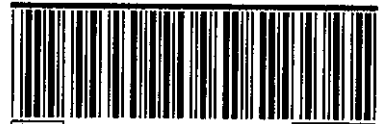


THE ROXBORO GROUP PLC

Annual Report & Accounts 1995



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COMPANIES HOUSE 13/04/96

THE ROXBORO GROUP comprises a number of specialist manufacturing companies which operate within the electronics industry across three main areas: **Components, Sensors and Instrumentation.**

Roxboro operates internationally with manufacturing in the UK and USA and sales offices in Europe, the USA and Asia Pacific.

The Group aims to provide above-average returns for shareholders and a challenging environment for employees, through achieving excellence in the quality of products and services offered to customers.

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Financial highlights

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	1995	1994	Change
Turnover	£93.7m	£69.5m	+35%
Operating Profit	£15.9m	£12.2m	+30%
Profit on Ordinary Activities before Taxation	£16.0m	£12.2m	+31%
Earnings per share	19.7p	18.4p	+7%
Dividend per share (net)	6.0p	4.8p	+25%

The Roxboro Group PLC

Components

Dialight Corporation	BLP Components
Value-added LED electrical and electronic visual indicators	Electro-mechanical and electro-magnetic components

Operating profit

1995	£9.32m
1994	£7.73m

Sales

1995	£46.7m
1994	£41.0m

Sensors

Weston Aerospace	Solartron Metrology
Sensors and instruments for aerospace applications	Gauging transducers for quality control systems

Operating profit

1995	£4.69m
1994	£3.83m

Sales

1995	£22.9m
1994	£14.4m

Instrumentation

Solartron
Transducers, data acquisition systems and laboratory analytical instruments

Operating profit

1995	£3.26m
1994	£1.96m

Sales

1995	£24.1m
1994	£14.0m

Chairman's statement

I am pleased to report yet another record year as the progress achieved since Roxboro's formation in 1990 continues unabated.

Sales in 1995 were 35% ahead of the previous year at £93.7m, partly due to a full 12 month contribution from Solartron. Operating profit was £15.9m, a significant 30% ahead of 1994 with a particularly strong contribution from the Components division.

Earnings were 19.7p per share, while operating margins remained strong at 17%, despite an anticipated weakening of margins at the Sensors division in the second half of the year.

Operating cash flows, although weaker than the previous year as a result of increased investments, remained positive at £13.3m. The Group ended the year with zero debt following payment to Solartron Group shareholders of the deferred consideration which became payable in full. Of the £10m paid, £5.8m was in cash, with the balance in Roxboro shares.

The Board is recommending a final dividend payment of 4p net, giving a full year dividend of 6p net, which is a 25% increase over 1994.

In January 1996 the Group acquired Pressure Systems Inc., a US corporation based in Hampton, Virginia which is engaged in the design and manufacture of pressure sensors and measuring instruments. The Group acquired 100% of the issued share capital for a consideration of \$7.6m.

At the end of the year, Philip Tempest resigned his executive role but remains a non-executive director. Richard Koch, a management consultant and author, joined the Board in a non-executive capacity and Peter Timms, President and CEO of Dialight, also joined the Board.

The Group's success in 1995 is due to the effort and commitment of all the people at Roxboro and I want to thank them all for their contributions.

*Group turnover to
31 December 1995
was £93.7m, up
35% on the previous
year while pre-tax
profit was up 31%
at £16m*



Peter Smitham, Chairman

Financial review

Profitability and Cash

In 1995 profit after taxation increased by 28% to £11m. Operating profits of £15.9m and cash flow from operating activities of £13.3m created a strong financial base to finance the development and investment programmes both in the UK and USA. In the UK the reorganisation of the Instrumentation Division in the last quarter significantly strengthened this segment of the business with the full operational benefits realisable in 1996.

Solartron Acquisition

The level of profitability of the Solartron Group of companies in the twelve months following acquisition resulted in the full deferred consideration of £10m being paid in July 1995. This was satisfied by the issue of ordinary shares to the value of £4.25m with the balance in cash.

