–	48,924	154.35p	3 years to 12.05.05
13.09.00	328,173	–	–	–	–	–	–	328,173	54.17p	3 years to 12.09.06
12.03.03	499,747	–	–	–	–	–	–	499,747	23.08p	3 years to 11.03.09
Sharesave Plan										
06.10.00	24,018	–	–	–	–	24,018	–	–	43.50p	6 months to 01.05.04
Long Term Share Incentive Plan – Performance Awards										
31.10.01	180,000	–	–	–	–	–	–	180,000	–	30.10.05

Details of the 1999 Executive Share Option Plan and the Long Term Share Incentive Plan may be found on page 12.

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

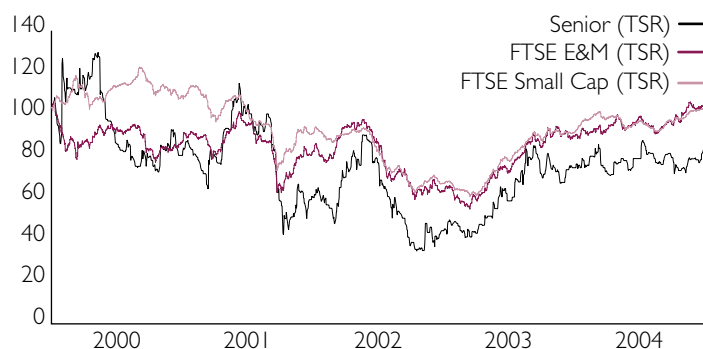
Date of grant	13.05.99	05.04.00	13.09.00	31.10.01	12.03.03
Base underlying EPS	11.75p	6.03p	6.03p	5.87p	4.47p

The total net value of the Directors' unexercised options at 31 December 2004, all of which were unexercisable, was £355,423 (2003 – £304,414) representing options held by G R Menzies (£177,606), M Rollins (£90,761) and M Sheppard (£87,056). The net value of unexercised options is the positive difference between the closing middle market price of the Company's shares at the year-end (40.50p per share) and the exercise price of the options. It does not take into account the likelihood of the performance targets being met.

Inclusive of the above Long Term Share Incentive Plan awards to Directors, at 31 December 2004, 870,716 ordinary shares (2003 – 870,716 ordinary shares) were held by the Senior plc Employee Benefit Trust, a discretionary trust resident in Jersey. The market value of these shares at 31 December 2004 was £353,000 (2003 – £331,000). The Trust has materially waived its rights to dividends on these shares. The potential beneficiaries of this Trust include executive Directors and senior management within the Group and, accordingly, the executive Directors are collectively interested in these shares.

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

The middle market price of the shares at 31 December 2004 was 40.50p (2003 – 38.00p). During 2004 the shares traded in the range of 34.75p to 44.00p.



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

Directors' Pension Entitlements

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

	Gross increase in accrued pension (A) £000's	Increase in accrued pension net of inflation of inflation (B) £000's	Total accrued pension at 31.12.04 (C) £000's	Value of net increase in accrual over period (D) £000's	Change in transfer value during period (E) £000's	Transfer value of accrued pension at 31.12.04 (F) £000's	Transfer value of accrued pension at 31.12.03 (G) £000's
G R Menzies	4	3	16	53	77	277	195
M Rollins	3	3	16	20	37	133	91
M Sheppard	3	2	27	3	8	47	42
Total	10	8	59	76	122	457	328

1. Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.

2. Transfer values as at 31 December 2003 and 31 December 2004 have been calculated in accordance with version 9.1 of Guidance Note GN11 issued by the actuarial profession.

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

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

5. Voluntary contributions paid by Directors and resulting benefits are not shown.

6. The figures quoted above for M Sheppard include the defined benefit element of his pension only. In addition, he has a defined contribution arrangement, to which he paid \$10,000 and the Company paid \$12,000 during the year.

Shareholder approval for the Remuneration Report

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

G A Campbell
Chairman of the Remuneration Committee
for and on behalf of Senior plc
2 March 2005

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

Principles

The policy of the Board 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. The Board 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, the Group operations around the world must meet their legal and regulatory obligations. This policy is reviewed annually for validity and is revised and reissued as necessary.

Goals

a) Ethical Operations

Applications for employment by disabled people 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.

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. This Code includes requirements for the personal conduct of Group employees, including specifically conflict of interests, business gifts, and bribery and corruption. The Code does not permit employees to make contributions to political parties or organisations or candidates for public office.

The Company has a Whistle Blowing policy that is communicated throughout the Group. M Clark is the Company's Senior Independent Director, so providing shareholders with an alternative channel of communication if they have concerns that the Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

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.

The Board as a whole takes an active interest in ensuring that its operations provide a safe working environment for its employees. The Board undertakes a quarterly review of the health and safety performance of all the Group's operations. The type, frequency, severity and cause of injury are monitored. The number of recorded injuries and the number of days lost through injury was lower in 2004 compared to 2003. The executive Directors together with the CEOs of the local operations are responsible for delivering improved health and safety 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. A number of operations undertake continual monitoring of emissions and waste arising from their manufacturing processes.

Four of the Group's operations, which represent approximately a third of the Group's turnover, have successfully obtained ISO14001, the international environmental accreditation. During 2004, a number of other operations commenced work on achieving ISO14001.

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 CEO 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 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 Committee and the Board by the Group's Divisional directors on a regular basis as part of their reports on operational matters.

The Chief Executive heads the ethical, social, health, safety and environmental function of the Board and is responsible for external stakeholder issues.

The Group continues to work closely with its employees, local works councils, and trade unions, where applicable. It values its employees and encourages long-term commitment by promoting job security and appropriate training packages for employees at all levels.

Customers and Suppliers

The nature of the businesses in which the Group operates, relies heavily on forming close and long-term relationships with both its customers and suppliers. Generally, these relationships are managed at a local level, with Divisional support.

Report of the Directors – Corporate Governance Report

This Corporate Governance Report describes the manner in which the Company has applied the Principles of Good Governance set out in Section 1 of the Combined Code on Corporate Governance and whether or not it has complied with the Code provisions.

