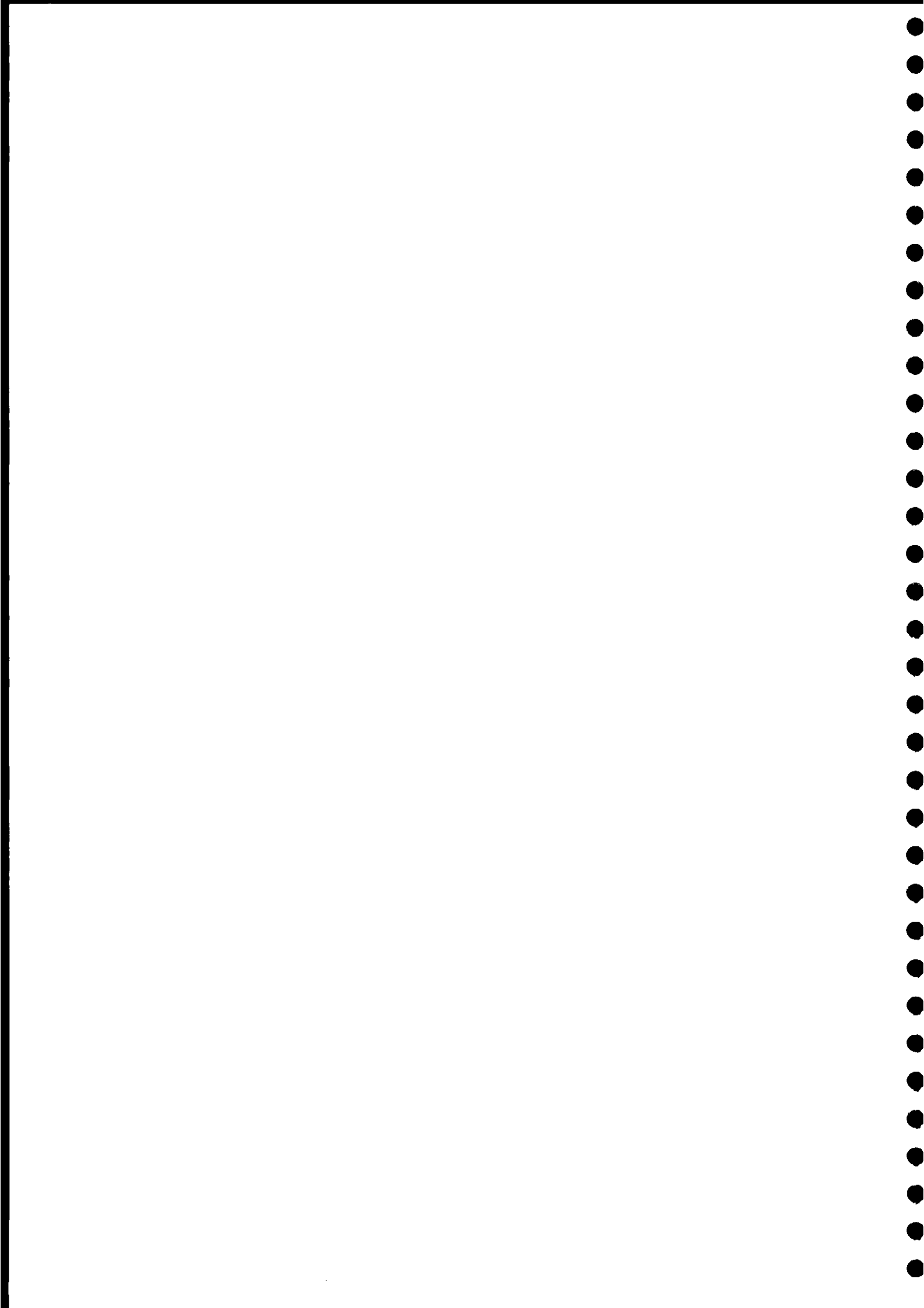


**SENIOR HARGREAVES LIMITED**

**Report and Financial Statements**

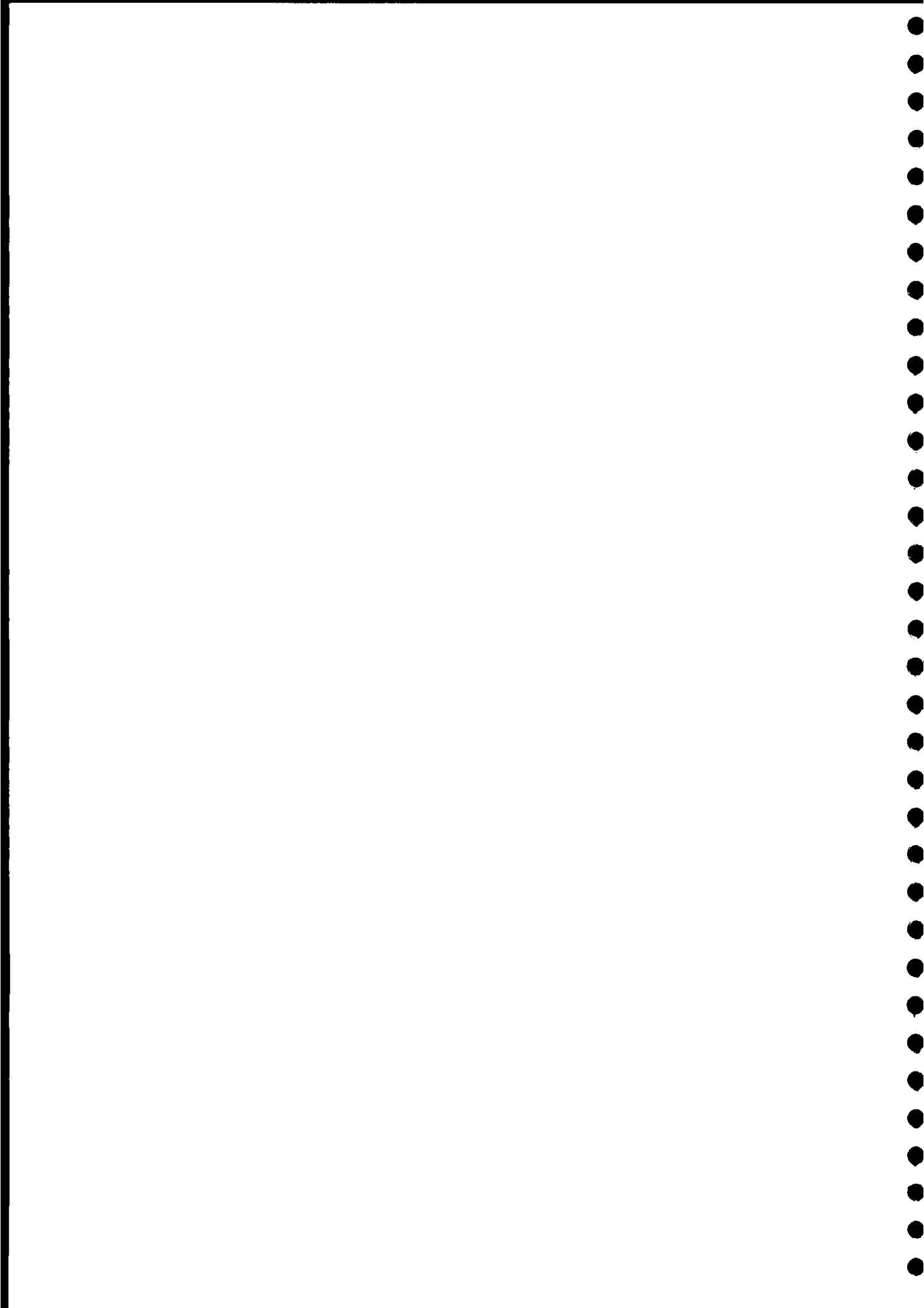
**31 December 2002**





**REPORT AND FINANCIAL STATEMENTS 2002**

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**REPORT AND FINANCIAL STATEMENTS 2002**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mr B G Ward  
Mr K White  
Mr G Menzies  
Mr M Rollins

**SECRETARY**

Mr B G Ward

**REGISTERED OFFICE**

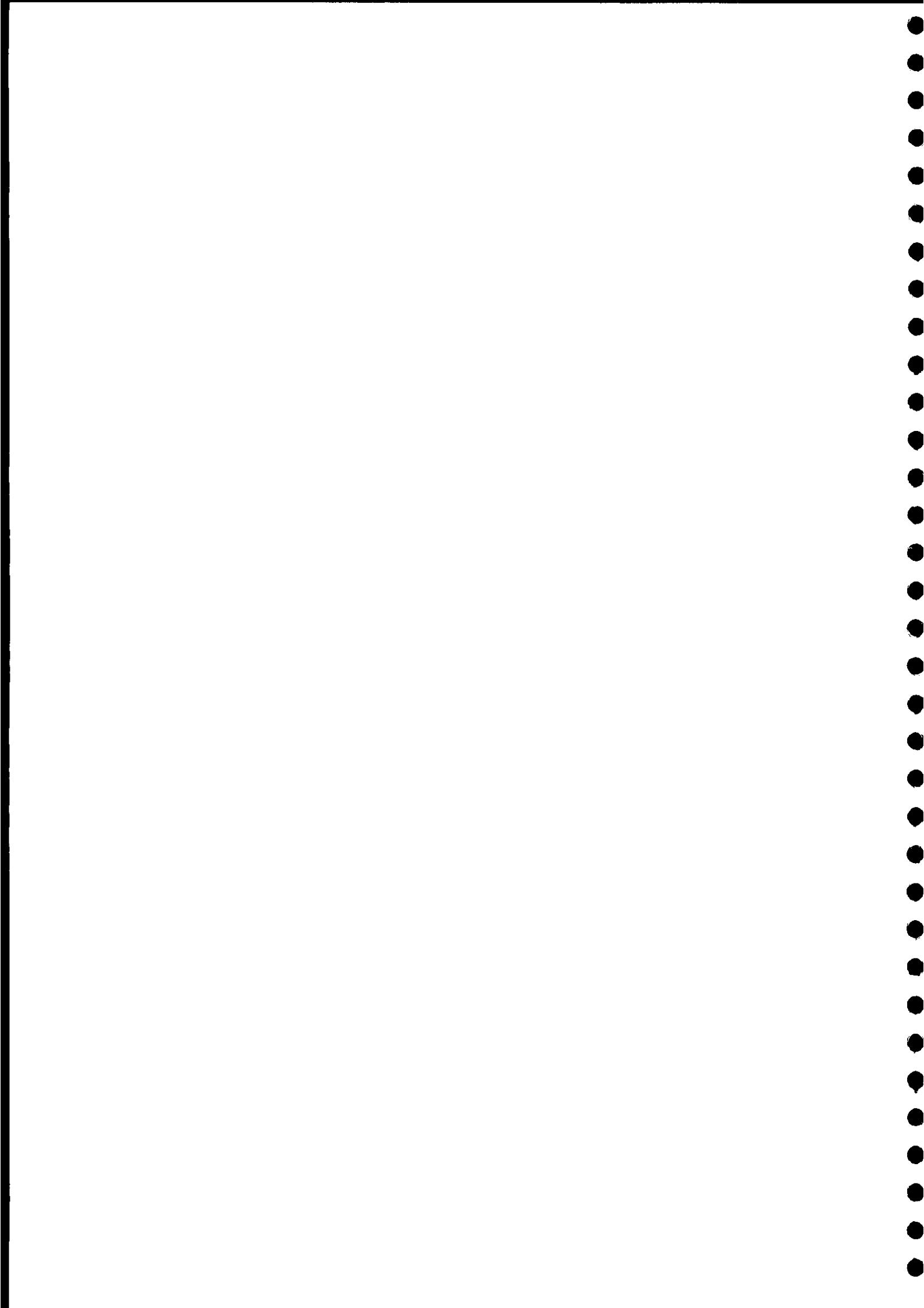
Lord Street  
Bury  
Lancashire  
BL9 0RG

**BANKERS**

HSBC PLC  
8 Canada Square  
London  
E14 5HQ

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Birmingham



**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

**ACTIVITIES**

The principal activity of the company is the manufacture and installation of air conditioning equipment and air handling units.

