Senior plc Interim Report 2003

senior

Senior is an international manufacturing group with operations in twelve countries.

Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide aerospace, automotive and specialised industrial markets.

Highlights

	Notes	Half-year to 30 June 2003	2002
Turnover from continuing operations		**£186.9m**	£204.3m
Operating profit from continuing operations			
– before goodwill amortisation	6	**£9.1m**	£12.5m
– after goodwill amortisation		**£6.4m**	£9.5m
Profit before taxation		**£3.7m**	£5.7m
Free cash flow	6	**£10.8m**	£10.6m
Net borrowings		**£79.1m**	£109.3m
Underlying earnings per share	6	**1.77p**	2.35p
Interim dividend per share		**0.65p**	0.65p

Commenting on the results, James Kerr-Muir, Chairman of Senior plc, said:

"Whilst the aerospace and automotive markets are likely to remain challenging in the near-term, the much reduced level of debt combined with recent aerospace programme wins and the increasing level of automotive product development means the longer-term prospects for the Group are encouraging."

The Group again delivered strong cash flow and reduced net debt despite the aerospace and automotive markets continuing to be very challenging. In aerospace, the Group is largely dependent on the numbers of new commercial aircraft being built and these declined significantly during the period. In automotive, our main customers manufactured 5% fewer vehicles as end-user confidence declined.

In the six months to 30 June 2003, Group sales from continuing operations fell broadly in line with expectations to £186.9m (2002 – £204.3m). Operating profits from continuing operations before goodwill amortisation reduced to £9.1m (2002 – £12.5m). Underlying earnings per share were 1.77p (2002 – 2.35p). Strong free cash flow of £10.8m (2002 – £10.6m), together with the weaker US$, resulted in the Group's net debt declining to £79.1m (June 2002 – £109.3m).

The 51% reduction in net debt from the £162.3m level seen at the end of June 2000 clearly demonstrates the success of the policies put in place three years ago.

Market Overview

The first half of 2003 saw little sign of improvement in economic conditions. The period included the Iraq invasion and the SARS outbreak in the Far East, both of which hindered any recovery in the number of passengers carried by the major airlines, most of which continued to be in financial difficulty. Consequently, the demand for components for commercial aircraft and the engines that power them reduced during the period.

Sales of passenger cars and light vehicles, in the important North American market, averaged 16.1m annualised for the first half of 2003, compared to 16.8m for the whole of 2002. For the first six months of 2003, sales in Western Europe were 3% lower than in the equivalent period of 2002. Diesel engines again increased market share in Europe whilst the North American heavy truck makers began to increase the speed of change to high-pressure common-rail diesel technology.

Against this background, the Group continued to improve operational efficiencies, develop new products for future organic growth and reduce the level of debt.

Financial Results

Sales from continuing operations fell by 8.5% to £186.9m (2002 – £204.3m) reflecting adverse currency movements of £9.4m, the decline in demand for commercial aircraft and engines and the ending of some North American automotive programmes.

The sales decline was partly offset by cost reduction efforts. However, an adverse currency effect of £0.9m, increased insurance costs (up £0.5m) and higher development costs related to the A380 and Joint Strike Fighter programmes (up £0.9m) impacted the period such that operating profits from continuing operations before goodwill amortisation declined to £9.1m (2002 – £12.5m). The resultant operating margin, before goodwill amortisation, was 4.9% (2002 – 6.1%).

The net interest cost reduced by 25% to £2.7m (2002 – £3.6m) as a result of lower borrowing levels and reduced interest rates. Net interest cover, calculated on operating profits from continuing operations before goodwill amortisation, was 3.4 times (2002 – 3.5 times).

Profit on ordinary activities before taxation for the period was £3.7m (2002 – £5.7m) after interest, goodwill amortisation of £2.7m (2002 – £3.0m) and the absence of other charges (2002 – £0.3m). With an underlying tax charge of 15.6% of taxable profits (2002 – 19.9%), underlying earnings per share (excluding goodwill amortisation) was 1.77p (2002 – 2.35p).

Free cash flow (cash inflow from operations after net capital expenditure, interest and tax but before acquisitions, disposals and dividend payments) was £10.8m (2002 – £10.6m). Total cash inflow, before financing, was £7.1m (2002 – £9.7m).