In July 2003, the Financial Reporting Council issued the “Combined Code on Corporate Governance” known as the “2003 FRC Code”, in response to the Higgs Review on Non-Executive Directors and the Smith Review on Audit Committees.

Application of the Principles

The Principles of Good Corporate Governance are detailed in the 2003 FRC Code under four areas which have each been reviewed by the Directors and then commented upon below:

a) Directors

The Board is structured under a non-executive Chairman and currently includes three executive Directors and two other non-executive independent Directors who were selected for appointment because of their wide industrial and commercial experience. In addition, there is a Group Executive Committee, chaired by the Chief Executive which includes, along with the executive Directors, other key executives within the Group. Brief details of the Board are included on page 8.

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 responsible for the strategic decisions regarding the Group, including the setting of the commercial strategy and approval of Group budgets and financial statements. It also approves significant financial and contractual commitments made by the Group. The Board's terms of reference more fully describe the responsibilities of the Board and may be found on the Company's website.

The Board delegates certain of its responsibilities to the Audit, Remuneration and Nominations Committees. The Chief Executive, together with the Group Executive Committee, is responsible for the implementation of the decisions made by the Board and for the day-to-day conduct of the Group's operations.

The Board meets formally on a regular basis (ten times in 2004) and in addition there were three meetings of the Audit Committee in 2004, together with three meetings of the Remuneration Committee and two meetings of the Nominations Committee. Other Committees are appointed by the Board to deal with treasury matters and specific issues such as acquisitions and disposals. The minutes arising from the Committee Meetings are available to the Board.

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

There is a procedure by which all Directors can obtain independent professional advice at the Company's expense in furtherance of their duties, if required.

Nominations Committee

The Nominations Committee leads the process for Board appointments and supervises management development and succession plans. It makes recommendations to the Board on all new Board appointments. The Committee, which consists entirely of non-executive Directors, is chaired by J R Kerr-Muir and its composition is shown on page 8. Its terms of reference may be found on the Company's website.

The appointment of new non-executive Directors to the Board is controlled by the Committee and assisted by appropriate external recruitment consultants. In conjunction with the external consultant, consideration is given to the role and the capabilities required for a particular appointment. Based on agreed criteria, the consultant then produces a shortlist of candidates. The Committee members interview these candidates then present their recommendation to the Board. G A Campbell was appointed to the Board during the year. The Nominations Committee followed the above procedures and determined that he was the best candidate for the post, and would complement the skills, knowledge and experience of the other Directors.

During the year, the Board undertook a formal performance evaluation process to evaluate its own performance and that of its committees and individual Directors, which involved the completion and review of performance assessment questionnaires, and appraisal interviews. The results of the evaluation process are used to improve Board performance and determine the training needs of the Directors. M Clark and R T Turner, in consultation with the executive Directors, undertook an evaluation of the Chairman's performance and concluded that J R Kerr-Muir continued to provide effective leadership of the Board. Based on the results of the performance evaluation process, the Chairman considers that each member of the Board, the Board collectively and its Committees continue to contribute effectively to the running of the Company.

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.

b) Directors' Remuneration

The Report of the Directors – Remuneration Report on pages 11 to 15 describes how the Board has applied itself to remuneration matters.

c) Accountability and Audit

This section of the Report of the Directors describes the role of the Audit Committee and the manner in which it discharges its responsibilities. The Audit Committee's terms of reference may be found on the Company's website.

Composition of the Audit Committee

The composition of the Audit Committee, which consists entirely of non-executive Directors, is detailed on page 8. During 2004, the Audit Committee did not comply with all the recommendations of the Smith Guidance as appended to the 2003 FRC Code, in that the Chairman, J R Kerr-Muir, was a member. As the Company has only three non-executive Directors, the Board considered it appropriate for J R Kerr-Muir to remain a member of the Audit Committee during the period of transition that arose from the retirement of R T Turner in 2004. J R Kerr-Muir subsequently retired from the Audit Committee on 24 December 2004.

Financial Reporting

The Board believes that the Annual Report properly presents a balanced and understandable assessment of the Group's position and prospects. The Audit Committee monitors the half year and full year annual financial statement before submission to the Board, as well as any formal announcements relating to the Group's financial position.

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 which are 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 reviews the scope, cost and timing of the work of the external auditors and acts to ensure their findings are appropriately implemented. Whilst the Company does not have a policy of subjecting its external auditors to a regular fixed term rotation, the Committee remains cognisant of the importance of maintaining the objectivity of the Company's 2004 external auditors. The Committee also reviews the level and type of non-audit work carried out by the Company's external auditors. In 2004 £0.4m was paid in fees to the external auditors relating to non-audit work, principally for advice on tax compliance (£0.3m) and taxation consulting services (£0.1m). The Committee considers it is beneficial to the Company to retain Deloitte & Touche LLP for this type of work because of their expertise in this area and knowledge of the Group, however; the Committee will continue to keep the nature and extent of such services under review in order to balance the maintenance of objectivity and value for money.

Internal Control

The Company has a well-established and ongoing process, which was in place for the full year and up to the date of the Accounts, for identifying, evaluating and managing the significant risks, including non-financial risks, faced by the Group. This process is regularly reviewed by the Board and has been further improved during the year. The process continues to accord 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 it 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 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 business unit and Group objectives, key issues, opportunities and controls. This assessment encompassed operational, compliance, financial and business risks and is updated on an ongoing basis. A risk assessment has similarly been prepared for the Group covering central functions and strategic risks;
- A detailed system of budgeting, reporting and forecasting for the Group's operations is in place which is monitored, both locally and centrally, through a review of monthly management information;
- The Group has expanded the remit of the Internal Audit function whose audit plan is reviewed, updated and approved by the Audit Committee. The conclusions from the function's work are reported to the Audit Committee, the Chief Executive and the Finance Director; and
- There is in place a formal annual risk management sign-off process for senior management in each of the business units. This is operated in order to ensure that, as far as possible, the controls and safeguards are being operated in line with established procedures and standards.