**REVIEW OF DEVELOPMENTS**

Turnover from continuing activities increased from £21,444,000 to £22,897,000. Operating profit from continuing operations increased from £446,000 to £653,000.

**DIVIDENDS AND RESULT FOR THE YEAR**

The result for the year is shown on page 7.

The directors do not propose the payment of a final dividend (2001 – £Nil).

**FUTURE PROSPECTS**

Demand for heavy gauge ductwork for the nuclear industry remains at 2002 levels albeit that some de-commissioning work is now being undertaken in 2003. It is expected to return to an increase in activity for 2004/5. In the meantime the company is concentrating on other contracts in the commercial sector. Additionally the company is focusing attention to its ductshop operation following the introduction of a new management structure.

**DIRECTORS AND THEIR INTERESTS**

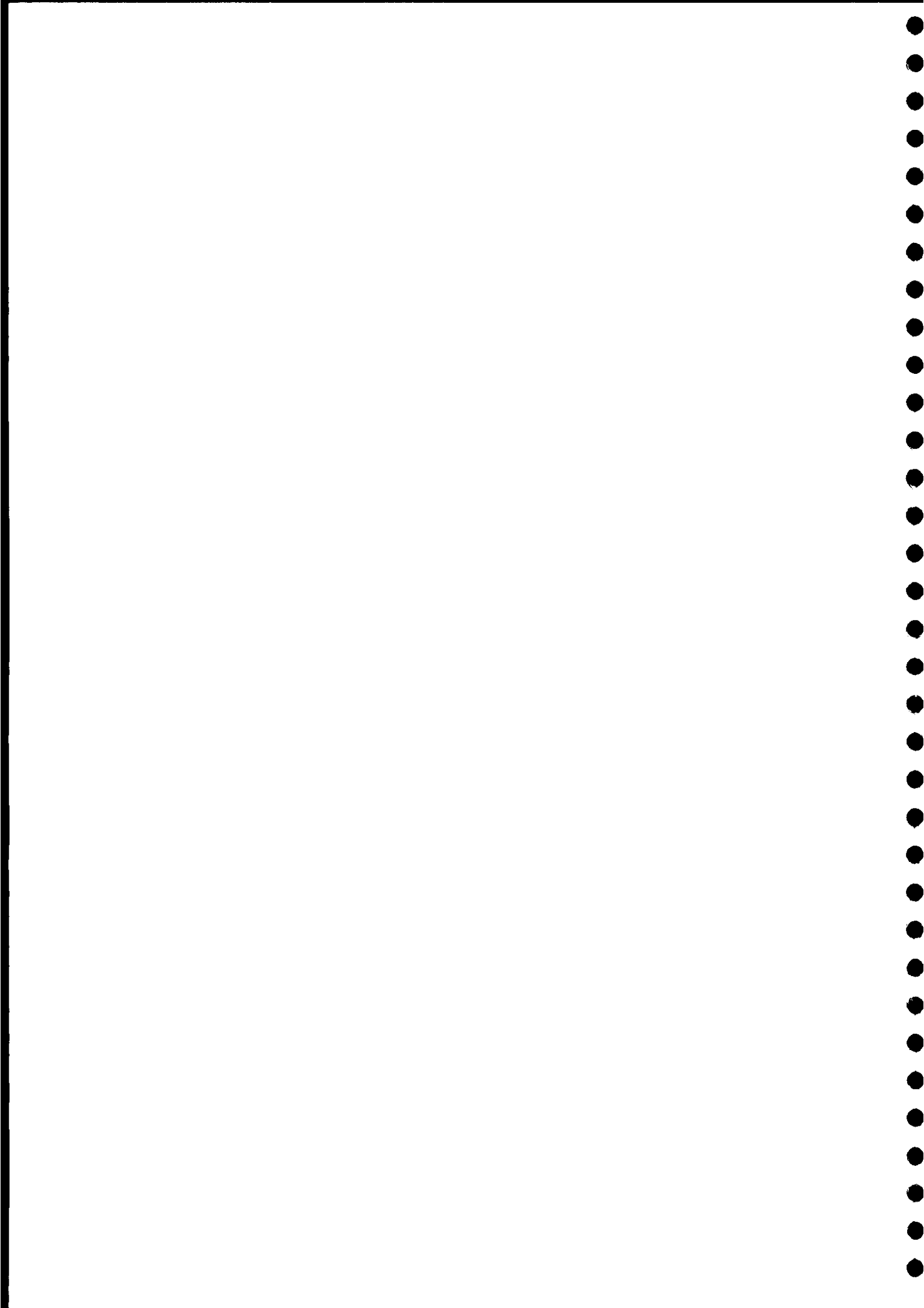
The directors who served during the year were as follows:-

Mr B G Ward  
Mr K White  
Mr G Menzies  
Mr M Rollins

The beneficial interests in the share capital of the ultimate parent company Senior plc for Mr G Menzies and Mr M Rollins, who are also directors of Senior plc, are shown in the accounts of Senior plc.

The directors who held office at the year end, other than those who were also directors of the ultimate holding company, and who held beneficial interests in the 10p ordinary shares of Senior plc at the year end or date of resignation were:-

	1984 Executive Share Option Scheme				2002
	2001	Granted	Lapsed	Exercised	
Mr B G Ward	22,596	-	22,596	-	-





**DIRECTORS' REPORT****DIRECTORS AND THEIR INTERESTS (continued)**

	1999 Executive Share Option Scheme				2002
	2001	Granted	Lapsed	Exercised	
Mr B G Ward	50,000	-	-	-	50,000
Mr K White	30,000	-	-	-	30,000

	Sharesave options				2002
	2001	Granted	Lapsed	Exercised	
Mr K White	16,833	15,049	10,781	-	21,101

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

**SUPPLIER PAYMENT POLICY**

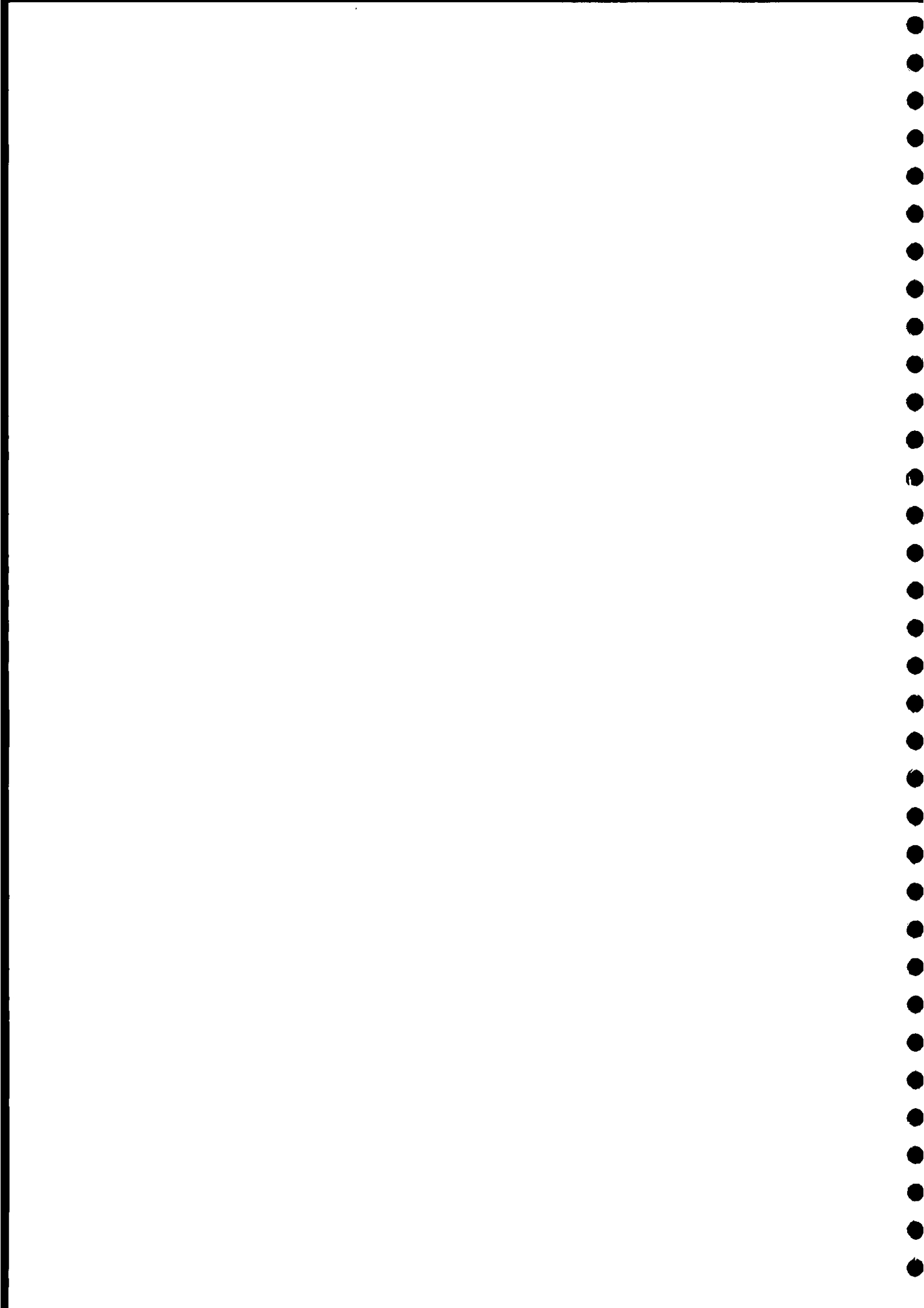
The company policy is to settle the terms of payments with its suppliers when agreeing the terms of each transaction and to seek to adhere to those terms. There were 46 trade creditor days outstanding at the year end (2001 – 60 days).

**EMPLOYEE CONSULTATION**

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees, and on the various factors affecting the performance of the company.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

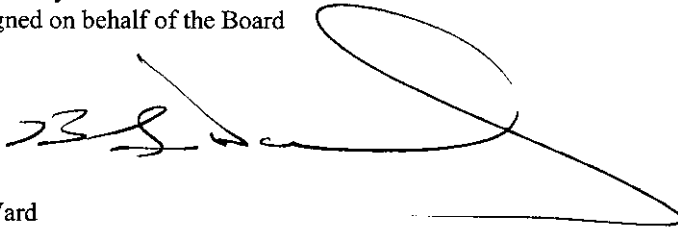


## **DIRECTORS' REPORT**

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in dark ink, appearing to be 'B G Ward', written over a horizontal line.

