

Geographic turnover*

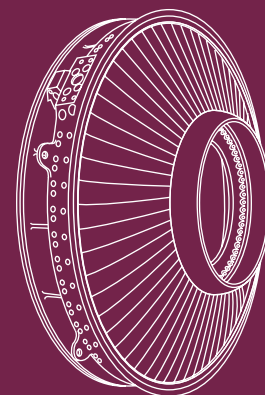
67% North America

10% UK

20% Rest of Europe

3% Rest of World

*by destination



2003 was a second year of market turmoil following the events of 11 September 2001. The year was filled with schedule changes, volume reductions and increased pricing pressure. This necessitated capacity adjustments and an escalation in the implementation of lean principles.

Towards the end of the year there were tentative signs of stabilisation in the commercial aircraft market, as airlines began to improve profitability and ordering activity on long-term programmes trended higher. Senior Aerospace made large strides on several new programmes in 2003, including the A380 and Joint Strike Fighter ("JSF"), with early development production commencing.

Senior Aerospace Metal Bellows in Boston, Massachusetts, specialises in edge-welded bellows for a variety of applications in the commercial and military aerospace, space, medical, semi-conductor and industrial markets. The company performed satisfactorily in 2003, despite sales declining as the semi-conductor and space applications failed to reach anticipated levels. Several aggressive cost-cutting measures were taken. The company is well positioned to improve performance in 2004.

Senior Aerospace Ketema in San Diego, California, enjoyed a significant performance improvement in 2003, albeit from a relatively low base. Ketema manufactures complex engine fabrications primarily for the military, regional and single aisle commercial markets. The company was restructured in 2002 and, as a result of overhead cost reductions, factory improvements and increased efficiencies, has become a more profitable and cash generative company. The company has several recently won programmes under development including content on the JSF for both Pratt and Whitney, and Rolls-Royce.

Senior Aerospace Jet Products in San Diego, California, reported lower profits in 2003 on sales that, as expected, fell slightly from the prior year. Working capital and on-time delivery improvements were made. The company is well positioned to resume its profitable growth during 2004 as work in the military sector increases.

Senior Aerospace SSP in Los Angeles, California, designs and fabricates high-pressure ducting systems. Whilst factory productivity declined in 2003, order intake was strong. The company is currently streamlining its manufacturing processes through the introduction of cellular manufacturing and improving product flows as a result of its building modernisation. A strong, diverse orderbook, heavy focus on operational improvements, and an industry-leading engineering team, leave SSP well positioned for the future.

Senior Aerospace BWT, in the UK, manufactures lightweight flexible composite ducting for airframe manufacturers. 2003 was a year of significant new product introduction, with work increasing on the Airbus A380 cockpit ducting, Embraer ERJ170/190 flexible ducting, and several other programmes. With the high engineering activity and the Group's policy of expensing such costs as incurred, profitability was well below historic levels. Performance is expected to recover as engineering ends and the parts go into production.

Senior Aerospace Composites in Wichita, Kansas, produces rigid composite ducting that is often combined with components from other Senior facilities to form lightweight ducting sub-systems. Composites, which entered the system design and test environment for the first time in 2003, is playing a major role in the fabrication of the A380 system being delivered to Airbus by BWT.

Senior Aerospace Bird Bellows, in the UK, increased its business with Airbus as a result of winning the contract to design and manufacture gimbals for the A380 wing ducting systems. Bird had a solid year in terms of sales, operating profit and cash flow. Its business base, increasingly focused on aerospace, continues to grow. The company is in the process of implementing lean techniques throughout the factory to meet the continuing challenges of its customers.

Senior Aerospace Bosman, in Holland, saw its traditional aerospace repair business reverted back to the airlines. Bosman began outsourcing parts to low-cost countries and developing new technologies for use in high-pressure ducting systems. This, combined with the ability to engineer high technology metal fabrications, should enable Bosman to enter new markets in the future.

Senior Aerospace Ermeto, in France, benefited from the operational efficiencies of a first full year of production in its new premises but suffered from reductions in the Eurofighter build rate. The company is seeking additional business to fit its existing capabilities.