The whole risk management process is subject to review twice a year by the Audit Committee and strengthened as appropriate. Steps are taken to embed internal controls and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention. The Board is responsible for the effectiveness of the Group's system of internal control and for the review of its effectiveness. Such a system is designed to manage rather than to eliminate the risk of failure to achieve the Group's objectives and can only provide reasonable but not absolute assurance against misstatement or loss.

Report of the Directors – Corporate Governance Report continued

d) Relations with Shareholders

The Company maintains regular contact with its institutional shareholders. Each year, the Chief Executive and Finance Director undertake a series of meetings with the Company's major shareholders, following the announcement of the full year and interim results, to discuss both strategic objectives and the detailed performance of the business. During 2004, J R Kerr-Muir, the Company's non-executive Chairman and M Clark, the Company's Senior Independent Director also attended the full year and interim results announcements to shareholders and analysts in March and August respectively. No other non-executive Director formally met with shareholders during the year. M Clark is available to attend shareholder meetings if this is requested by shareholders, so providing an alternative channel of communication between the Company and its shareholders. The Company's largest shareholders were invited to meet G A Campbell following his appointment as a non-executive Director in 2004. The Company consulted with its largest shareholders prior to finalising the proposed executive long term incentive plan which is to be presented for shareholder approval at the 2005 AGM.

The Company makes constructive use of the Annual General Meeting to communicate with private investors. A detailed presentation of the Company's performance is given at the AGM and a copy of the presentation, along with other investor relations material, is made available on the Company's website.

All resolutions at the 2004 AGM were passed unanimously on a show of hands. Details of the proxy voting received by the Company for the 2004 AGM are set out in the table below.

Proxy voting for the 2004 AGM

Resolution	For (votes)	Against (votes)	Discretionary (votes)	Abstentions (votes)	Total (votes)
1. To adopt Report & Accounts	213,476,066	2,143	163,063	35,800	213,677,072
2. To approve Remuneration Report	198,145,060	592,029	169,060	14,770,923	213,677,072
3. To declare a dividend	213,457,931	14,228	160,313	44,600	213,677,072
4. To re-elect J R Kerr-Muir as a Director	213,137,779	330,505	171,356	37,432	213,677,072
5. To re-elect M Rollins as a Director	213,150,398	317,886	171,356	37,432	213,677,072
6. To re-appoint Deloitte & Touche LLP as auditors	213,029,310	279,283	168,974	199,505	213,677,072
7. Authority to allot shares	213,352,541	109,215	171,453	43,863	213,677,072
8. Disapplication of pre-emption rights	213,142,846	309,703	173,660	50,863	213,677,072
9. Authority to buy back shares	213,409,244	60,568	172,660	34,600	213,677,072

The abstentions to Resolution 2 approving the Remuneration Report came from 25 shareholders. More than three-quarters of the abstention votes came from a single shareholder due to re-testing being permitted for existing share options and the use of EPS-based performance criteria for the options. The Senior plc 2005 Long Term Incentive Plan that is to be presented to shareholders for approval at the forthcoming AGM (if approved, it will replace the existing 1999 Executive Share Option Plan and the Long Term Share Incentive Plan) will have performance criteria that are both EPS and TSR-based, and the awards will not be subject to retesting.

The total number of proxy votes received for the 2004 AGM represented approximately 69.5% (2003 – 53.5%) of the issued share capital of the Company. The Company is supportive of initiatives to promote greater shareholder participation and offers CREST members the facility to appoint a proxy or proxies through the CREST electronic proxy appointment service. Further details of this service may be found in the enclosed Notice of the Annual General Meeting.

Compliance Statement

The Company has, throughout the year, consistently applied the Principles of Good Governance and Code of Best Practice, which together comprise the 2003 FRC Code appended to the Listing Rules of the Financial Services Authority except that J R Kerr-Muir remained on the Audit Committee (C.3.1) and Remuneration Committee (B.2.1) until 24 December 2004 and 31 January 2005 respectively. A Whistle Blowing Policy (C.3.4) was not fully implemented until July 2004. The Company now fully complies with all the detailed provisions in Section 1 of the 2003 FRC Code.

Statement of Directors' Responsibilities

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

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

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

Independent Auditors' Report to the Members of Senior plc

We have audited the financial statements of Senior plc for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, related Notes 1 to 26 and the schedule of principal group undertakings. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Report of the Directors – Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Report of the Directors – Remuneration Report. Our responsibility is to audit the financial statements and the part of the Report of the Directors – Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the July 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the loss of the Group for the year then ended; and
- the financial statements and the part of the Report of the Directors – Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham
United Kingdom

2 March 2005

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Group Profit and Loss Account

For the year ended 31 December	Notes	2004 £m	2003 (restated) £m
Turnover			
Continuing operations		306.8	322.9
Discontinued operations		19.1	32.0
	2, 3	325.9	354.9
Operating profit			
Continuing operations before amortisation of goodwill		16.4	17.4
Amortisation of goodwill		(5.1)	(5.3)
Total continuing operations		11.3	12.1
Discontinued operations		0.4	1.0
	2, 3	11.7	13.1
Profit on sale of fixed assets – continuing operations		0.5	0.4
Loss on disposal of discontinued operations (including £8.7m of goodwill previously written off directly to reserves)	25	(13.3)	–
(Loss)/profit on ordinary activities before interest and taxation		(1.1)	13.5
Other interest receivable and similar income		2.2	1.2
Interest payable and similar charges	4	(5.1)	(6.1)
Other net finance cost – retirement benefits	4	(1.2)	(2.2)
(Loss)/profit on ordinary activities before taxation	5	(5.2)	6.4
Tax on (loss)/profit on ordinary activities	7	(1.7)	(1.8)
(Loss)/profit for the financial year	22	(6.9)	4.6
Dividends	8, 22	(6.1)	(6.1)
Loss for the year		(13.0)	(1.5)
(Loss)/earnings per share			
Basic	9	(2.25)p	1.50p
Diluted	9	(2.25)p	1.49p
Underlying	9	3.65p	3.13p
Dividends per share	8	2.00p	2.00p

The comparative figures for the year ended 31 December 2003 have been restated to reflect the adoption of Financial Reporting Standard No.17 "Retirement Benefits" and UITF 38 "Accounting for ESOP Trusts". See Note 26 for details.