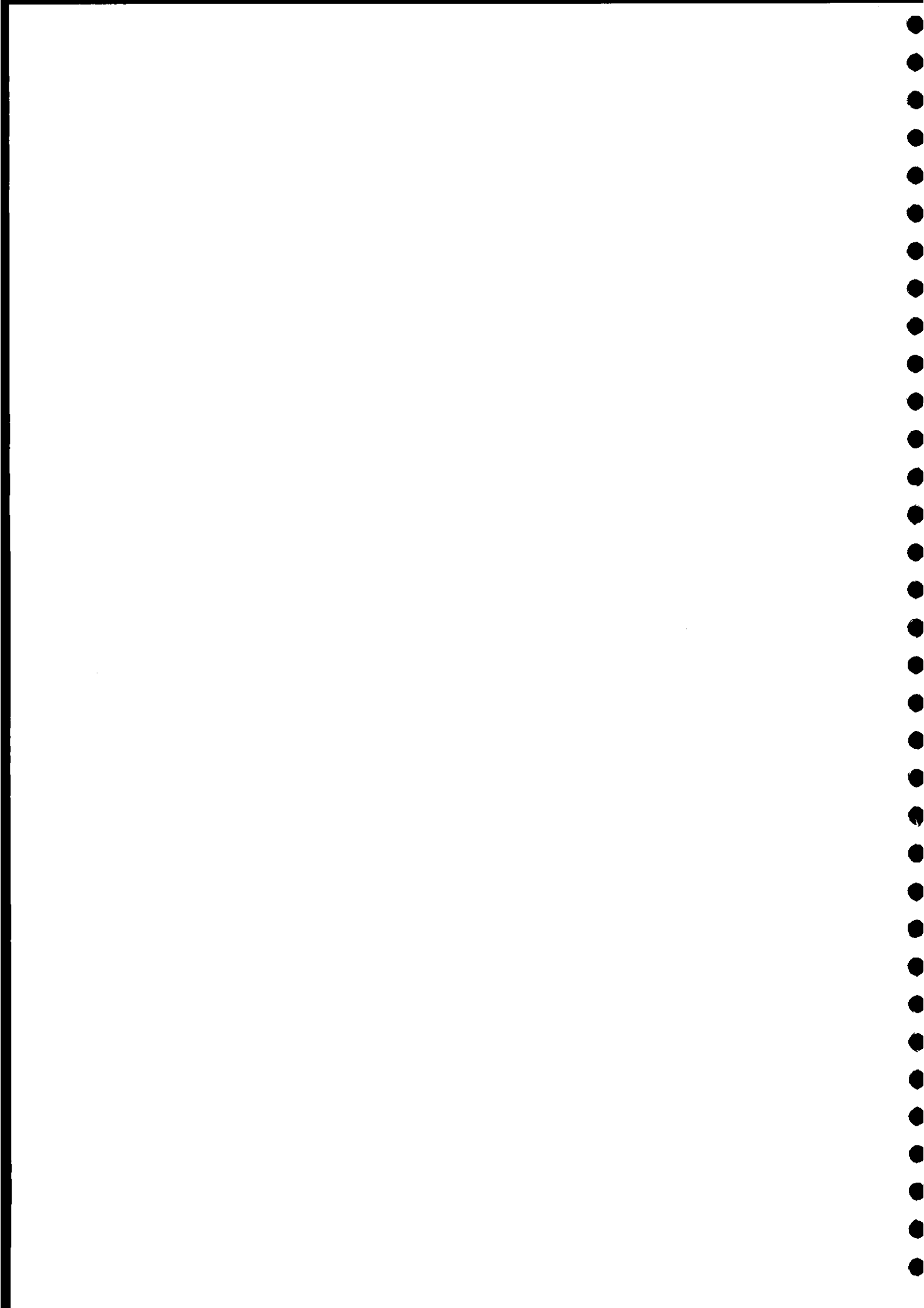
B G Ward  
Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SENIOR HARGREAVES LIMITED**

We have audited the financial statements of Senior Hargreaves Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the related notes 1 to 20 and the note of historical cost profit and losses. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

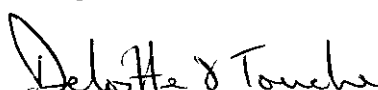
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

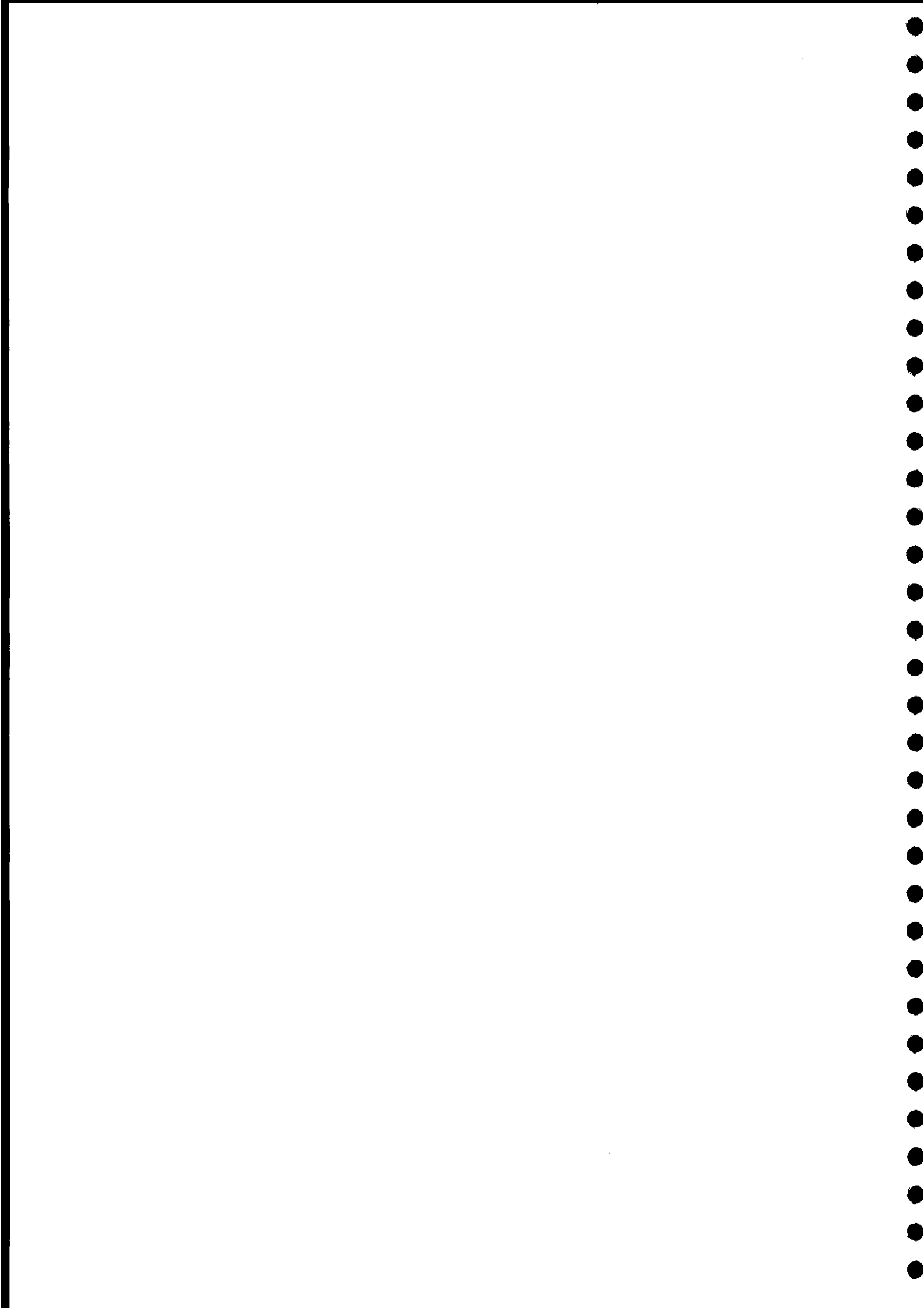
**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**  
Chartered Accountants and Registered Auditors  
Birmingham