The majority of the Group's borrowings are denominated in US$ to match the Group's US$ assets. The weakening US$ (June 2003 – $1.65 to £1; December 2002 – $1.61 to £1) contributed to a beneficial impact on net debt of £1.2m. This, together with the strong operating cash inflows, resulted in Group net debt declining to £79.1m at the period end (June 2002 – £109.3m) representing gearing of 64% (June 2002 – 86%).

Dividend

The Board has declared an unchanged interim dividend of 0.65p. This will be paid on 28 November 2003 to shareholders on the register on 31 October 2003.

Aerospace

Sales in the Aerospace Division, representing 41% of the Group's sales from continuing businesses, fell by £6.1m to £76.3m (2002 – £82.4m). Operating profit, before goodwill amortisation, increased by 36.7% to £4.1m (2002 – £3.0m).

The year on year sales decline was mainly due to adverse currency movements (£5.2m) and reductions in production of commercial aircraft and engines, in particular at Boeing, where aircraft deliveries in the six months were 145 (2002 – 222). The Division has little after-market business because of the non-wearing nature of the parts manufactured and hence sales largely depend upon the build rates of new commercial aircraft and engines.

Build rates for large commercial aircraft at Boeing and Airbus declined by 30% between 2001 and 2003. The build rates for the engines to power them reduced by 25% in the same period. However, military and defence sales for the Division have risen due to increased US government spending and now account for 31% of Divisional sales.

Operating profits were up despite the lower sales. This was due to less disruption in demand, a lower cost base, the Mexican facility getting closer to profitability, better operational performances at Ketema, SSP and Bird Bellows and the successful completion of a profitable one-off project.

Capital investment in the Division was 37% of depreciation, reflecting the minimal requirement for increases in capacity.

During the period the Division continued to book new incremental business on the Airbus A380 and the Joint Strike Fighter (JSF). Significant engineering expenditure is being incurred on these programmes and is being expensed as the work progresses. Volume production of both these programmes is still some years off, but the contracts being booked will prove to be very valuable in the medium to longer-term. Boeing is planning to go ahead with its 7E7 as a new super efficient mid size commercial airliner to replace the 757 and 767 models and we are working towards securing business on this new programme.

Automotive

Sales in the Automotive Division, now 37% of Group sales, declined by 12.6% to £69.5m (2002 – £79.5m) and operating profit, before goodwill amortisation, halved to £3.8m (2002 – £7.6m). This was mostly due to products being designed out of our US customers' vehicles – primarily exhaust gas-recycling tubes at General Motors. The profit effect of the US turnover reduction was partially mitigated by significant cost reduction programmes at the US facility.

Nevertheless, our engineering resource has been enhanced to deal with an unprecedented period of customer enquiries as the heavy truck market in North America plans to adopt high-pressure common-rail diesel technology ahead of emission laws tightening significantly in 2007. Currently, Senior sells very little to the heavy truck diesel market but nominations from new customers are now being secured. It is anticipated that further orders will be booked during the next eighteen months for production beginning in 2005/2006. Consequently, capital expenditure can be expected to rise in the near to medium-term and sales of our US operation to increase in the medium to longer-term.

In addition, there is the possibility that diesel engines may eventually migrate into North American passenger cars and sport utility vehicles. The benefits of improved performance and fuel economy are such that diesel development in these volume markets is increasingly possible. Today, around 40% of new light vehicles in Europe have diesel engines. In the USA the figure is closer to 1%.

Elsewhere, the project to double the size of the Cape Town facility in South Africa is well underway and the new facility in Olomouc in the Czech Republic is coming into profit. In late 2001, the decision was made to put the German industrial business into the Automotive Division as a platform for automotive growth in the German markets. Orders have already been booked on heavy truck diesel engines and prospects are improving for new business in the high volume direct gasoline injection control market.

Capital expenditure for the Division was 38% of depreciation. This can be expected to rise in the coming months as new business is secured.

Specialised Industrial

Industrial markets in the first half of 2003 were generally weaker than in 2002 with the UK building construction and North American power generation markets being noticeably poorer. This resulted in sales reducing to £41.2m (2002 – £42.6m) and operating profit, before goodwill amortisation, to £1.2m (2002 – £1.9m). Disposal activity within this Division continued with five of the eight remaining profit-centres now in the disposal process.