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

Balance Sheets

At 31 December	Notes	Group 2004	Group 2003 (restated)	Company 2004	Company 2003 (restated)
		£m	£m	£m	£m
Fixed assets					
Intangible assets – goodwill	11	68.0	76.7	–	–
Tangible assets	12	70.0	79.1	0.1	0.2
Investments	13	–	–	221.3	426.8
		138.0	155.8	221.4	427.0
Current assets					
Stocks	14	38.4	40.1	–	–
Debtors: Amounts falling due after more than one year	15	3.8	1.0	–	–
Debtors: Amounts falling due within one year	15	60.0	66.9	3.1	1.4
Cash at bank and in hand		7.4	11.6	8.5	1.5
		109.6	119.6	11.6	2.9
Creditors: Amounts falling due within one year	16	(76.1)	(77.8)	(6.8)	(19.2)
Net current assets/(liabilities)		33.5	41.8	4.8	(16.3)
Total assets less current liabilities		171.5	197.6	226.2	410.7
Creditors: Amounts falling due after more than one year	17	(54.7)	(73.4)	(98.1)	(290.6)
Provisions for liabilities and charges	20	(0.3)	(0.7)	–	–
Net assets before retirement benefit liabilities		116.5	123.5	128.1	120.1
Retirement benefit liabilities	24	(41.2)	(44.0)	–	–
Net assets		75.3	79.5	128.1	120.1
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	24.7	28.9	11.4	3.4
Investment in own shares	22	(1.3)	(1.3)	(1.3)	(1.3)
Equity shareholders' funds	22	75.3	79.5	128.1	120.1

The Group and Company Balance Sheets as at 31 December 2003 have been restated to reflect the adoption of Financial Reporting Standard No.17 "Retirement Benefits" and UITF 38 "Accounting for ESOP Trusts". See Note 26 for details.

Approved by the Board on 2 March 2005

J R Kerr-Muir, Director
M Rollins, Director

Group Statement of Total Recognised Gains and Losses

For the year ended 31 December	2004	2003 (restated)
	£m	£m
(Loss)/profit for the financial year	(6.9)	4.6
Currency translation differences on overseas net investments including goodwill	(0.5)	1.1
Tax benefits on foreign exchange losses	0.9	0.6
Actuarial variations on post-retirement benefits	(0.3)	–
Total recognised gains and losses relating to the year	(6.8)	6.3
Prior year adjustment	(42.3)	–
Total recognised gains and losses since previous Annual Report	(49.1)	–

The comparative figures for the year ended 31 December 2003 have been restated to reflect the adoption of Financial Reporting Standard No.17 "Retirement Benefits" and UITF 38 "Accounting for ESOP Trusts". See Note 26 for details.

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

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

Group Cash Flow Statement

For the year ended 31 December	Notes	2004 £m	2004 £m	2003 £m	2003 £m
Net cash inflow from operating activities	10 a)		20.4		32.9
Returns on investments and servicing of finance					
Interest received		2.5		1.2	
Interest paid		(5.4)		(6.2)	
Net cash outflow from returns on investments and servicing of finance			(2.9)		(5.0)
Taxation					
UK corporation tax (paid)/recovered		–		–	
Net overseas tax recovered/(paid)		2.7		(0.8)	
Net cash inflow/(outflow) from taxation			2.7		(0.8)
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(10.0)		(8.0)	
Sale of property, plant and equipment		0.7		1.1	
Net cash outflow from capital expenditure and financial investments			(9.3)		(6.9)
Acquisitions and disposals					
Purchase of subsidiary undertakings – deferred consideration		(0.2)		(0.3)	
Sale of subsidiary undertakings		5.2		0.7	
Net cash balances disposed with subsidiaries		(0.5)		–	
Net cash inflow from acquisitions and disposals			4.5		0.4
Dividends paid on ordinary shares			(6.1)		(6.1)
Net cash inflow before financing			9.3		14.5
Financing					
New loans initiated by Group		–		18.4	
Repayment of existing loans		(19.2)		(33.5)	
Cash inflow on forward exchange contracts		4.5		4.5	
			(14.7)		(10.6)
(Decrease)/increase in cash in the period	10 b)		(5.4)		3.9

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

Notes to the Accounts

I Accounting Policies

Basis of Accounts

The Accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards. These policies have been applied consistently throughout the year and the preceding year. The Accounts include the full adoption of Financial Reporting Standard No.17 "Retirement Benefits" and also UITF 38 "Accounting for ESOP Trusts". The prior year comparatives have been restated accordingly.

Basis of Consolidation

The Group Accounts consolidate the Accounts of Senior plc and all its subsidiary undertakings, including those shown on page 47, drawn up to 31 December 2004. The results of businesses acquired, disposed of or terminated during the year are included in the Group Profit and Loss Account from the date of acquisition or up to the date of disposal or termination.

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

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

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

In the Group's Accounts, investments in associated undertakings are accounted for using the equity method. The Group Profit and Loss Account includes the Group's share of these undertakings' profits less losses, while the Group's share of the net assets of the associated undertakings is shown in the Group Balance Sheet.

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

The Company's investment in own shares is held by the Employee Benefit Trust for the purpose of funding certain of the Company's Long Term Incentive Plan liabilities. The Trustee purchases the Company's ordinary shares in the open market using funds provided by the Company. These shares are carried at original cost and are shown as a reduction in shareholders' funds.

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

Exceptional Items

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

Tangible Fixed Assets

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

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

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

Stocks and Long-Term Contracts

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Costs incurred in bringing each product to its present location and condition are based on:

- Raw materials – purchase cost on a first-in, first-out basis, including transport.
- Work-in-progress and finished goods – cost of direct materials and labour plus an appropriate proportion of manufacturing overheads based on normal levels of activity.