29 May 2003

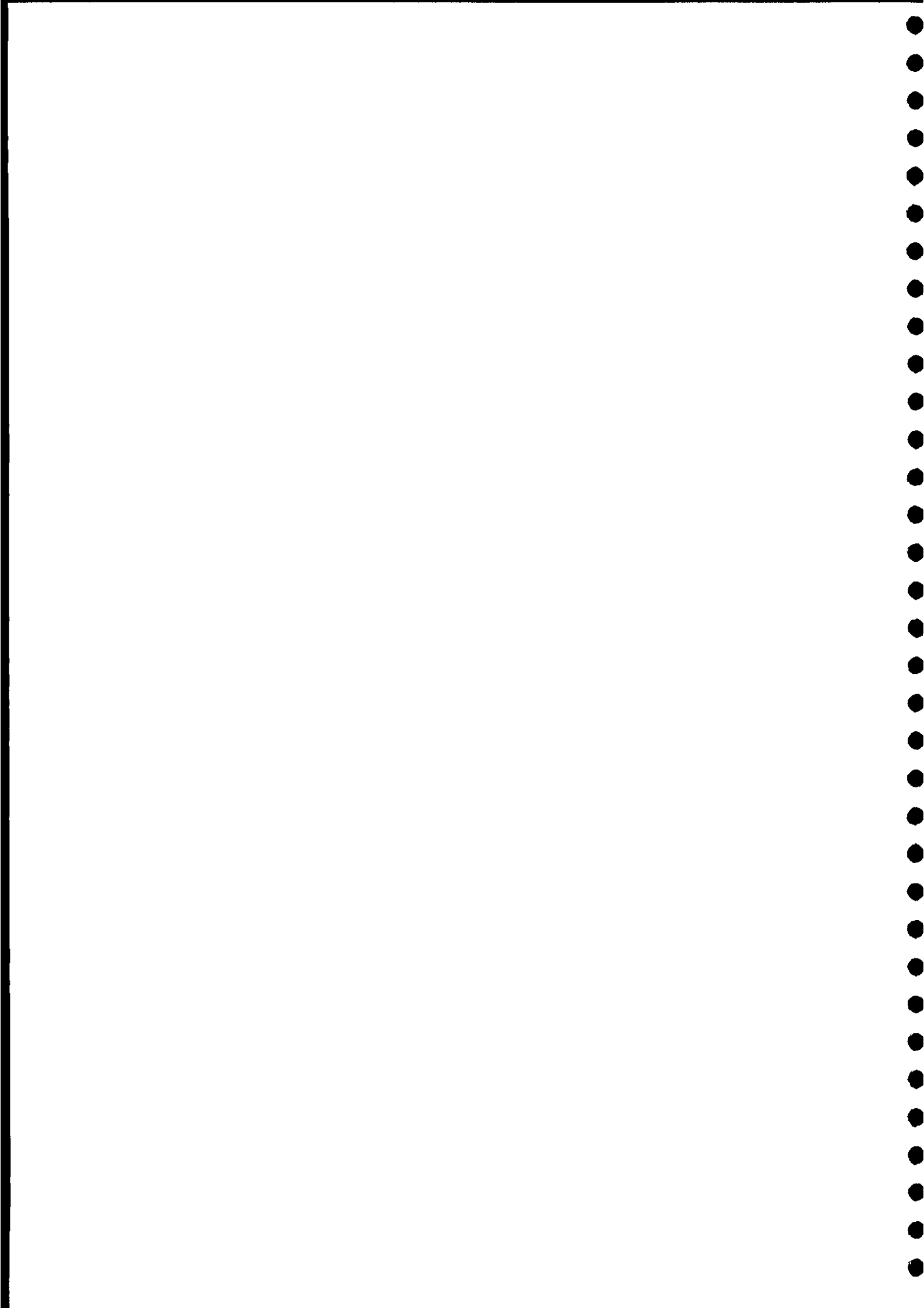


**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2002**

	Note	2002 £000	2002 £000	2001 £000	2001 £000
<b>TURNOVER</b>					
Continuing operations		22,897		21,444	
Discontinued operations		-		5,648	
		<u>          </u>		<u>          </u>	
<b>TOTAL TURNOVER</b>	2		22,897		27,092
Cost of sales			(17,965)		(21,606)
			<u>          </u>		<u>          </u>
Gross profit			4,932		5,486
Other operating expenses	4		(4,279)		(5,307)
			<u>          </u>		<u>          </u>
<b>OPERATING PROFIT</b>			653		179
Continuing operations		653		446	
Discontinued operations		-		(267)	
		<u>          </u>		<u>          </u>	
<b>TOTAL OPERATING PROFIT</b>			653		179
Loss on disposal of discontinued operations			-		(1,041)
			<u>          </u>		<u>          </u>
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST</b>			653		(862)
Interest receivable and similar income			341		107
Interest payable and similar charges	5		-		(70)
			<u>          </u>		<u>          </u>
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6		994		(825)
Tax on profit / (loss) on ordinary activities	7		(247)		12
			<u>          </u>		<u>          </u>
<b>RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR</b>	14		747		(813)
			<u>          </u>		<u>          </u>

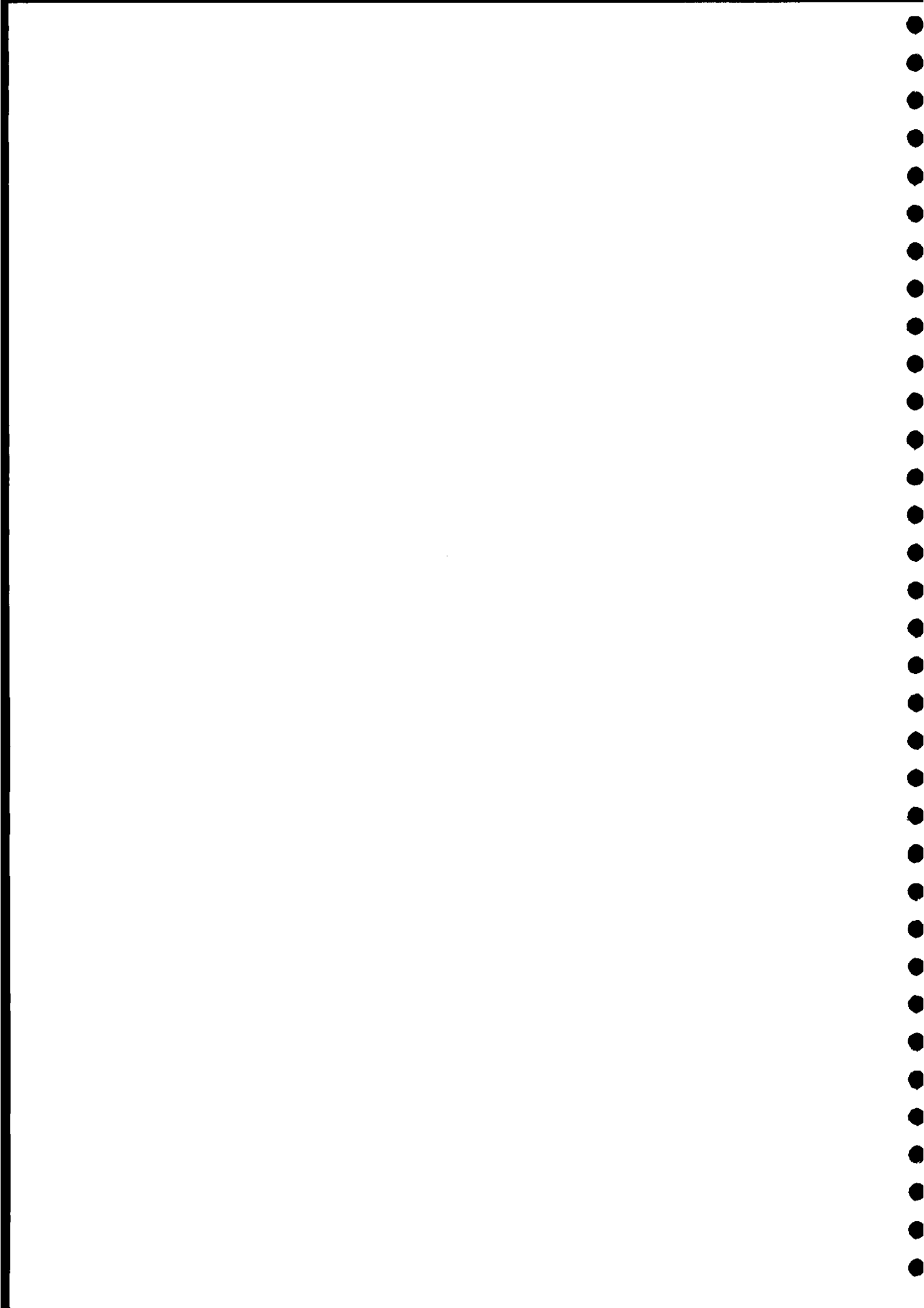
There are no recognised gains and losses other than the profit for the current financial year and the loss for the preceding financial year. Accordingly, no statement of total recognised gains and losses is given.





**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
**Year ended 31 December 2002**

	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
Reported profit / (loss) on ordinary activities before taxation	994	(825)
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	<u>8</u>	<u>11</u>
Historical cost profit / (loss) on ordinary activities before taxation	<u>1,002</u>	<u>(814)</u>
Historical cost profit / (loss) for the year retained after taxation and dividends	<u>755</u>	<u>(802)</u>



BALANCE SHEET  
31 December 2002

	Note	2002 £000	2001 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	<u>2,141</u>	<u>2,157</u>
<b>CURRENT ASSETS</b>			
Stocks	9	1,188	946
Debtors	10	4,787	5,333
Cash at bank and in hand		<u>5,444</u>	<u>190</u>
		11,419	6,469
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(4,529)</u>	<u>(2,767)</u>
<b>NET CURRENT ASSETS</b>		<u>6,890</u>	<u>3,702</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		9,031	5,859
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>(7,413)</u>	<u>(4,988)</u>
		<u>1,618</u>	<u>871</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	3,000	3,000
Share premium account	14	3	3
Revaluation reserve	14	645	653
Other reserves	14	90	90
Profit and loss account	14	<u>(2,120)</u>	<u>(2,875)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	<u>1,618</u>	<u>871</u>

These financial statements were approved by the Board of Directors on

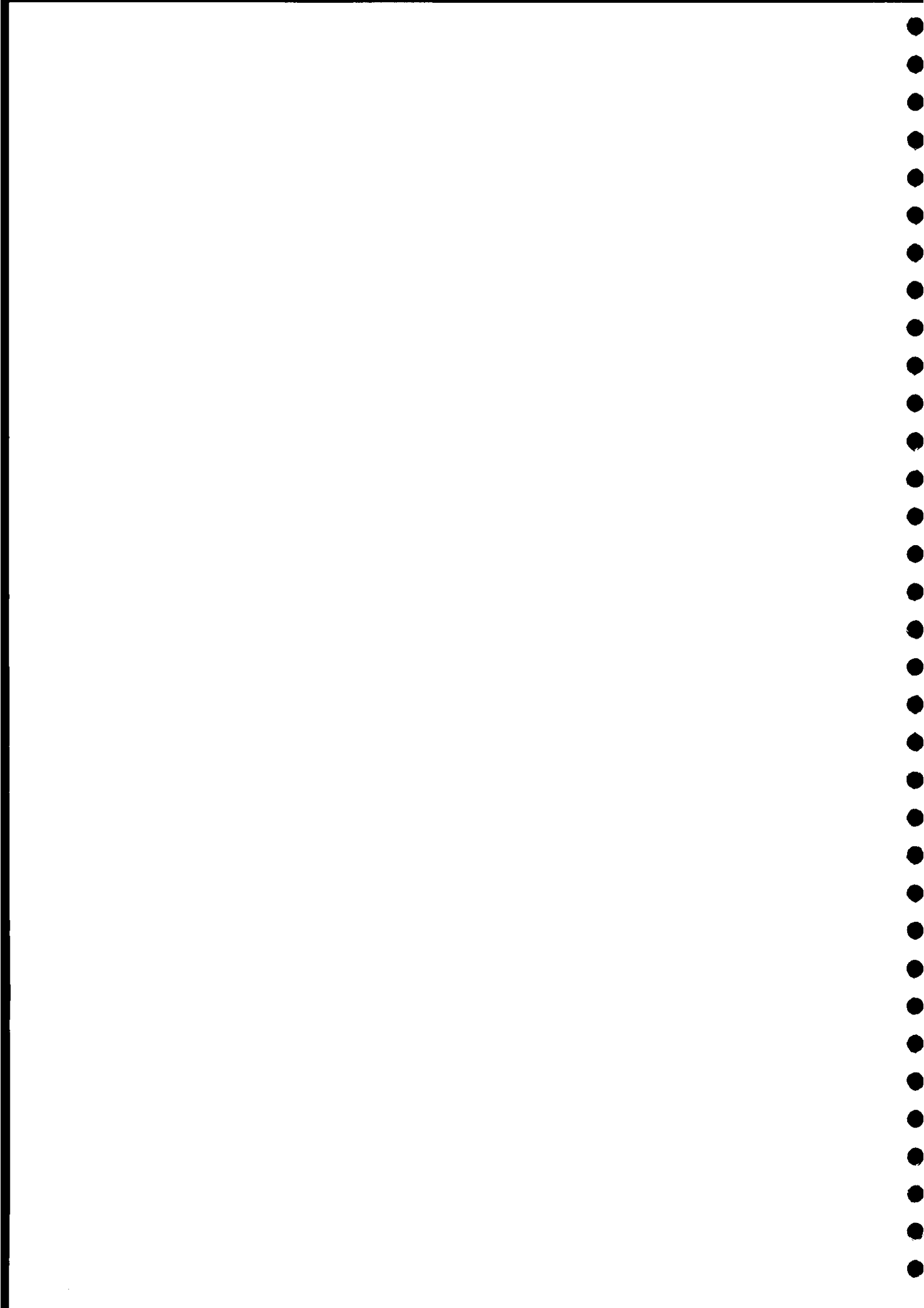
Signed on behalf of the Board of Directors



28/5/03.