Outlook

No immediate improvement in the aerospace industry is expected as the numbers of new commercial aircraft being built are envisaged to remain at, or slightly below, their current level for at least the next twelve months. However, the continuing strength of the defence and military sector is anticipated to partly offset the weakness in the commercial sector. In the longer-term we are more optimistic as the business now being won on new programmes, notably the Airbus A380 and Lockheed Martin Joint Strike Fighter, goes into production and the commercial aerospace sector makes a steady recovery.

Whilst, in the medium-term, the automotive market will remain challenging, longer-term prospects are encouraging for Senior Automotive with its future recovery largely dependent upon successfully taking the products currently under development into full production. This is particularly true for the North American diesel engine market, where customer interest continues to strengthen and where we are now winning nominations for production starting in 2005.

Markets generally remain weak in the industrial sectors but there are some early indications that a gradual improvement may be seen during 2004. It is hoped that the disposal of five of the Group's eight operations in its Specialised Industrial Division will be concluded in the coming months.

Irrespective of market conditions, the Group remains committed to the strategy of operational improvement, cost and debt reduction and improving the value of the Group through product and process design and development.

James Kerr-Muir Chairman

Graham Menzies Chief Executive

6 August 2003

Group Profit and Loss Account for the half-year ended 30 June 2003 (unaudited)

	Notes	**Half-year June 2003 £m**	Half-year June 2002 £m	Year 2002 £m
Turnover				
Continuing operations		**186.9**	204.3	398.7
Discontinued operations		**–**	4.2	5.7
	1	**186.9**	208.5	404.4
Operating profit before exceptional items				
Continuing operations		**9.1**	12.5	24.7
Amortisation of goodwill		**(2.7)**	(3.0)	(5.8)
Total continuing operations		**6.4**	9.5	18.9
Discontinued operations		**–**	0.1	–
		6.4	9.6	18.9
Exceptional items				
Reorganisation and rationalisation charges – continuing operations		**–**	–	(1.3)
Total operating profit				
Continuing operations		**6.4**	9.5	17.6
Discontinued operations		**–**	0.1	–
	1	**6.4**	9.6	17.6
Loss on sale of fixed assets – continuing operations		**–**	(0.3)	(0.5)
Loss on disposal of discontinued operations	2	**–**	–	(3.5)
Profit on ordinary activities before interest and taxation		**6.4**	9.3	13.6
Other interest receivable and similar income		**0.5**	0.4	1.1
Interest payable and similar charges		**(3.2)**	(4.0)	(7.7)
Profit on ordinary activities before taxation		**3.7**	5.7	7.0
Tax on profit on ordinary activities	3	**(1.0)**	(1.8)	(3.1)
Profit for the financial period		**2.7**	3.9	3.9
Dividends		**(2.0)**	(2.0)	(6.1)
Profit/(loss) for the period		**0.7**	1.9	(2.2)
Earnings per share	4			
Basic		**0.88p**	1.28p	1.29p
Diluted		**0.88p**	1.28p	1.29p
Underlying		**1.77p**	2.35p	4.47p
Dividends per share		**0.65p**	0.65p	2.00p

Group Balance Sheet as at 30 June 2003 (unaudited)

	30 June 2003 £m	30 June 2002 £m	31 Dec 2002 £m
Fixed assets			
Intangible assets – goodwill	**82.6**	93.1	85.8
Tangible assets	**85.4**	99.1	89.7
Investments	**0.2**	0.2	0.2
	168.2	192.4	175.7
Current assets			
Stocks	**43.5**	52.4	46.3
Debtors: Amounts falling due after more than one year	**1.6**	3.4	2.4
Debtors: Amounts falling due within one year	**71.5**	77.3	73.8
Cash at bank and in hand	**11.2**	6.1	9.6
	127.8	139.2	132.1
Creditors: Amounts falling due within one year	**(106.0)**	(88.8)	(86.3)
Net current assets	**21.8**	50.4	45.8
Total assets less current liabilities	**190.0**	242.8	221.5
Creditors: Amounts falling due after more than one year	**(63.4)**	(113.4)	(97.5)
Provisions for liabilities and charges	**(2.8)**	(2.7)	(2.7)
Net assets	**123.8**	126.7	121.3
Capital and reserves			
Called-up share capital	**30.7**	30.7	30.7
Share premium	**3.5**	3.5	3.5
Other reserves	**17.7**	17.7	17.7
Profit and loss account	**71.9**	74.8	69.4
Equity shareholders' funds	**123.8**	126.7	121.3