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

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

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

Notes to the Accounts continued

I Accounting Policies continued

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

Taxation

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

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

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

Pension and Other Post-Retirement Benefit Costs

(i) Defined Contribution Schemes

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

(ii) Defined Benefit Schemes

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

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

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

Research and Development

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

Government Grants

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

Turnover

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

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

Leases

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

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

Foreign Currencies

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

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

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

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

Derivative Financial Instruments

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

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

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

2 Segment Information

Group turnover, operating profit and net assets are analysed below. The reconciliation of operating profit to profit before taxation is shown on the Group Profit and Loss Account on page 22. The reconciliation of net assets to the Balance Sheet is shown in part c) of this Note. In both cases the reconciling items are considered to be of a Group nature, and not directly attributable to individual segments. Discontinued operations record the results of the five industrial hose operations that were disposed of in August 2004. These were Senior Flexonics Limited, Flexonics SAS, Senior Flexonics B.V., Habia Teknofluor A.B. and the trade and assets of the US Hose Division of Senior Operations Inc.

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

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

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

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

Notes to the Accounts continued

2 Segment Information continued

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

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

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

3 Operating Profit

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

4 Interest Payable and Other Net Finance Cost – Retirement Benefits

Interest payable comprises:

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

Other net finance cost – retirement benefits comprises:

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

5 (Loss)/Profit on Ordinary Activities Before Taxation

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

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

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

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

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

6 Employee Costs

Particulars of employees (including Directors) are shown below:

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

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

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

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

Disclosure on Directors' remuneration, share options, long-term share incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and those specified for audit by the Financial Services Authority are on pages 11 to 15 within the Report of the Directors – Remuneration Report and form part of these audited financial statements.

Notes to the Accounts continued

7 Tax on (Loss)/Profit on Ordinary Activities

The Group tax charge comprises:

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

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

Factors affecting the Group tax charge for the year:

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

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

Factors that may affect future tax charges:

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

As a result of trading conditions experienced during the current and prior years, taxable losses have arisen in the UK and certain overseas subsidiary undertakings which are available for offset against future taxable profits in the territories concerned. A deferred tax asset of £12.4m has not been recognised in respect of certain of these losses as, based on detailed budgets, it is not anticipated that taxable profits will arise in the subsidiary undertakings concerned within the foreseeable future.

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

The potential liability in respect of UK corporation tax on unremitted earnings to the UK has not been provided because at the year-end there was no commitment to remit the retained earnings of overseas subsidiaries to the UK.

8 Dividends

	Rates per share 2004	Rates per share 2003	2004 £m	2003 £m
Interim – paid	0.65p	0.65p	2.0	2.0
Final – proposed	1.35p	1.35p	4.1	4.1
	2.00p	2.00p	6.1	6.1

9 Earnings per Share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares, being those share options granted where the exercise price is less than the average price of the Company's ordinary shares during the year. In 2004, the effect of these share options is anti-dilutive and has therefore been excluded from the calculation of diluted weighted average number of shares. In 2003, these share options had a dilutive effect of 2.4m shares.

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

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

10 Group Cash Flow Statement

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

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

Notes to the Accounts continued

10 Group Cash Flow Statement continued

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

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

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

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

11 Intangible Fixed Assets – Goodwill

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

12 Tangible Fixed Assets

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

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

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

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

d) The net book value of fixed assets includes £3.1m (2003 – £2.7m) in respect of assets held under finance leases. The related depreciation charge was £0.1m (2003 – £0.1m).

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

	Freehold land and buildings 2004 £m	Freehold land and buildings 2003 £m
Original cost	0.4	0.4
Depreciation based on cost	(0.3)	(0.3)
	0.1	0.1

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

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

Notes to the Accounts continued

13 Fixed Asset Investments

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

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

b) Movements on investments in subsidiary undertakings in the year	Company £m
At 1 January 2004	426.8
Decrease in loans to subsidiary undertakings	(205.5)
At 31 December 2004	221.3

14 Stocks

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

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

15 Debtors

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

16 Creditors: Amounts Falling Due Within One Year

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

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

17 Creditors: Amounts Falling Due After More Than One Year

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

Notes to the Accounts continued

18 Maturity Profile of Gross Indebtedness

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

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

19 Financial Instruments

The Group's policies as regards derivatives and financial instruments are set out in the Finance Director's Review (pages 6 and 7) and in the Accounting Policies (pages 25 and 26). The Group does not trade in financial instruments.

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

(i) Maturity profile of financial liabilities

The Group's gross indebtedness comprising loans £53.7m (2003 – £77.0m), overdrafts £1.5m (2003 – £0.1m) and finance leases £2.1m (2003 – £2.0m), together with other non-interest bearing liabilities is repayable over the following periods:

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

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

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

19 Financial Instruments continued

(ii) Interest and currency profile of financial liabilities

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

At 31 December 2004	Total	Floating rate (see below)	Fixed rate	Non-interest bearing	Weighted average rate – fixed	Weighted average years for which rate is fixed
Currency	£m	£m	£m	£m		
Sterling	–	–	–	–	–	–
US dollar	52.5	16.1	36.4	–	7.46%	3.6
Euro	5.1	3.1	1.7	0.3	5.93%	8.3
Other	–	–	–	–	–	–
	57.6	19.2	38.1	0.3		

At 31 December 2003	Total	Floating rate (see below)	Fixed rate	Non-interest bearing	Weighted average rate – fixed	Weighted average years for which rate is fixed
Currency	£m	£m	£m	£m		
Sterling	–	–	–	–	–	–
US dollar	59.0	11.7	47.0	0.3	7.53%	4.3
Euro	18.0	15.8	2.0	0.2	5.79%	9.0
Other	2.6	2.6	–	–	–	–
	79.6	30.1	49.0	0.5		

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

The weighted average period to maturity of the non-interest bearing liabilities by currency is: US dollar nil years (2003 – 1.5 years) and Euro 1.5 years (2003 – 2.0 years).