K White

Director



## NOTES TO THE ACCOUNTS

### Year ended 31 December 2002

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

##### Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

##### Tangible fixed assets

Freehold land and buildings are shown at original historical cost or subsequent valuation, net of depreciation and any provision for impairment. Other tangible fixed assets are shown at cost less depreciation and any provision for impairment.

The transitional arrangements of FRS 15 are being adopted in the case of the freehold land and buildings. The company is not continuing the revaluation policy relating to these assets. Further details are given in note 8.

Depreciation is provided at rates calculated to write off the cost or valuation, 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 buildings	Over the period of the lease
Plant, machinery and motor vehicles	10% - 33.33% per annum

##### Stocks, other than long term contracts

Stocks, other than long term contracts, are stated at the lower of cost and net realisable value.

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

Raw materials	Purchase cost on a weighted average basis, including carriage.
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.

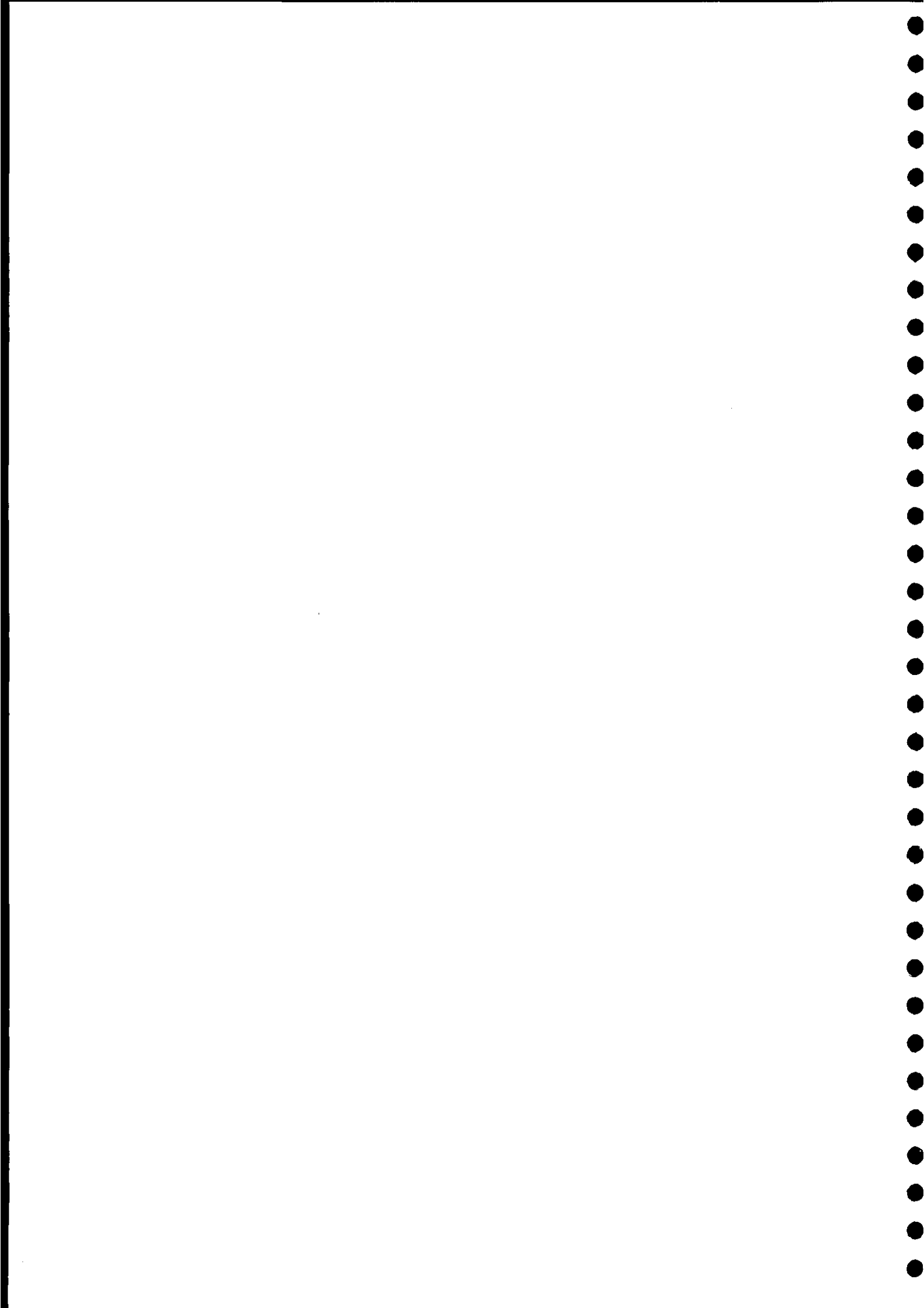
Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow moving or defective items where appropriate.

##### Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****1. ACCOUNTING POLICIES (continued)****Pension costs**

For defined benefit pension schemes the company makes contributions at rates set by Senior plc on the advice of actuaries to discharge in full the company's pension obligations arising in the year. It is intended that the rates set reflect regular cost. Accordingly, the amount charged to the profit and loss account is the contribution payable in the year, and any variations from this cost are reflected in the accounts of Senior plc.

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

**Research and development**

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

**Turnover and long term contracts**

Turnover, except that derived from long term contracts, comprises the external sales value of work invoiced during the year, excluding trade discounts and VAT.

Turnover on long term contracts and related long term contract balances are accounted for in compliance with SSAP 9.

Turnover on long term contracts represents the sales value of work completed during the year. The related costs are matched with this turnover resulting in the reporting of attributable profit proportionate to the contract activity. All known or anticipated losses are provided for in full as soon as they are foreseen.

Net costs incurred on excess of amounts transferred to cost of sales are classified as long term contract balances. Revenues recognised in excess of amounts billed are classified as amounts recoverable on contracts and included in debtors. Amounts billed in excess of revenues recognised to date are deducted from related long term contract balances with any residual balance being classified as payments on account and included in trade creditors. Long term contract balances are stated at contract cost incurred less amounts transferred to cost of sales, foreseeable losses, and payment on account.

**Leases**

Rentals under operating leases are charge on a straight line basis over the lease term. Assets held under operating leases are not reported in the balance sheet.

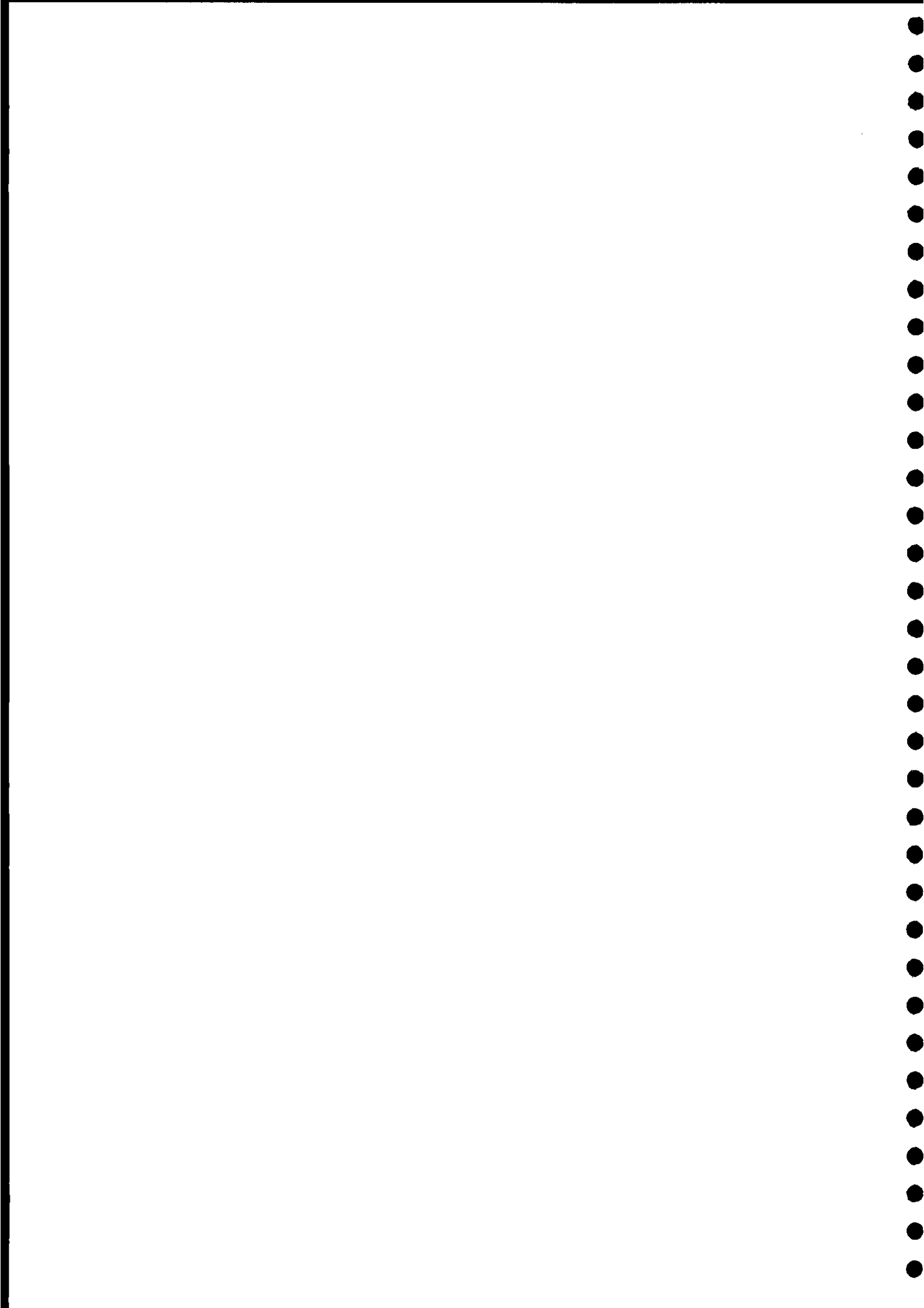
**Foreign currency**

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

**Revaluation reserve**

Surpluses arising on the revaluation of individual fixed assets are credited to a non distributable revaluation reserve. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account below the profit for the financial year. On the disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account.





## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 2. TURNOVER

Contributions to turnover by geographical area are as shown below:-

	2002 £000	2001 £000
UK	22,861	26,764
Overseas	36	328
	<u>22,897</u>	<u>27,092</u>

The directors have taken advantage of provisions in the Companies Act 1985, not to disclose further segmental information, as they consider provision of further information would be prejudicial to the interests of the company.

## 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £000	2001 £000
<b>Directors' emoluments</b>		
Emoluments	267	214
	<u>267</u>	<u>214</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. No director exercised share options during 2002 (2001 – nil).