Reconciliation of Movements in Shareholders' Funds for the half-year ended 30 June 2003 (unaudited)

	Half-year June 2003 £m	Half-year June 2002 £m	Year 2002 £m
At beginning of period	**121.3**	125.1	125.1
Profit for the financial period	**2.7**	3.9	3.9
Dividends	**(2.0)**	(2.0)	(6.1)
Currency variations	**1.8**	(0.3)	(1.6)
At end of period	**123.8**	126.7	121.3

Group Cash Flow Statement for the half-year ended 30 June 2003 (unaudited)

	Notes	**Half-year June 2003 £m**	Half-year June 2002 £m	Year 2002 £m
Net cash inflow from operating activities	5a)	**18.0**	21.2	43.9
Returns on investments and servicing of finance				
Interest received		**0.7**	0.3	0.6
Interest paid		**(3.3)**	(4.1)	(7.9)
Net cash outflow from returns on investments and servicing of finance		**(2.6)**	(3.8)	(7.3)
Taxation				
UK corporation tax recovered		**–**	0.1	0.1
Overseas tax (paid)/recovered		**(1.3)**	(0.9)	0.2
Net cash (outflow)/inflow from taxation		**(1.3)**	(0.8)	0.3
Capital expenditure and financial investments				
Purchase of tangible fixed assets		**(3.5)**	(6.7)	(11.6)
Sale of property, plant and equipment		**0.2**	0.7	1.4
Net cash outflow from capital expenditure and financial investments		**(3.3)**	(6.0)	(10.2)
Acquisitions and disposals				
Purchase of subsidiary undertakings – deferred consideration		**(0.2)**	(0.4)	(0.6)
Sale of subsidiary undertakings		**0.6**	–	2.8
Net cash inflow/(outflow) from acquisitions and disposals		**0.4**	(0.4)	2.2
Dividends paid on ordinary shares		**(4.1)**	(0.5)	(2.5)
Net cash inflow before financing		**7.1**	9.7	26.4
Financing				
New loans initiated by Group	5b)	**6.0**	2.4	5.2
Repayments of existing loans	5b)	**(13.2)**	(20.0)	(37.5)
Cash inflow on forward exchange contracts		**3.2**	–	0.2
		(4.0)	(17.6)	(32.1)
Increase/(decrease) in cash in the period	5c)	**3.1**	(7.9)	(5.7)

Group Statement of Total Recognised Gains and Losses for the half-year ended 30 June 2003 (unaudited)

	Half-year June 2003 £m	Half-year June 2002 £m	Year 2002 £m
Profit for the financial period	**2.7**	3.9	3.9
Currency translation differences on overseas assets and goodwill	**1.3**	(0.3)	(2.3)
Tax benefits on foreign exchange losses	**0.5**	–	0.7
Total recognised gains and losses relating to the period	**4.5**	3.6	2.3

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

1 Segmental information in respect of turnover and operating profit

Group turnover and operating profit are analysed below. The reconciliation of operating profit to profit before taxation is shown on the Group Profit and Loss Account. 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			Operating profit		
	Half-year June 2003 £m	Half-year June 2002 £m	Year 2002 £m	**Half-year June 2003 £m**	Half-year June 2002 £m	Year 2002 £m
Aerospace	**76.3**	82.4	164.6	**2.4**	1.2	4.0
Automotive	**69.5**	79.5	148.4	**3.4**	7.1	11.4
Specialised Industrial	**41.2**	42.6	86.1	**0.6**	1.2	2.2
Total	**187.0**	204.5	399.1	**6.4**	9.5	17.6
Inter-segment sales	**(0.1)**	(0.2)	(0.4)	**–**	–	–
Total continuing operations	**186.9**	204.3	398.7	**6.4**	9.5	17.6
Discontinued operations	**–**	4.2	5.7	**–**	0.1	–
	186.9	208.5	404.4	**6.4**	9.6	17.6

