



During the course of 2002, the Group faced frequent changes to customer requirements, particularly in the civil aerospace market where the industry adjusted demand levels downwards throughout the year. This was in addition to the recessionary environment experienced in most parts of our business. Nevertheless, the Group continued to implement improvements in the operational aspects of the business and emerged in better managerial order at the end of the year. In addition, and very importantly, the Group net debt was reduced from £122.7m at the beginning of 2002 to £87.4m at the end – a 29% drop in a difficult trading year and firm evidence of the quality of the underlying businesses and the improving financial position of the Group.

Financial Headlines

Group turnover from continuing operations fell 10.3% in the year to £398.7m and operating profit from continuing operations before goodwill amortisation and exceptional items declined from £34.0m to £24.7m. Group profit before tax declined from £9.5m to £7.0m resulting in underlying earnings per share of 4.47p (2001 – 5.51p).

Operations

Aerospace sales dropped by 16.4% in 2002 to £164.6m (2001 – £196.8m), as the full year impact of reduced demand from the civil market was seen. This was mitigated to some extent by improved demand from the military and defence sectors. Operating profits before goodwill amortisation and exceptional items, which had dropped sharply in the first half, recovered a little in the second half to end the year at £8.4m (2001 – £18.0m).

Sales in the Automotive Division declined by 7.2% to £148.4m (2001 – £160.0m). This was primarily due to some of our product programmes in North America coming to an end. Operating profits before goodwill amortisation and exceptional items were £12.7m (2001 – £12.8m) with an operating margin, on this basis, of 8.6% (2001 – 8.0%).

The Specialised Industrial Division recorded sales of £86.1m (2001 – £88.5m). The operating margin, before goodwill amortisation and exceptional items, improved from 3.6% to 4.2% with the associated operating profits ahead by 12.5% to £3.6m.

These results are stated before £1.3m (2001 – £2.9m) of costs incurred on reorganisation programmes to deal with the adverse market conditions.

During the year the Group disposed of its four European expansion joint operations with the proceeds contributing to the debt reduction.

Dividend

In 2001, dividend levels were amended to bring the dividend cover back to a more appropriate level for the business. In line with this policy the Board is recommending a final dividend of 1.35p per share in respect of 2002, bringing the total dividend for the year to 2.00p per share (2001 – 2.00p).

Employees and the Board

During the year, Mike Sheppard joined the Board, having worked as an executive within Senior for a number of years. Mike is the Chief Executive of the Automotive Division and the North American Industrial operations. He is a US citizen and works out of Chicago. Having been elected by the Board during the year he will stand for re-election by the shareholders at the forthcoming Annual General Meeting.

Richard Turner, who has been a non-executive Director of Senior since 1996, has agreed to a further two year term until July 2004 and offers himself for re-election by the shareholders at the Annual General Meeting. During 2002, Richard was awarded the CMG in the Queen's Birthday Honours List and the Group congratulates him upon his award. In addition, John Hudson, who retired from the Board in 2001 after nine years as a non-executive Director, was awarded the OBE and we send our congratulations to him.

During 2002 employee numbers were reduced to bring capacity in line with demand and many operational changes and improvements were implemented. In this tough and uncertain period, and throughout all the necessary changes, there has been unstinting enthusiasm and support from our employees, for which we thank them.

Outlook

It is hoped that the rescheduling of aerospace orders was largely completed in 2002. 2003 has started with a more settled outlook, albeit at this lower level of demand, but at levels that have been planned for by the operations. Barring further market deterioration, we expect some modest recovery in our aerospace performance, helped by new programmes starting volume production and the benefits of operational improvements coming through.

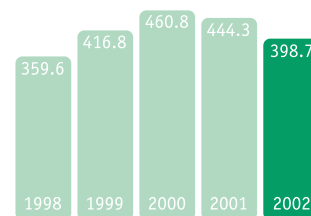
Senior Automotive will be impacted by two programme conclusions in 2003 and automotive production volumes in North America and Europe are softening. We remain cautious on the outlook. In Specialised Industrial, trading conditions in North America are reasonable although those in Europe are generally more difficult.

We expect 2003 to be another challenging year with manufacturing recession and political uncertainty continuing. Nevertheless, Senior is operationally in much better condition to deal with this period of uncertainty and the lower debt level allows the Group to look forward to the future with renewed confidence.

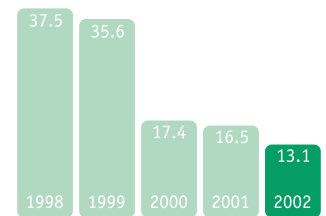


James Kerr-Muir Chairman

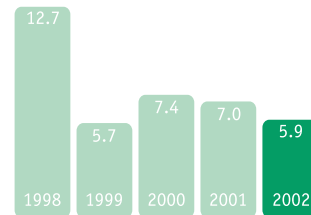
Turnover £m*



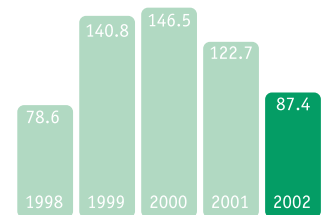
Gross Capital Expenditure £m



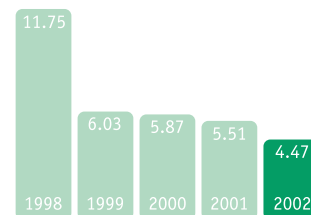
Operating Margin %*



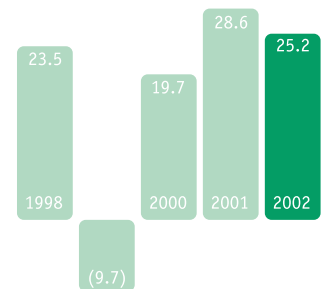
Net Debt £m



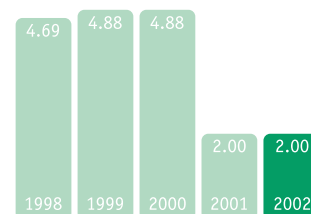
Underlying Earnings Per Share pence



Free Cash Flow £m



Dividends Per Share pence



* Continuing businesses before impairment and amortisation of goodwill