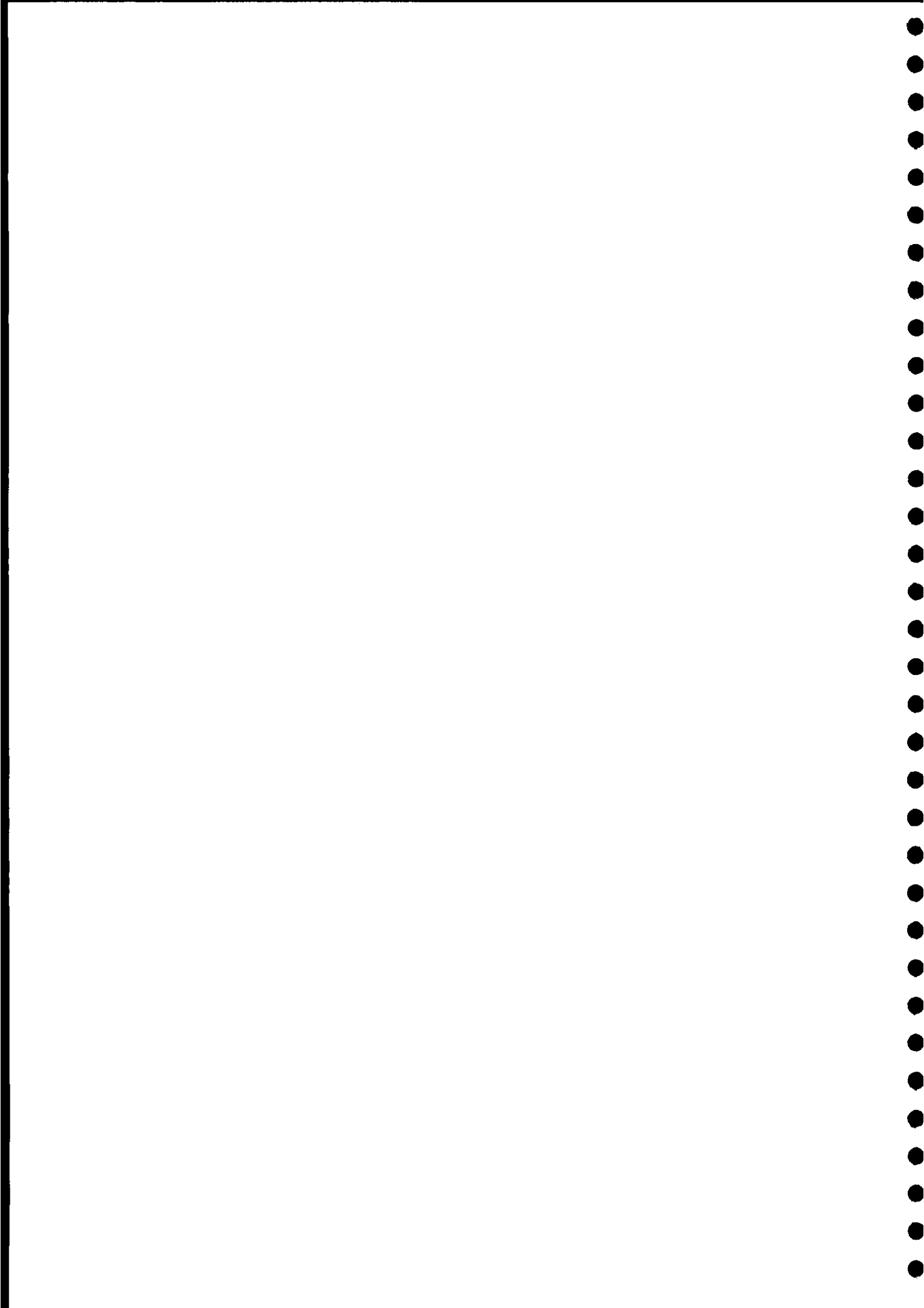
The number of directors who were members of pension schemes was as follows:

	2002 No	2001 No
Defined benefit schemes	<u>2</u>	<u>3</u>

The above amounts for remuneration include the following in respect of the highest paid director:

	2002 £000	2001 £000
Emoluments and long term incentive schemes	<u>151</u>	<u>107</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2002 was £ 59,514 (2001 - £54,750).

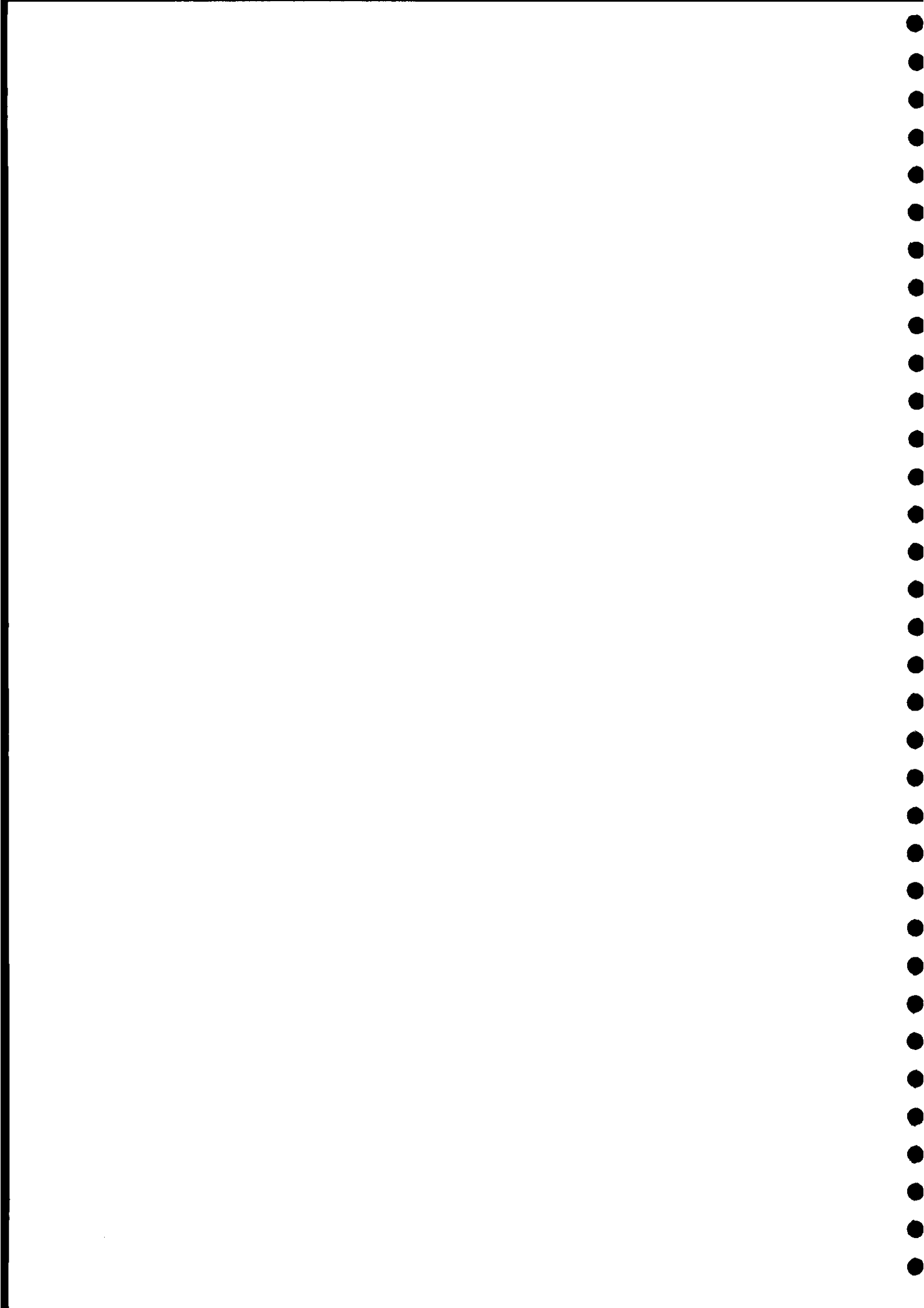


## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2002	2001
	No	No
<b>Average monthly number of persons employed</b>		
Production	293	385
Distribution	7	8
Selling and marketing	39	57
Administration	13	20
	<u>352</u>	<u>470</u>
	<b>£000</b>	<b>£000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	7,916	9,102
Social security costs	612	706
Other pension costs	547	651
Redundancy costs	151	8
	<u>9,226</u>	<u>10,467</u>



## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 4. ANALYSES OF CONTINUING AND DISCONTINUED OPERATIONS

	2002 Continuing £000	2002 Discontinued £000	2002 Total £000	2001 Continuing £000	2001 Discontinued £000	2001 Total £000
Turnover	22,897	-	22,897	21,444	5,648	27,092
Cost of sales	(17,965)	-	(17,965)	(16,969)	(4,637)	(21,606)
Gross profit	4,932	-	4,932	4,475	1,011	5,486
Net operating expenses:						
Distribution costs	181	-	181	117	(12)	105
Selling and marketing costs	1,582	-	1,582	1,400	313	1,713
Administrative expenses	2,516	-	2,516	2,506	973	3,479
Exceptional	-	-	-	6	4	10
	4,279	-	4,279	4,029	1,278	5,307
Operating profit	653	-	653	446	(267)	179

## 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
Bank overdraft	-	70

## 6. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit / (loss) on ordinary activities before taxation is stated after charging:	2002 £000	2001 £000
Depreciation of tangible fixed assets	224	283
Rentals under operating leases		
Hire of plant and machinery	13	78
Other operating leases	155	391
Auditors' remuneration		
Audit services	17	16
Other services	13	9
Research and development costs	11	22

# NOTES TO THE ACCOUNTS

## Year ended 31 December 2002

### 7. TAX ON LOSS ON ORDINARY ACTIVITIES

#### (i) Analysis of tax charge / (credit) on ordinary activities

	2002 £000	2001 £000
UK corporation tax charge / (credit) at 30% on the profit / (loss) for the year	247	(12)
	<u>247</u>	<u>(12)</u>

#### (ii) Factors affecting tax charge for the current period

The tax charge for the current period is lower than that resulting from applying the standard rate of corporation tax of 30 % (2001 – 30%) to the profit before tax.

The differences are explained below:

	2002 £000	2001 £000
Profit / (loss) on ordinary activities before tax	994	(825)
Tax charge / (credit) at 30% thereon:	298	(248)
Expenses not deductible for tax purposes	5	23
Capital allowances in excess of depreciation	(56)	(62)
Unutilised tax losses	-	275
Current tax charge / (credit) for the period	<u>247</u>	<u>(12)</u>

#### (iii) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and other short term timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £87,000. The asset would be recovered if the company makes sufficient profits from its trading activities in the future.