Senior Aerospace Calorstat, in France, performed poorly and underwent a management change mid-year. The new leadership substantially reorganised the business, successfully introducing new Airbus A380 parts in the process. Operational improvements give the business a brighter future.

Overall, 2003 was a challenging year for the Aerospace Division. All companies aggressively pursued process improvements and the operating margins before goodwill amortisation increased from 4.6% to 5.1% despite falling sales. The strengthened management teams and continuous improvement through lean principles will help Senior Aerospace achieve its future goals.

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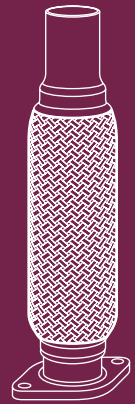
44% North America

7% UK

41% Rest of Europe

8% Rest of World

*by destination



Senior Automotive manufactures a variety of products primarily for customers in North America and Europe. It specialises in the manufacture of thin-walled stainless steel tubing, flexible metal bellows, high-pressure diesel fuel lines, and aluminium tubing for air conditioning and heating systems.

Production volumes in North America declined 3% in 2003 and the Division's major customers at the "Big 3" continued to lose market share despite the liberal usage of customer incentives. The OEM's heavy reliance upon incentives to support demand continues to create significant cost reduction pressure upon all suppliers. European demand softened with the number of new vehicle registrations declining 2% in 2003. However, Senior's volumes in Europe grew because of the greater demand for diesel engines upon which many of our European products are used.

Senior Automotive Bartlett in Chicago, Illinois, had a difficult year as several major programmes came to an end with the deletion of secondary AIR and EGR systems from General Motors' engines. Further programmes will end during 2004. The business reacted quickly and reduced costs accordingly. Good progress continues to be made in developing new products and the first order for a common rail diesel fuel system has been secured, with many more projects in the development stage. Whilst there is no doubt that common rail will come to North America for heavy trucks, there is an increasing belief that diesels will eventually be introduced in the passenger car and light truck markets. Such an outcome would clearly be beneficial to the Group.

At Senior Automotive Blois, France, the strategy to rationalise the product line and focus upon high-pressure diesel fuel products was completed. By the end of the year, 81% of Blois sales were diesel fuel products. Efforts continue to reduce costs and improve performance. Operational metrics have improved greatly, but higher than expected demand for diesel components required the use of excess labour with an adverse effect on profitability. Additional manufacturing capacity is due to be commissioned in the first quarter of 2004.

Senior Automotive Olomouc, Czech Republic, grew substantially during the year following the relocation of aluminium tubes and water tubes from Blois. Several new projects were also successfully launched and the site moved into profit in the fourth quarter as volumes increased. Olomouc is a low-cost site and is well positioned to grow substantially in the coming years.

Senior Berghöfer GmbH, Germany, operated in a difficult environment. Its main industrial markets, such as solar and heating,

were weak, as was the German economy. However, cost reductions and a focus upon cost management produced a significant improvement in operating performance compared to the prior year. The first nominations for heavy truck components were secured and good progress was made on other potential automotive components.

Senior Automotive Sao Paulo, Brazil, had a difficult year, caused by high consumer interest rates, as a result of which automotive demand was disappointingly low. Several large orders for industrial expansion joints and spring hangers together with good cost management allowed the site to remain profitable. New automotive projects should lead to growth in the next couple of years.

Senior Automotive New Delhi, India, had another solid year. Although slightly below the prior year, due to a destocking programme at a major aftermarket customer in the UK, sales increased to the North American exhaust aftermarket and domestic industrial metal hose customers. The site is well managed and poised for growth across a range of markets in the near future.

Senior Automotive Crumlin, South Wales, encountered a difficult year and, with the completion of the transfer of its flexible exhaust bellows work to Cape Town, the site is now focused upon the exhaust flex aftermarket, exhaust gas recycling and turbo oil drain markets. New product development is a priority with some good progress being made.