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

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

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

The weighted average period to maturity of non-interest bearing assets by currency is: sterling 2.0 years (2003 – 2.0 years); US dollar 9.5 years (2003 – 9.8 years); Euro 2.0 years (2003 – 2.1 years) and other currencies nil years (2003 – nil years).

(iii) Fair values of financial assets and liabilities

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

Notes to the Accounts continued

19 Financial Instruments continued

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

(iv) Currency profile

As noted in the Finance Director's Review on pages 6 and 7 the majority of the Group's operations trade predominantly in their own functional currency and where this is not the case exposures are covered on a twelve month rolling basis using forward contracts. Transaction exposure giving rise to net currency gains and losses reported in the Profit and Loss Account is therefore not considered significant.

(v) Hedging

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

As explained in the Finance Director's Review on pages 6 and 7 the Group's policy is to hedge transaction exposures, translation of overseas assets and interest rate exposures. Of these only the hedging of transaction exposures and interest rate exposures gives rise to unrecognised gains and losses which may ultimately be recognised in the Profit and Loss Account.

20 Provisions for Liabilities and Charges

	Group 2004 £m	Group 2003 (restated) £m	Company 2004 £m	Company 2003 (restated) £m
Deferred tax	0.3	0.7	–	–

Analysis of deferred tax provided is as follows:

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

Movement in deferred tax liability

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

21 Share Capital

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

1999 Executive Share Option Plan:

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

Date of grant	Subscription price	Normal exercise period	Executive options 2003	Granted 2004	Lapsed 2004	Exercised 2004	Executive options 2004
13 May 1999	154.35p	3 years to 12 May 2005	554,822	–	108,612	–	446,210
5 April 2000	82.50p	3 years to 4 April 2006	227,272	–	–	–	227,272
13 September 2000	54.17p	3 years to 12 September 2006	3,234,884	–	341,038	–	2,893,846
10 October 2000	53.33p	3 years to 9 October 2006	142,426	–	80,924	–	61,502
23 March 2001	52.58p	3 years to 22 March 2007	425,000	–	195,000	–	230,000
11 April 2001	52.58p	3 years to 10 April 2007	105,000	–	105,000	–	–
31 October 2001	30.00p	3 years to 30 October 2007	700,000	–	135,000	–	565,000
12 March 2003	23.08p	3 years to 11 March 2009	7,212,842	–	613,451	–	6,599,391
			12,602,246	–	1,579,025	–	11,023,221

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

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

Savings Related Share Option Plan:

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

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

Notes to the Accounts continued

22 Reconciliation of Movements in Shareholders' Funds

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

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

Cumulative goodwill written off directly against reserves is as follows:

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

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

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

c) Group and Company

Shareholders' funds are attributable entirely to equity interests.

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

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

23 Guarantees and Other Financial Commitments

a) Capital commitments

Capital commitments of the Group contracted for but not provided for in the Accounts at 31 December 2004 were £2.5m (2003 – £1.6m).

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

23 Guarantees and Other Financial Commitments continued

b) Operating lease commitments

The Group leases certain land and buildings and plant and equipment. The net rental for 2004 on the land and buildings leases was £2.9m (2003 – £3.4m). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The total rental for 2004 on the plant and equipment leases was £0.8m (2003 – £1.0m). The lease agreements provide that the Group pays substantially all insurance, maintenance and repairs.

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

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

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

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

c) Revolving credit facility

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

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

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

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

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

d) Private placement loans

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

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

e) Bank guarantees

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

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

f) Forward exchange contracts

The Group enters into forward exchange contracts as part of its hedging policy on exchange exposures arising on translation of overseas assets into sterling. At 31 December 2004, the Group had entered into forward contracts to sell US dollars, Canadian dollars, Euros and Czech koruna for a total sterling value of £46.7m (2003 – £50.3m). These contracts all mature within one year.

Notes to the Accounts continued

24 Pension Costs and Other Post-Retirement Benefit Costs

The Group has fully implemented Financial Reporting Standard No.17 "Retirement Benefits" during the year. The Group operates a number of pension plans in the UK, North America and Europe. These include both defined contribution arrangements and defined benefit arrangements. The largest defined benefit arrangement, the Senior plc Pension Plan, is a funded scheme in the UK. The latest full actuarial valuation was carried out as at 6 April 2004 and, for the purposes of accounting under FRS 17, this valuation has been rolled forward to 31 December 2004. In addition, the Group operates three defined benefit schemes in the USA. Separate disclosure is made for the funded UK and US defined benefit arrangements. In both the UK and the USA the assets of funded schemes are held in separate trustee administered funds managed by independent financial institutions and have pension costs assessed by consulting actuaries using the projected unit method.

The Group also has a small number of unfunded post-retirement plans, including a closed healthcare scheme in the USA. Separate disclosure is provided for these arrangements.

a) Defined Contribution Schemes

The Group has a number of different defined contribution and government sponsored arrangements in place in the countries in which it operates. None of these are individually material to the Group and the aggregate cost of such schemes for the period was £2.2m (2003 – £2.7m). A total of £1.4m (2003 – £1.4m) of contributions were outstanding at the year-end.