Deferred tax assets not recognised	2002 £'000	2001 £'000
Tax effect of timing differences due to:		
Capital allowances in excess of depreciation	69	96
Short term timing differences	18	(14)
Losses	-	(82)
	<u>87</u>	<u>-</u>

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 8. TANGIBLE FIXED ASSETS

(a)

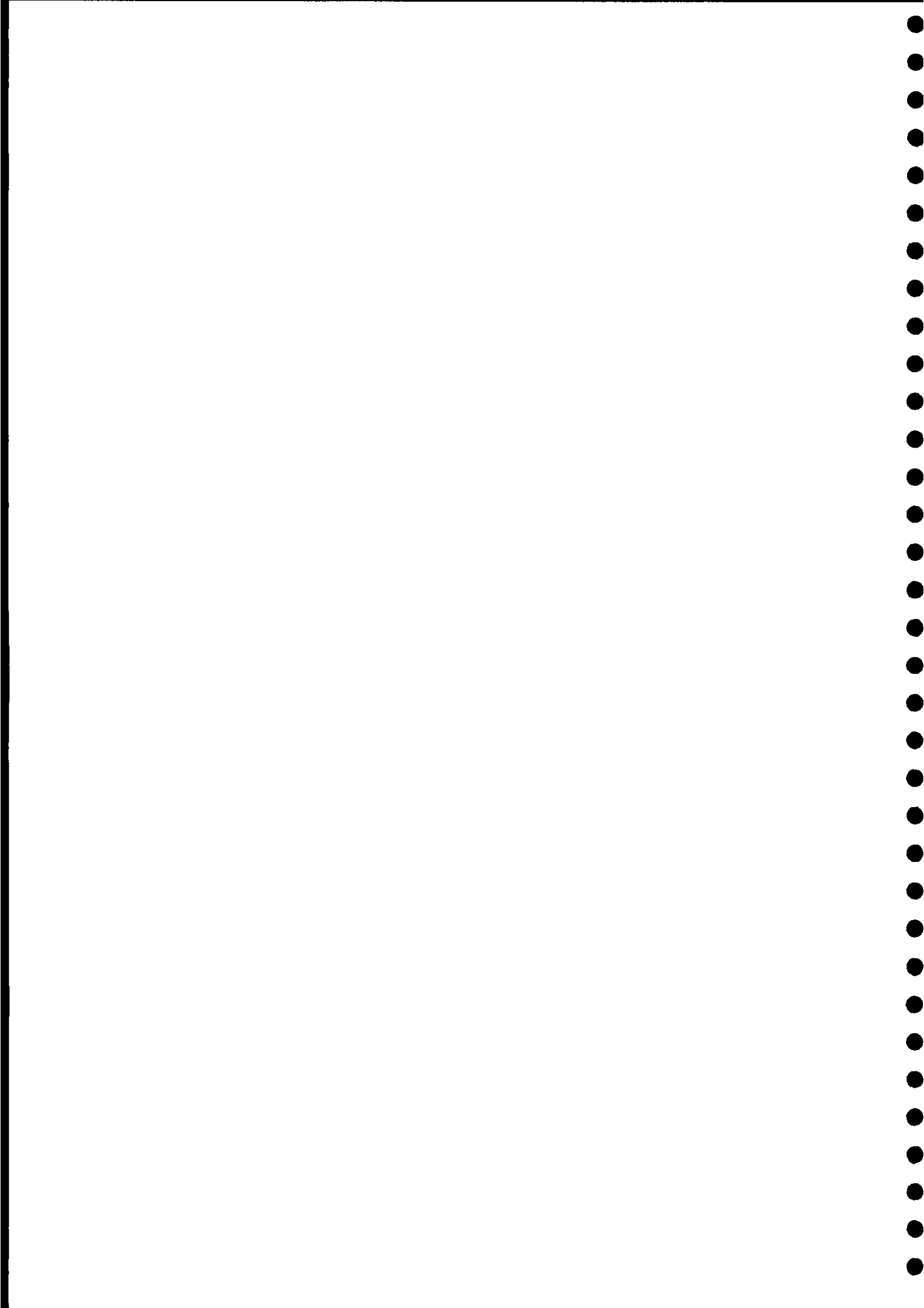
	Freehold land and buildings £000	Leasehold land and buildings £000	Short leasehold improve- ments £000	Plant, machinery and motor vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2002	1,994	110	21	3,372	5,497
Additions	1	-	-	316	317
Disposals	(123)	-	-	(116)	(239)
At 31 December 2002	1,872	110	21	3,572	5,575
<b>Accumulated depreciation</b>					
At 1 January 2002	308	21	21	2,990	3,340
Charge for the year	40	2	-	182	224
Disposals	(26)	-	-	(104)	(130)
At 31 December 2002	322	23	21	3,068	3,434
<b>Net book value</b>					
At 31 December 2002	1,550	87	-	504	2,141
At 31 December 2001	1,686	89	-	382	2,157

- (b) The transitional arrangements of FRS 15 are being adopted in the case of freehold land and buildings. The company are not continuing the revaluation policy relating to these assets.
- (c) The freehold land and buildings were last revalued on 31 December 1988 on an existing use, open market basis by Chesterton, Chartered Surveyors and Property Consultants at £877,000 (including £225,000 relating to land).
- (d) Original cost, and aggregate depreciation based on cost, of land and buildings included at valuation comprises:

	2002 £000	2001 £000
Original cost	394	449
Depreciation based on cost	(294)	(329)
	100	120

- (e) The net book value of freehold land which is not depreciated is £225,000 (2001 - £250,000).





NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 9. STOCKS

	2002 £000	2001 £000
Raw materials	879	884
Work-in-progress	309	62
	<u>1,188</u>	<u>946</u>

## 10. DEBTORS

	2002 £000	2001 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	594	2,529
Amounts recoverable on contracts	3,317	2,237
Group relief receivable	-	12
Other debtors	291	50
Prepayments and accrued income	361	275
	<u>4,563</u>	<u>5,103</u>
<b>Amounts falling due after more than one year</b>		
Trade debtors	224	230
	<u>4,787</u>	<u>5,333</u>

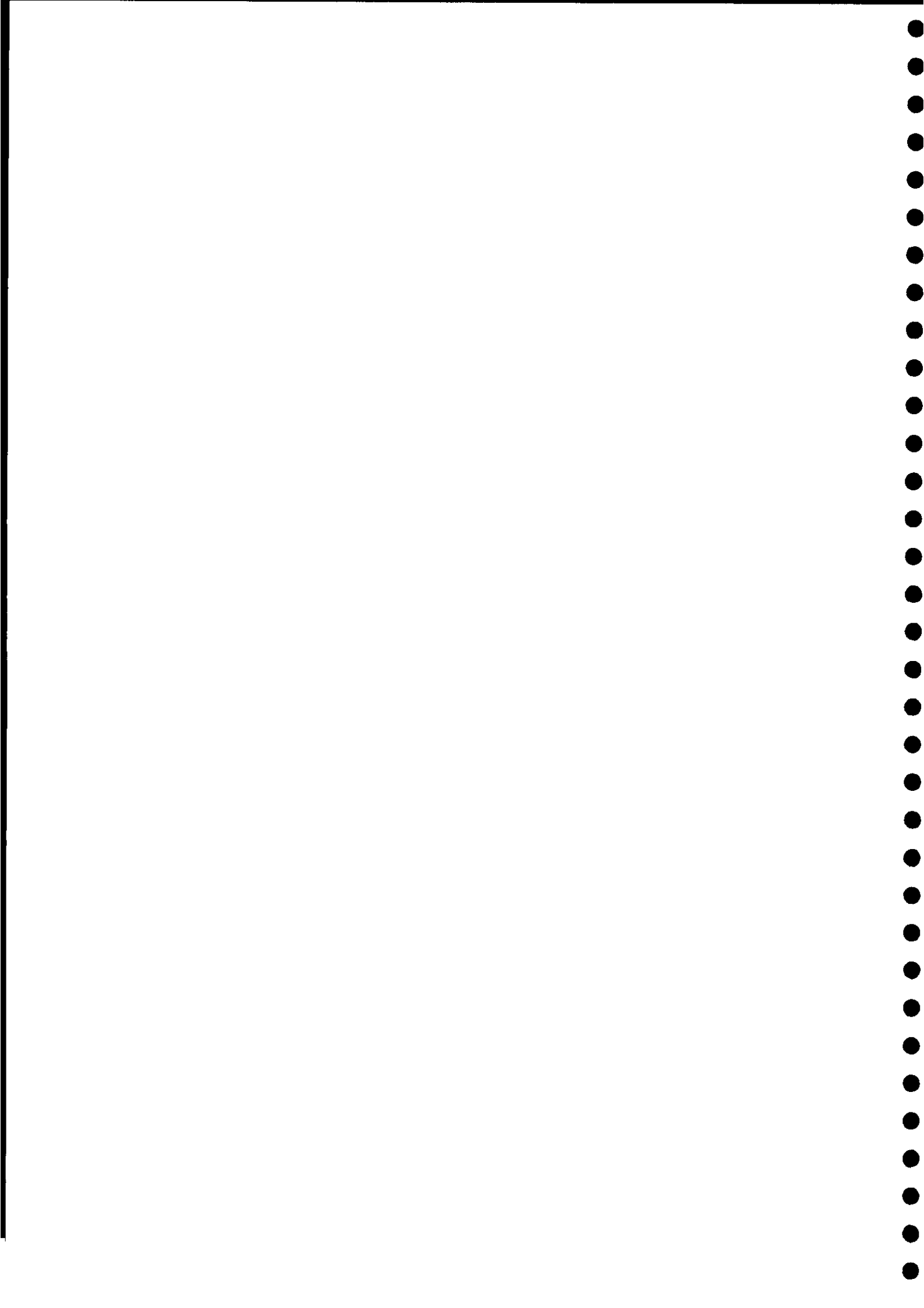
## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £000	2001 £000
Payments received on account	864	-
Trade creditors	2,616	1,763
Amounts owed to group undertakings	-	27
Corporation tax	247	-
Other taxation and social security	178	529
Accruals and deferred income	624	448
	<u>4,529</u>	<u>2,767</u>

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £000	2001 £000
Amount owed to ultimate parent company, not repayable by instalments	<u>7,413</u>	<u>4,988</u>

Senior plc does not intend to seek repayment of the interest free loan within the next twelve months and accordingly, the balance owed to the ultimate parent company has been treated as a non current liability.



## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 13. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised 5,000,000 ordinary shares of £1 each	5,000	5,000
Called up, allotted and fully paid 3,000,000 ordinary shares of £1 each	3,000	3,000

## 14. RESERVES

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2002	3	653	90	(2,875)	(2,129)
Profit for the financial year	-	-	-	747	747
Transfer of amount equivalent to additional depreciation on revalued assets	-	(8)	-	8	-
At 31 December 2002	3	645	90	(2,120)	(1,382)

**NOTES TO THE ACCOUNTS****Year ended 31 December 2002****15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2002 £000</b>	<b>2001 £000</b>
Profit / (loss) for the financial year	747	(813)
Shares issued	-	2,000
Net increase in shareholders' funds	747	1,187
Opening shareholders' funds / (deficit)	871	(316)
Closing shareholders' funds	<u>1,618</u>	<u>871</u>

**16. FINANCIAL COMMITMENTS****Operating lease commitments**

	<b>Land and buildings £000</b>	<b>2002 Plant and machinery £000</b>	<b>Land and buildings £000</b>	<b>2001 Plant and machinery £000</b>
Leases which expire:				
Within one year	5	1	-	9
Within 2 to 5 years	134	-	119	5
After 5 years	-	-	36	-
	<u>139</u>	<u>1</u>	<u>155</u>	<u>14</u>

**NOTES TO THE ACCOUNTS****Year ended 31 December 2002****16. FINANCIAL COMMITMENTS (continued)**

The company leases certain land and buildings under operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties

**Guarantees****(a) Private replacement loans**

The company is a guarantor, jointly and severally, with certain other group companies of US\$75 million (2001 – US\$75 million) unsecured loan notes, under agreements dated 22 October 1998.