Operating profits shown above are stated after charging £nil (2002 half-year – £nil; 2002 year – £1.3m) of exceptional items and £2.7m (2002 half-year – £3.0m; 2002 year – £5.8m) of goodwill amortisation. These are attributed to the segments as follows:

	Exceptional items			Goodwill amortisation		
	Half-year June 2003 £m	Half-year June 2002 £m	Year 2002 £m	**Half-year June 2003 £m**	Half-year June 2002 £m	Year 2002 £m
Aerospace	**–**	–	0.8	**1.7**	1.8	3.6
Automotive	**–**	–	0.4	**0.4**	0.5	0.9
Specialised Industrial	**–**	–	0.1	**0.6**	0.7	1.3
Total continuing operations	**–**	–	1.3	**2.7**	3.0	5.8
Discontinued operations	**–**	–	–	**–**	–	–
	–	–	1.3	**2.7**	3.0	5.8

b) By geographical market	Turnover by origin			Operating profit by origin		
	Half-year June 2003 £m	Half-year June 2002 £m	Year 2002 £m	**Half-year June 2003 £m**	Half-year June 2002 £m	Year 2002 £m
North America	**105.9**	132.7	252.5	**5.6**	8.6	15.8
United Kingdom	**34.9**	32.9	68.0	**–**	0.5	1.7
Rest of Europe	**39.3**	34.8	68.4	**0.2**	(0.4)	(1.7)
Rest of World	**9.6**	8.1	17.3	**0.6**	0.8	1.8
Total	**189.7**	208.5	406.2	**6.4**	9.5	17.6
Inter-segment sales	**(2.8)**	(4.2)	(7.5)	**–**	–	–
Total continuing operations	**186.9**	204.3	398.7	**6.4**	9.5	17.6
Discontinued operations	**–**	4.2	5.7	**–**	0.1	–
	186.9	208.5	404.4	**6.4**	9.6	17.6

1 Segmental information in respect of turnover and operating profit continued

Operating profits shown above are stated after charging £nil (2002 half-year – £nil; 2002 year – £1.3m) of exceptional items and £2.7m (2002 half-year – £3.0m; 2002 year – £5.8m) of goodwill amortisation. These are attributed to the segments as follows:

	Exceptional items			Goodwill amortisation		
	Half-year June 2003 £m	Half-year June 2002 £m	Year 2002 £m	**Half-year June 2003 £m**	Half-year June 2002 £m	Year 2002 £m
North America	**–**	–	0.5	**1.3**	1.5	2.9
United Kingdom	**–**	–	0.2	**1.2**	1.2	2.4
Rest of Europe	**–**	–	0.6	**0.1**	0.1	0.1
Rest of World	**–**	–	–	**0.1**	0.2	0.4
Total continuing operations	**–**	–	1.3	**2.7**	3.0	5.8
Discontinued operations	**–**	–	–	**–**	–	–
	–	–	1.3	**2.7**	3.0	5.8

2 The 2002 loss on disposal of discontinued operations relates to the disposal of 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, which were sold at a combined loss of £3.5m, including the write-off of £1.4m of goodwill, in September 2002.

3 Tax on profit on ordinary activities for the half-year to 30 June 2003 has been charged at 15.6% on profit before amortisation of goodwill and before losses on disposal, being the estimated rate applicable for the year ended 31 December 2003 (2002 half-year – 19.9%; 2002 year – 18.5%), and includes £1.0m in respect of overseas taxation (2002 half-year – £1.8m; 2002 year – £3.8m).

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

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

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

	Earnings per share			Earnings		
	Half-year June 2003 pence	Half-year June 2002 pence	Year 2002 pence	**Half-year June 2003 £m**	Half-year June 2002 £m	Year 2002 £m
Basic profit on ordinary activities after taxation	**0.88**	1.28	1.29	**2.7**	3.9	3.9
Adjust:						
Amortisation of goodwill	**0.89**	0.97	1.88	**2.7**	3.0	5.8
Loss arising on sale of fixed assets	**–**	0.10	0.16	**–**	0.3	0.5
Loss on disposal of discontinued operations	**–**	–	1.14	**–**	–	3.5
Underlying earnings	**1.77**	2.35	4.47	**5.4**	7.2	13.7