b) Defined Benefit Schemes

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

c) Assets, liabilities and assumptions in funded plans

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

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

24 Pension Costs and Other Post-Retirement Benefit Costs continued

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

d) Roll forward of scheme deficits

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

e) Other post-retirement liabilities

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

Notes to the Accounts continued

24 Pension Costs and Other Post-Retirement Benefit Costs continued

f) History of experience gains and losses

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

25 Acquisitions and Disposals

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

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

25 Acquisitions and Disposals continued

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

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

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

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

26 Restatement of Comparative Information

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

a. Group Profit and Loss Account

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

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

b. Group Balance Sheet

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

Five Year Summary

	2004 £m	2003 (restated) £m	2002 £m	2001 £m	2000 £m
Group profit and loss accounts					
Turnover					
Continuing operations	306.8	322.9	368.4	411.7	422.2
Discontinued operations	19.1	32.0	36.0	52.0	83.2
	325.9	354.9	404.4	463.7	505.4
Operating profit before impairment and amortisation of goodwill					
Continuing operations	16.4	17.4	23.5	31.1	33.2
Discontinued operations	0.4	1.1	(0.1)	0.4	(2.1)
	16.8	18.5	23.4	31.5	31.1
Impairment of goodwill	–	–	–	(4.0)	–
Amortisation of goodwill	(5.1)	(5.4)	(5.8)	(6.2)	(6.1)
	11.7	13.1	17.6	21.3	25.0
Operating profit					
Share of operating profit in associate net of amortisation of goodwill	–	–	–	0.2	1.0
Specified exceptional items*	(12.8)	0.4	(4.0)	(2.2)	(15.9)
Interest payable, net	(2.9)	(4.9)	(6.6)	(9.8)	(9.3)
Other net finance cost	(1.2)	(2.2)	–	–	–
	(5.2)	6.4	7.0	9.5	0.8
Profit/(loss) before taxation					
Taxation	(1.7)	(1.8)	(3.1)	(5.1)	(0.9)
	(6.9)	4.6	3.9	4.4	(0.1)
Profit/(loss) after taxation					
Dividends	(6.1)	(6.1)	(6.1)	(6.1)	(15.0)
	(13.0)	(1.5)	(2.2)	(1.7)	(15.1)
Loss for the year					
Depreciation					
	13.3	16.1	17.8	18.4	18.3
Gross capital expenditure (including finance lease assets)					
	10.4	8.0	13.1	16.5	17.4
Basic earnings/(loss) per share					
	(2.25)p	1.50p	1.29p	1.46p	(0.08)p
Diluted earnings/(loss) per share					
	(2.25)p	1.49p	1.29p	1.45p	(0.08)p
Underlying earnings per share					
	3.65p	3.13p	4.47p	5.51p	5.87p
Dividends per share					
	2.00p	2.00p	2.00p	2.00p	4.88p
Group balance sheets					
Fixed assets	138.0	155.8	175.7	201.3	227.1
Net current assets	33.5	41.8	45.8	53.8	62.6
Creditors due after one year	(54.7)	(73.4)	(97.5)	(127.5)	(162.1)
Provisions for liabilities and charges	(0.3)	(0.7)	(2.7)	(2.5)	(3.5)
Retirement benefit liabilities	(41.2)	(44.0)	–	–	–
Net assets	75.3	79.5	121.3	125.1	124.1
Net borrowings	(50.6)	(64.2)	(87.4)	(122.7)	(146.5)
	67.2%	80.8%	72.0%	98.1%	118.0%
Gearing, net					
Group cash flow					
Cash inflow from operating activities	20.4	32.9	43.9	46.9	50.1
Tax (payments)/receipts	2.7	(0.8)	0.3	7.0	(4.9)
Interest payments, net	(2.9)	(5.0)	(7.3)	(9.7)	(8.7)
Capital expenditure (including finance leases) less disposals	(9.7)	(6.9)	(11.7)	(15.6)	(16.8)
Free cash flow	10.5	20.2	25.2	28.6	19.7
Dividends paid	(6.1)	(6.1)	(2.5)	(15.0)	(15.0)
Acquisitions less disposals	4.5	0.4	2.2	11.5	(3.8)
Dividend income from associated undertaking	–	–	–	0.2	0.2
Proceeds from share issues	–	–	–	–	0.1
(Decrease)/increase in loans	(19.2)	(15.1)	(32.3)	(25.3)	4.2
Increase in finance leases	0.4	–	1.5	–	–
Cash inflow on forward exchange contracts	4.5	4.5	0.2	–	–
Increase/(decrease) in cash in the period	(5.4)	3.9	(5.7)	–	5.4

The figures for 2003 have been restated to reflect changes in accounting policies relating to retirement benefits and ESOP trusts following the adoption in 2004 of Financial Reporting Standard No.17 and UITF 38. Earlier years have not been restated.

*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 Hargreaves Limited (incorporated in England and Wales)	Senior Hargreaves	Bury
Senior UK Limited (incorporated in England and Wales)	Senior Automotive – Crumlin Senior Aerospace – BWT Senior Aerospace – Bird Bellows	Crumlin Macclesfield Congleton
Senior Operations Inc. (incorporated in Delaware, USA)	Senior Automotive – Bartlett Senior Flexonics – Pathway Senior Aerospace – Metal Bellows Senior Aerospace – SSP Senior Aerospace – Composites Senior Aerospace – Ketema Senior Aerospace – Ketema Senior Aerospace – Jet Products	Bartlett, Illinois New Braunfels, Texas Sharon, Massachusetts Burbank, California Wichita, Kansas El Cajon, California Saltillo, Mexico San Diego, California
Senior Operations (Canada) Limited (incorporated in Canada)	Senior Flexonics – Canada	Brampton, Ontario
Senior Berghofer GmbH (incorporated in Germany)	Senior Automotive – Kassel	Kassel, Germany
Senior Automotive Czech s.r.o. (incorporated in the Czech Republic)	Senior Automotive – Olomouc	Olomouc, Czech Republic
Senior Aerospace Ermeto SAS (incorporated in France)	Senior Aerospace – Ermeto	Blois, France
Senior Automotive Blois SAS (incorporated in France)	Senior Automotive – Blois	Blois, France
Senior Calorstat SAS (incorporated in France)	Senior Aerospace – Calorstat	Dourdan, France
Senior Aerospace Bosman B.V. (incorporated in Holland)	Senior Aerospace – Bosman	Rotterdam, Holland
Senior Automotive S.A. (Pty) Limited (incorporated in the Republic of South Africa)	Senior Automotive – Cape Town	Cape Town, South Africa
Senior do Brasil Ltda. (incorporated in Brazil)	Senior Automotive – Sao Paulo	Sao Paulo, Brazil
Senior India Private Limited (incorporated in India)	Senior Automotive – New Delhi	New Delhi, India
Senior Investments AG (incorporated in Switzerland)		Schaffhausen, Switzerland

All Group undertakings are wholly and 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 3 to 5.