The company is a guarantor, jointly and severally, with certain other group companies, of US\$30 million (2001 – US\$30 million) unsecured loan notes under amended and restated agreements dated 31 October 1995 and 15 January 1999.

**(b) Bank guarantees**

The company is a guarantor, jointly and severally, with certain other UK group companies, of all indebtedness of these other group companies to one of the group's UK clearing bankers.

**(c) Revolving credit facility**

The company is a guarantor, jointly and severally, with certain other group companies of a committed five year £83.1 million (originally £100 million) multi currency revolving credit facility for the group dated 28 June 1999 and maturing June 2004. At 31 December 2002 the total amounts borrowed under the facility were £31.8 million (2001 - £63.3 million) comprising £4.0 million, Euros 28.9 million, US\$ 10.3 million, Danish and Swedish Kroner 35.0 million.

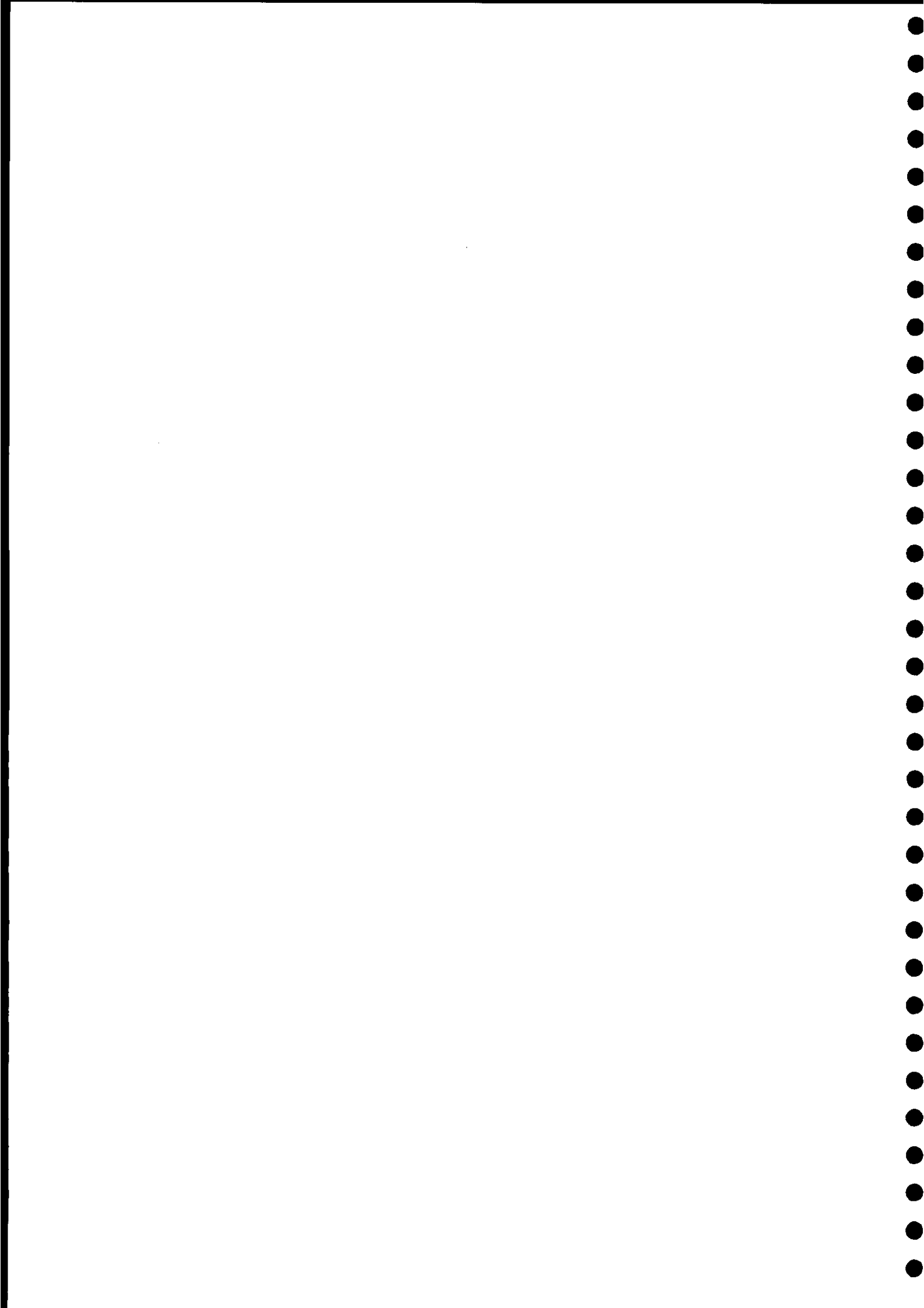
**17. PENSION COSTS****Pension arrangements**

The company continues to account for pension costs in accordance with SSAP 24 "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) SSAP 24**

The company contributes the regular cost of providing pension benefits for its employees to the group pension schemes. Any variation from this regular contribution is reflected in the accounts of the ultimate parent company, Senior plc.

The pension cost charge for the year was £547,000 (2001 - £651,000). Outstanding contributions of £75,000 (2001 - £71,236) at the end of the year are shown in the balance sheet within creditors (accruals) falling due within one year. Further details of the group schemes and the actuarial valuations are given in the accounts of the ultimate parent company, Senior plc.



## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 17. PENSION COSTS (continued)

## (b) FRS 17

The company participates in the Senior plc Group Retirement Benefit Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the period were £547,000 (2001 - £651,000) and the agreed contribution rate for the next 12 months is 10.7% (2001 - 10.4%).

As stated in the Senior plc Group financial statements for the year ending 31 December 2002, the most recent actuarial valuation was updated in order to assess the position of the scheme at 31 December 2002 and showed that the fair value of the scheme's assets was £97.1 million (2001 - £111.1 million) and that the actuarial value of these assets represented 73.8% (2001 - 95.4%) of the benefits that had accrued to members.

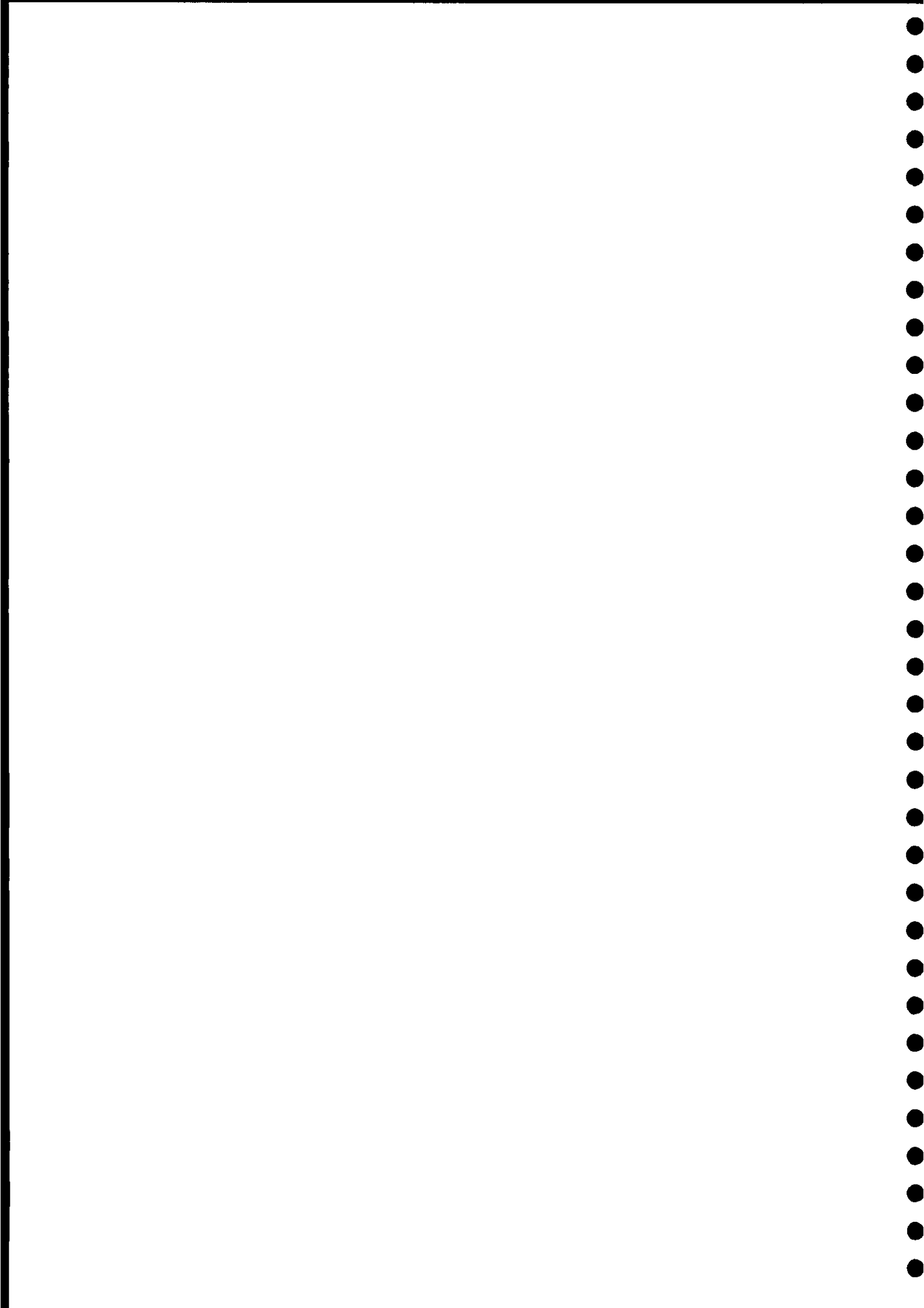
The assets in the scheme and the expected rates of return at 31 December 2002 and 31 December 2001 were:

	2002 Fair value £m	2002 Expected rate of return	2001 Fair value £m	2001 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 fair value of assets	97.1	5.6%	111.1	6.1%
Present value of scheme liabilities	(131.5)		(116.5)	
Deficit in the scheme	(34.4)		(5.4)	

The figures shown above were calculated on the basis of the following assumptions (per annum %).

	2002	2001
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 plan liabilities	5.5%	6.0%
Average future investment returns	5.6%	6.5%





**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2002**

**18. ULTIMATE PARENT COMPANY**

The company's immediate parent and controlling company is Senior Engineering Investments Limited.

The company's ultimate parent and controlling company, which prepares consolidated accounts incorporating the company's results, is Senior plc, whose registered office is at 59/61 High Street, Rickmansworth, Hertfordshire WD3 1RH. The consolidated accounts of the group are available to the public and may be obtained from the aforementioned address.

**19. CASHFLOW STATEMENT**

As permitted by Financial Reporting Standard No 1 (Revised), the company has not produced a cashflow statement, as it is a wholly owned subsidiary undertaking of Senior plc, which has produced a group cashflow statement in its accounts.

**20. RELATED PARTY TRANSACTIONS**

Transactions with group entities are not disclosed as the company is a wholly owned subsidiary of a company which produces consolidated accounts that are publicly available.