Weighted average number of shares	– basic	**306.5m**	306.5m	306.5m
	– diluted	**307.1m**	306.7m	306.8m
	– underlying	**306.5m**	306.5m	306.5m
Earnings per share	– basic	**0.88p**	1.28p	1.29p
	– diluted	**0.88p**	1.28p	1.29p
	– underlying	**1.77p**	2.35p	4.47p

5 Group Cash Flow Statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	Half-year June 2003 £m	Half-year June 2002 £m	Year 2002 £m
Group operating profit	**6.4**	9.6	17.6
Depreciation of tangible fixed assets	**8.6**	9.2	17.8
Amortisation of goodwill	**2.7**	3.0	5.8
Decrease/(increase) in working capital	**0.3**	(0.6)	2.7
Net cash inflow from operating activities	**18.0**	21.2	43.9

b) New loans initiated by Group include new draw downs under the existing revolving credit facility. Likewise, repayments of existing loans include the repayment of amounts previously drawn down under the same facility.

c) Analysis of net debt	**At 1 Jan 2003 £m**	**Cash flow £m**	**Non cash items £m**	**Exchange movement £m**	**At 30 June 2003 £m**
Cash	**9.6**	**1.3**	**–**	**0.3**	**11.2**
Overdrafts	**(2.0)**	**1.8**	**–**	**(0.1)**	**(0.3)**
	7.6	**3.1**	**–**	**0.2**	**10.9**
Debt due within one year	**(2.4)**	**2.5**	**(29.1)**	**(0.1)**	**(29.1)**
Debt due after one year	**(94.6)**	**4.5**	**29.1**	**0.4**	**(60.6)**
Finance leases	**(2.1)**	**0.2**	**–**	**(0.1)**	**(2.0)**
Forward exchange contract gains	**4.1**	**(3.2)**	**–**	**0.8**	**1.7**
Total	**(87.4)**	**7.1**	**–**	**1.2**	**(79.1)**

The forward exchange contract gains are included within debtors falling due within one year.

6 Non statutory information

Throughout the commentary on the results a number of non statutory financial numbers are quoted. These include:

- Operating profit before exceptional items and goodwill amortisation – this is used to illustrate the ongoing, underlying trading performance of the Group. Note 1 provides the information to reconcile this to operating profit.
- Underlying earnings per share – this is used to highlight the total performance of the Group prior to impact of goodwill amortisation and the disposal of assets and discontinued operations. Note 4 provides the information to reconcile this to basic earnings per share.
- Free cash flow – this is used to illustrate the total net cash generation by the Group prior to corporate activity. Free cash flow is the net cash inflow before financing of £7.1m (2002 half-year – £9.7m; 2002 year – £26.4m), before the net inflow from acquisitions and disposals of £0.4m (2002 half-year – £0.4m outflow; 2002 year – £2.2m inflow) and dividends paid on ordinary shares of £4.1m (2002 half-year – £0.5m; 2002 year – £2.5m). However, it is after all capital expenditure including that financed under finance leases of £nil (2002 half-year – £nil; 2002 year – £1.5m).

7 Status of financial information

These Interim Financial Statements, which were approved by the Board of Directors on 6 August 2003, have been prepared in accordance with the accounting policies set out in the Group's 2002 Annual Accounts. They have not been audited or reviewed by the Auditors.

The financial information for the year ended 31 December 2002 as set out above does not constitute the Group's statutory accounts for the year ended 31 December 2002 but is derived from those accounts. Statutory accounts for 2002 have been delivered to the Registrar of Companies. The Auditors have reported on those accounts; their reports were unqualified and did not contain statements under Sections 237(2) or (3) of the Companies Act 1985.

Copies of this Interim Report and other investor relations information can be found at www.seniorplc.com.

Lloyds TSB Registrars provide a range of shareholder information on their site at www.shareview.co.uk. Why not sign up and receive shareholder communications electronically; you can also check your holdings, update details and obtain practical help on transferring shares.

Designed by Sheppard Day

Senior plc
59/61 High Street
Rickmansworth
Hertfordshire
WD3 1RH
United Kingdom

Tel +44 (0)1923 775547
Fax +44 (0)1923 896027
www.seniorplc.com