1 Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Accounting Policies continued

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

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

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

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

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

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

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

Total costs comprise:

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

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

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

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

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

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

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

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

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

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

1 Accounting Policies continued

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

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

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

Derivative Financial Instruments

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

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

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

2 Segment Information

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

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

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

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

2 Segment Information continued

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

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

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

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

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

3 Operating Profit

	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
	2002	**2002**	**2002**	2001	2001	2001
	£m	**£m**	**£m**	£m	£m	£m
Turnover	**398.7**	**5.7**	**404.4**	444.3	19.4	463.7
Cost of sales	**(310.8)**	**(4.2)**	**(315.0)**	(344.2)	(14.0)	(358.2)
Gross profit	**87.9**	**1.5**	**89.4**	100.1	5.4	105.5
Distribution costs	**(4.3)**	**(0.1)**	**(4.4)**	(3.8)	(0.1)	(3.9)
Administrative expenses	**(66.0)**	**(1.4)**	**(67.4)**	(75.3)	(5.0)	(80.3)
Operating profit	**17.6**	**–**	**17.6**	21.0	0.3	21.3
Administrative expenses comprise:						
Administration costs	**(58.9)**	**(1.4)**	**(60.3)**	(62.3)	(4.9)	(67.2)
Rationalisation and reorganisation costs	**(1.3)**	**–**	**(1.3)**	(2.9)	–	(2.9)
Impairment of goodwill	**–**	**–**	**–**	(4.0)	–	(4.0)
Amortisation of goodwill	**(5.8)**	**–**	**(5.8)**	(6.1)	(0.1)	(6.2)
Total administrative expenses	**(66.0)**	**(1.4)**	**(67.4)**	(75.3)	(5.0)	(80.3)

4 Interest Payable

Interest payable comprises:

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

5 Profit on Ordinary Activities Before Taxation

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

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

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

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

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

6 Employee Costs

Particulars of employees (including Directors) are shown below:

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

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

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

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

7 Tax on Profit on Ordinary Activities

The Group tax charge comprises:

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

Factors affecting the Group tax charge for the year:

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

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

Factors that may affect future tax charges:

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

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

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

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

8 Dividends

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

9 Earnings per Share

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

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

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

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

Weighted average number of shares	– basic	**306.5m**	306.5m
	– diluted	**306.8m**	307.1m
	– underlying	**306.5m**	306.5m
Earnings per share	– basic	**1.29p**	1.46p
	– diluted	**1.29p**	1.45p
	– underlying	**4.47p**	5.51p

10 Group Cash Flow Statement

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

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

10 Group Cash Flow Statement continued

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

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

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

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

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

11 Intangible Fixed Assets – Goodwill

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

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

12 Tangible Fixed Assets

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

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

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

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

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

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

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

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

13 Fixed Asset Investments

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

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

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

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

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

14 Stocks

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

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

15 Debtors

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

16 Creditors: Amounts Falling Due Within One Year

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

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

17 Creditors: Amounts Falling Due After More Than One Year

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

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

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

18 Maturity Profile of Gross Indebtedness

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

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

19 Financial Instruments

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

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

(i) Maturity profile of financial liabilities

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

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

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

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

19 Financial Instruments continued

(ii) Interest and currency profile of financial liabilities

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

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

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

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

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

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

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

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

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

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

19 Financial Instruments continued

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

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

(v) Hedging	**Gains 2002 £m**	**Losses 2002 £m**	**Total net gains/(losses) 2002 £m**	Gains 2001 £m	Losses 2001 £m	Total net gains/(losses) 2001 £m
Unrecognised gains/(losses) on hedges at 1 January	**–**	**(2.5)**	**(2.5)**	–	(2.0)	(2.0)
(Gains)/losses arising in previous years that were recognised in current year	**–**	**1.2**	**1.2**	–	0.3	0.3
Gains/(losses) arising in previous years that were not recognised in current year	**–**	**(1.3)**	**(1.3)**	–	(1.7)	(1.7)
Gains/(losses) arising in the current year that were not recognised	**0.3**	**(0.1)**	**0.2**	–	(0.8)	(0.8)
Unrecognised gains/(losses) on hedges at 31 December	**0.3**	**(1.4)**	**(1.1)**	–	(2.5)	(2.5)
Of which:						
Amount expected to be recognised within one year	**0.3**	**(0.3)**	**–**	–	(0.7)	(0.7)
Amount expected to be recognised after one year	**–**	**(1.1)**	**(1.1)**	–	(1.8)	(1.8)

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

20 Provisions for Liabilities and Charges

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

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

Analysis of Group deferred tax provided is as follows:

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

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

21 Share Capital

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

1984 Executive Share Option Scheme:

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

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

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

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

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

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

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

22 Reconciliation of Movements in Shareholders' Funds

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

Cumulative goodwill written off against reserves is as follows:

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

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

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

c) Group and Company

Shareholders' funds are attributable entirely to equity interests.

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

23 Guarantees and Other Financial Commitments

a) Capital commitments

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

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

b) Operating lease commitments

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

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

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

23 Guarantees and Other Financial Commitments continued

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

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

c) Revolving credit facility

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

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

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

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

d) Private placement loans

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

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

e) Bank guarantees

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

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

f) Forward exchange contracts

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

24. Pension Costs and Other Post-Retirement Benefit Costs

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

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

Defined benefit plans are operated in the UK and the USA. The assets are held in separate trustee administered funds managed by independent financial institutions and have pension costs assessed by consulting actuaries using the projected unit method.

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

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

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

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

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

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

b) FRS17 Retirement Benefits

In addition to the above the Group has a number of different defined contribution and government sponsored arrangements in place in the countries in which it operates. None of these are individually material to the Group and the aggregate cost of such schemes for the period was £3.3 million (2001 – £3.5 million). A total of £1.9 million (2001 – £2.7 million) of contributions were outstanding at the year-end. The above figures include one small multi-employer defined benefit scheme in which it is not possible to identify the Group's share of the underlying assets and liabilities. Consequently the scheme has been accounted for as a defined contribution scheme as permitted by Financial Reporting Standard 17 paragraph 9(b). The Group is not aware of any surplus or deficit in this scheme that will cause contribution rates to vary significantly in the next year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 Acquisitions and Disposals

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

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

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

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

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

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