Additional Shareholder Information

Analysis of Shareholders at 31 December 2004

	Shareholders number	Shareholders %	Shareholdings millions	Shareholdings %
By Category				
Corporate bodies	1,022	23.62	290.50	94.49
Other shareholders	3,304	76.38	16.95	5.51
	4,326	100.00	307.45	100.00
By Range of Holdings				
1 – 24,999	3,965	91.66	15.74	5.12
25,000 – 49,999	126	2.91	4.35	1.42
50,000 – 249,999	124	2.87	12.27	3.99
250,000 – 499,999	35	0.81	12.36	4.02
500,000 – 999,999	27	0.62	20.18	6.56
1,000,000 – and over	49	1.13	242.55	78.89
	4,326	100.00	307.45	100.00

Share Registrars

All shareholder records are maintained by Lloyds TSB Registrars and all correspondence should be addressed to the Registrar, Senior plc at the Lloyds TSB Registrars' address shown on the facing page, 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 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.

CREST Proxy Voting

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 15 April 2005 and any adjournment(s) thereof by using the procedures described in the CREST Manual. Further details relating to voting via CREST may be found on the Notice of Meeting/Proxy Card inserted within the Annual Report.

2005 Financial Calendar

3 March	Preliminary announcement of 2004 annual results.
15 March	Publication of Annual Report 2004.
15 April	Annual General Meeting.
27 April	Shares ex-dividend for 2004 final dividend.
29 April	Record date for shareholders on the register to receive the 2004 final dividend.
27 May	Payment of 2004 final dividend.
4 August	Preliminary announcement of 2005 interim results.
8 August	Publication of Interim Report 2005.
26 October	Shares ex-dividend for 2005 interim dividend.
28 October	Record date for shareholders on the register to receive 2005 interim dividend.
25 November	Payment of 2005 interim dividend.

Officers and Advisers

Secretary and Registered Office

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Solicitors

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Principal UK Clearing Bankers

HSBC Bank plc
8 Canada Square, London E14 5HQ

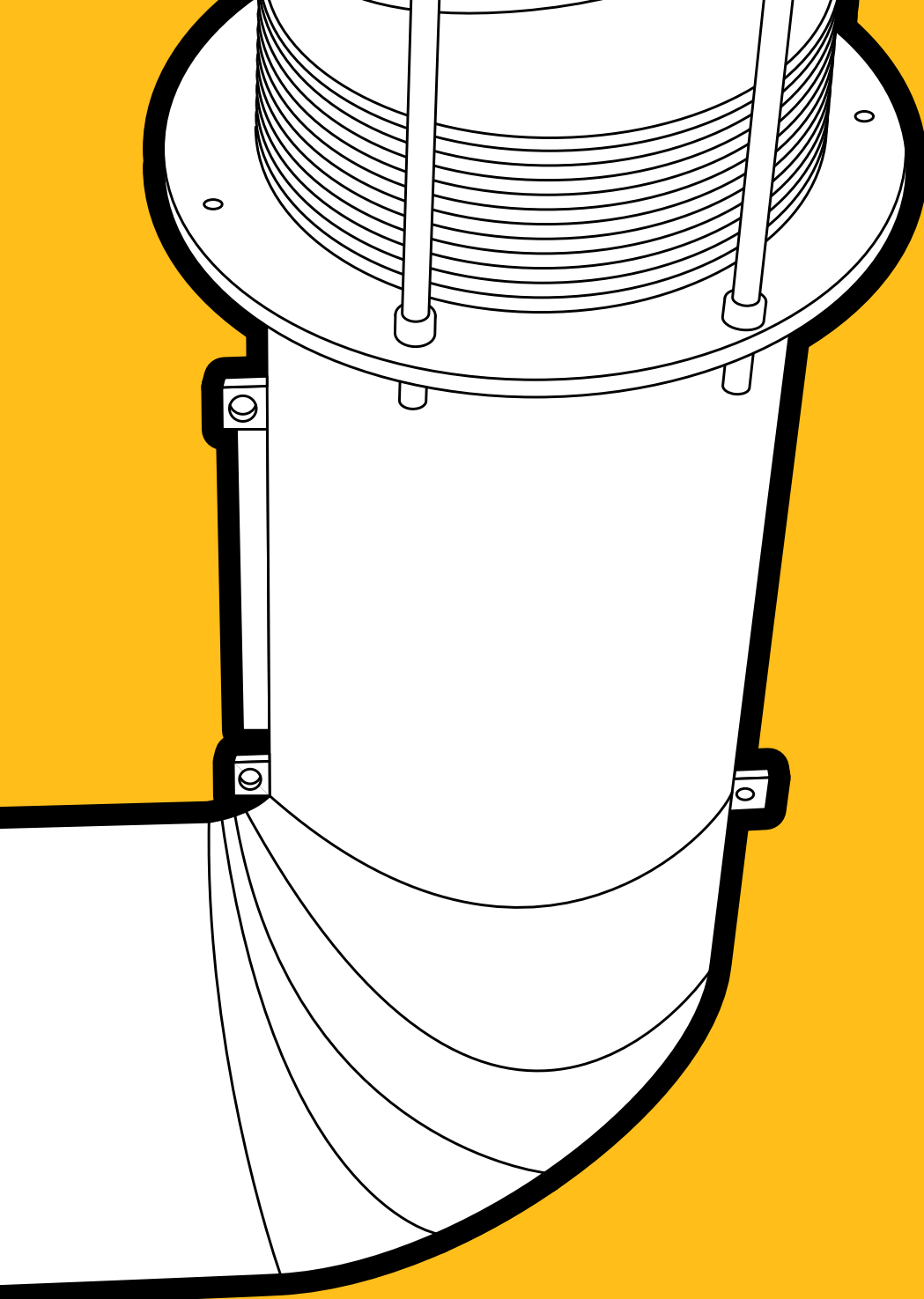
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