

Report of the Directors – Remuneration

The Remuneration Committee

The Remuneration Committee consists entirely of non-executive Directors. Its members throughout the year have been J R Kerr-Muir (Chairman), M Clark and R T Turner. 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.

The remuneration of the non-executive Directors is determined by the Board of Directors and the non-executive Directors do not participate in any discussion or decisions relating to their own remuneration.

Remuneration Consultants

Before recommending proposals for Board approval, the Remuneration Committee seeks advice from external remuneration consultants to ensure it is fully apprised of comparative external remuneration practice as well as legislative and regulatory developments. During the year, the Remuneration Committee appointed and received the advice of New Bridge Street Consultants in updating the Company's Share Plans and Watson Wyatt LLP in reviewing executive Directors' remuneration. Neither organisation provided any other services to the Company. Slaughter and May provided legal and regulatory advice on the updating of the Company's Share Plans and this firm also provides other general legal services to the Company.

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, who are all independent, 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 and is based upon advice taken by the Board from independent consultants.

a) Service Agreements

Each executive Director has a service agreement providing for a rolling period of notice of one year. There are no current 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 1 April 1992, respectively.

The non-executive Directors do not have service agreements with the Company. J R Kerr-Muir was appointed Chairman under an initial fixed three year contract from 11 May 2001 terminable upon 12 months' notice on or after the third anniversary. M Clark was appointed with effect from 1 February 2001 for an initial three year term. R T Turner was re-appointed a non-executive Director on 2 July 2002 for a two year term.

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.

c) Annual Performance Bonus Scheme

Under the 2002 performance bonus scheme, bonuses of up to 100% of salary could have been earned for exceptional performance. The level of award was dependent upon the actual performance compared to the prior year and to budget in respect of profitability and cash flow. As a result of the cash flow performance of the Group a bonus of 25% of salary was payable to G R Menzies and M Rollins in respect of 2002 (2001 – 25%). A bonus of 61% of salary (2001 – 15%) was paid to M Sheppard in respect of the operating profits and cash flow performances of the Automotive Division.

The scheme in place for 2003 is largely unchanged from the 2002 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.

At the Annual General Meeting on 2 May 2002, shareholders approved the removal from the rules of the 1999 Executive Share Option Plan, the Long Term Share Incentive Plan and the Savings Related Share Option Plan of the secondary limits which controlled the rate at which options or awards can be granted. The primary limits remain in place.

Under the unapproved section of the 1999 Executive Share Option Plan, the Committee, for future awards, retained the discretion over whether options should vest on a change of control. For the approved section, options vest automatically on a change of control.

All executive Directors are eligible for the following share plans:

i) 1999 Executive Share Option Plan

The Executive Share Option Plan 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.

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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.

In 1999 options were granted to certain senior managers and the then executive Directors and further options were granted in 2000 and in March, April and October 2001 to executive Directors and certain senior managers. 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.

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.

With the advice of New Bridge Street Consultants the Remuneration Committee agreed, under the discretion allowed it under the rules of the Plan, to review and revise the criteria under which Awards would normally vest to provide a challenging but clearly identifiable target. Under the revised criteria, 30% of the Award will, in future, vest for underlying earnings per share growth of 3% p.a. compound above the growth in the UK Retail Prices Index, 100% for 8% or more and straight-line vesting between those points. Performance is measured over a fixed period of four financial years.

In October 2001, Awards, under the new criteria, were made to the executive Directors and those are shown below 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.

iii) Savings Related Share Option Plan

Following approval by shareholders at the Annual General Meeting in May 1996, the Company's Savings Related Share Option Plan was launched that autumn to eligible employees across the Group, with further invitations each September since. There are no performance criteria for this arrangement and options are issued to all participants in accordance with the Inland Revenue prospectus 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.

e) Retirement Benefits

For former Directors where Inland Revenue limits applied, 25% of the shortfall between pensionable salary and Inland Revenue "cap" was accrued by the Company for payment from its resources on retirement; no such provision is made for its UK executive Directors, G R Menzies and M Rollins, and their arrangements, which are provided by the Group plan, are only based upon their pensionable salaries up to "cap". M Sheppard participates in a defined benefits plan and a defined contribution plan which are made available to the Group's US employees. His base salary is pensionable up to a "cap" of \$200,000 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.

Aggregate remuneration	2002 £000's	2001 £000's
Emoluments	881	776
Gains on exercise of share options and incentives (see below)	–	–
Money purchase contributions	3	–
Total	884	776

Directors' emoluments	Salary or fees £000's	Bonus £000's	Taxable benefits £000's	2002 Total £000's	2001 Total £000's
Executive					
G R Menzies	270	110	28	408	404
M Rollins	172	53	13	238	213
M Sheppard (from 01.09.02)	61	38	5	104	–
Non-executive					
J R Kerr-Muir	72	–	–	72	66
M Clark	34	–	–	34	27
R T Turner	25	–	–	25	25
Former Directors					
A K Watkins (to 11.05.01)	–	–	–	–	32
J L Hudson (to 11.05.01)	–	–	–	–	9
	634	201	46	881	776

The bonus figure shown for G R Menzies includes £43,000 which he received in lieu of the retirement benefits detailed in (e) above. In June 2002 the Remuneration Committee agreed that, from 2003, this payment would be consolidated into his base salary (which would remain pensionable up to "cap") and he would receive no further salary increases in 2003.