Senior Automotive Cape Town, South Africa, struggled to keep up with demand in the first quarter mostly due to the late delivery of raw materials from key suppliers. This resulted in the offloading of some work to Crumlin and Bartlett. On-time delivery was quickly restored once raw materials arrived according to schedule and additional employees were added. Manufacturing efficiencies improved greatly throughout the year. Given the export nature of the business, profitability was adversely affected by a strengthened local currency. The business successfully relocated to a larger facility at the year-end to provide the additional capacity necessary to meet the volume growth scheduled for the next few years.

Senior Automotive is known for its innovative engineering solutions and superior customer service. The ever-increasing demand for new technologies to meet future emission laws and the continued growth of diesel engines, combined with low-cost manufacturing sites in the Czech Republic, India, Brazil and South Africa, position the business well for longer-term growth.

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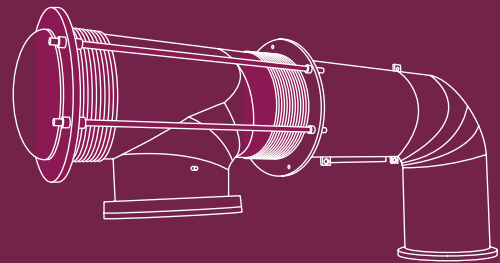
41% North America

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The Specialised Industrial Division is made up of eight operations, of which the five industrial hose companies are in the process of being sold. The remaining three businesses, Pathway, Senior Hargreaves and Senior Flexonics Canada, accounted for some 62% of the Division's turnover in 2003.

Pathway is a world leader in the manufacture of metal and fabric expansion joints for the power generation and petrochemical industries. In 2003 it experienced a slight reduction in turnover, mainly due to the slowdown in sales of land-based turbines for power generation. New construction and planned maintenance work was also sluggish although emergency repair work was much stronger than expected, helping to maintain operating margins. Pathway operates from two facilities, one in Texas and one in Tennessee and, because of the changing nature of the mix of work, the decision has been taken to close the Tennessee facility during 2004 with all manufacturing being consolidated onto the New Braunfels, Texas site. The cost is anticipated to be £0.9m in new capital assets and £0.3m in closure costs. The consolidation will lead to improved future profitability.

Senior Hargreaves, a UK market leader in the manufacture and installation of air conditioning ducting, experienced reduced profitability in 2003 as a result of two difficult contracts. Towards the year-end a number of new contracts, including Wembley Stadium and Channel Tunnel extension work at St Pancras Station, were won and Senior Hargreaves starts 2004 with a healthy orderbook.

Senior Flexonics Canada manufactures and sells bulk and fabricated metal hose assemblies, slip pack joints, metal expansion joints, and cryogenic assemblies. Working in conjunction with other Group companies it offers a wide range of products to the Canadian market. Sales and profits remained flat year on year, a creditable performance given the slowing economy.

Senior Flexonics Hose Division operates from facilities in Illinois and Texas. In 2003, it increased sales, in a competitive marketplace, with a consequent improvement in profitability. After a slow start the semi-conductor market began to improve, with several customers returning to the market and sales improving through the course of the year. The focus on rebuilding the fluoroplastic hose market and providing customers with a quick turnaround service also began to produce results.

The three European metal hose operations, a manufacturing site in the UK and distribution facilities in Holland and France, collectively reported improved profitability on unchanged turnover, largely as a result of the cost reduction measures taken in the previous year.

Further improvements in the performance of these businesses will depend, to a large extent, on the strength of the upturn in the European economy.

Habia, in Sweden, manufactures fluoroplastic hoses and hose assemblies, PTFE lined pipe systems and PTFE machined parts. An improvement in turnover during 2003 resulted in increased, albeit still modest, levels of profits and cash generation. Project opportunities are being pursued to improve its performance still further.

Two long-standing CEOs, Brian Ward at Senior Hargreaves and Wim Bogaard at Senior Flexonics B.V., in Holland, are due to retire in the first half of 2004 and the Group wishes them both the very best for a long and happy retirement. Internal candidates have been promoted to fill their positions.