Bonuses of £67,000, £53,000 and £38,000 are payable to G R Menzies, M Rollins and M Sheppard (from 01.09.02) under the Annual Performance Bonus arrangement.

The above figures for emoluments do not include any amount for the value of share options or awards granted to, or held by, Directors.

Directors' Interests

M Sheppard joined the Board on 1 September 2002 and his interests are shown from that date.

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 2002	Shares 2001
G R Menzies	500,000	300,000
M Rollins	100,000	85,000
M Sheppard (from 01.09.02)	-	-
J R Kerr-Muir	120,819	60,819
M Clark	20,000	20,000
R T Turner	36,900	36,900

Options and other share incentives		Granted	Exercised	Gains on exercise/ vesting	Market price on exercise/ vesting	Lapsed	At	Option price	Exercise period/ maturity date
Date of grant/award	At 31.12.01	2002	2002	2002	2002	2002	31.12.02		
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
Sharesave Plan									
06.10.00	38,793	-	-	-	-	-	38,793	43.50p	6 months to 01.05.06
Long Term Share Incentive Award 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
Sharesave Plan									
06.10.00	22,270	-	-	-	-	-	22,270	43.50p	6 months to 01.05.04
Long Term Share Incentive Award Plan – Performance Awards									
31.10.01	180,000	-	-	-	-	-	180,000	-	30.10.05
M Sheppard (from 01.09.02)									
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
Sharesave Plan									
06.10.00	24,018	-	-	-	-	-	24,018	43.50p	6 months to 01.05.04
Long Term Share Incentive Award 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 Award Plan may be found on pages 13 and 14.

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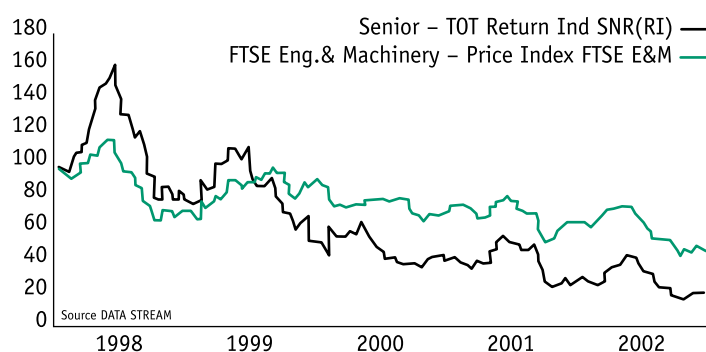
Options granted from 1999 onwards and the Long Term Incentive Share Awards become exercisable only when certain performance targets have been met. The base underlying earnings per share figures used to determine whether the target has been met are as follows:

Date of grant	13.5.99	5.4.00	13.9.00	10.10.00	23.3.01	11.4.01	31.10.01
Base underlying EPS	11.75p	6.03p	6.03p	6.03p	5.87p	5.87p	5.87p

Inclusive of the above Long Term Incentive Awards to Directors, at 31 December 2002, 870,716 ordinary shares (2001 – 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 2002 was £209,000 (2001 – £298,000). 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 those shares.

The middle market price of the shares at 31 December 2002 was 24.00p (2001 – 34.25p). During 2002 the shares traded in the range of 18.00p to 52.00p.

The accompanying graph compares the Total Shareholder Return of the Company's shares against the FTSE Engineering and Machinery 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.



No change in any of the Directors' share interests occurred during the period 31 December 2002 to 5 March 2003.

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 (B) £000's	Total accrued pension at 31.12.02 (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 31.12.02 (F) £000's	Transfer value of accrued pension at 31.12.01 (G) £000's
G R Menzies	3	3	9	42	45	129	79
M Rollins	3	3	9	15	12	62	45
M Sheppard	6	1	35	2	12	52	40
Total	12	7	53	59	69	243	164

- Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.
- Transfer values as at 31 December 2001 and 31 December 2002 have been calculated in accordance with version 1.5 of Guidance Note GN11 issued by the actuarial profession.
- The 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.
- 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.
- Voluntary contributions paid by Directors and resulting benefits are not shown.
- M Sheppard was only a Director for part of the year (appointed 1 September 2002). Greenbury Rules require (B) and (D) to reflect only that part of the year during which he was a Director. The other disclosures for M Sheppard relate to the full year.
- 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 the Company paid \$14,231 during the year (\$4,757 for the part year).
- In the 2001 Annual Report, the benefits for M Rollins were incorrect. His benefits have since been clarified and the above figures reflect this.