Capital and Other Investment

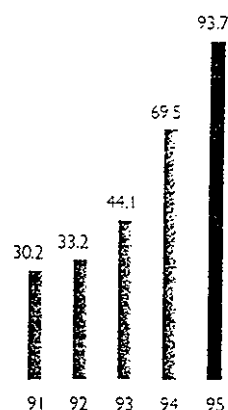
Capital investment in 1995 totalled £5.7m, including £0.7m on projects utilising the latest technology high brightness LEDs for new products in the traffic signal and commercial vehicle lighting market. The total expended on these projects in 1995, including working capital, was £1.4m with further investment planned for 1996. Working capital increased by the year end to support both the growth in sales and the reorganisation of the instrument business within the Farnborough site. This resulted in an additional interest cost in the last quarter of 1995.

Farnborough Lease

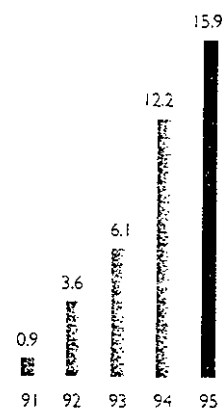
Although negotiations continue with the landlords regarding the lease of the Farnborough site, no agreement has yet been reached. Having taken advice from expert advisers the company believes it has adequate provision in the 1995 accounts.

Going Concern

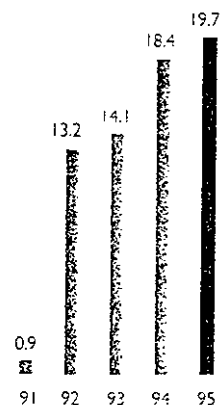
After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.



Turnover
From continuing operations
£ million



Operating profit
From continuing operations
£ million



Earnings per share
Adjusted
Pence



Group Chief Executive Harry Tee, right, with John Thompson, Managing Director of Solartron, discussing the merits of the Solartron 1031, the most accurate and flexible on-line vibration monitoring system available today.

*The Components
division showed a
21% improvement
in operating profit
driven by a 14%
sales growth*

Chief executive's review

The performance of the Group in 1995 was satisfactory, with all three divisions showing progress. It was particularly gratifying to see the Components division return to good growth following a rather static performance in 1994, when market conditions proved difficult. This division showed a 21% improvement in operating profit driven by a 14% sales growth.

Group operating margins remained strong at 17% despite an expected weaker second half at the Sensors division.

Operational cash generation was again good with all businesses being cash generative; however, this was offset by increases in working capital and capital expenditure.

Components

Sales in this division, which formed the origins of Roxboro, rose 14% to £46.7m (1994: £41.0m) as both businesses showed good growth, Dialight in particular showed excellent progress with a 24% increase in sales. Operating profit advanced strongly showing a 21% increase to £9.3m (1994: £7.7m), or a 23% increase on a constant currency basis.

At the beginning of the year, Dialight identified three main areas of opportunity. These were: to accelerate the development of overseas markets; to develop new products building on existing market opportunities; and to develop products which could exploit new market opportunities presented by advances in LED technology. During the year these aims were significantly achieved.

Firstly, sales outside North America increased substantially, reflecting increased investment in Europe and Asia Pacific where sales were particularly strong. Export now accounts for 20% of Dialight's sales.

Secondly, Dialight's Electronic Products Group (EPG) further increased its market share, establishing it as the primary supplier of visible optoelectronic products to leading manufacturers of data communications and telecommunications products.

Thirdly, a new division was formed to develop a range of products for the transportation industry. The Transport Product Group (TPG), applies the latest technology high brightness LED's into a wide range of fixed and mobile transportation applications.

By targeting the traffic signal and truck and bus markets, Dialight

secured a substantial first order for a range of LED based traffic signals for the City of Sparks, Nevada. This municipality switched to Dialight's LED directional and pedestrian signals because of their high reliability, long life, low power consumption and reduced maintenance costs.

Early in 1996 Dialight launched the largest range of LED truck and bus lights offered by any supplier to this market. These products carry the Dialight branding, Diodelite™. Dialight also signed a major distribution agreement with Federal Mogul, the market leader in the supply of truck lights to the North American truck after market. Federal Mogul's extensive distribution network services the needs of over 10,500 truck fleets across the USA. LED lights are expected progressively to replace the incandescent lights currently used on trucks and buses.

Demand for BLP's 'smart' metering products for the electricity and gas markets continued to grow during 1995 with sales doubling over the previous year.

The company maintained its position as a UK market leader in telecommunication relay production as sales increased on last year's record levels, with increasing business from Asia Pacific in telecommunications, fax and modem applications.

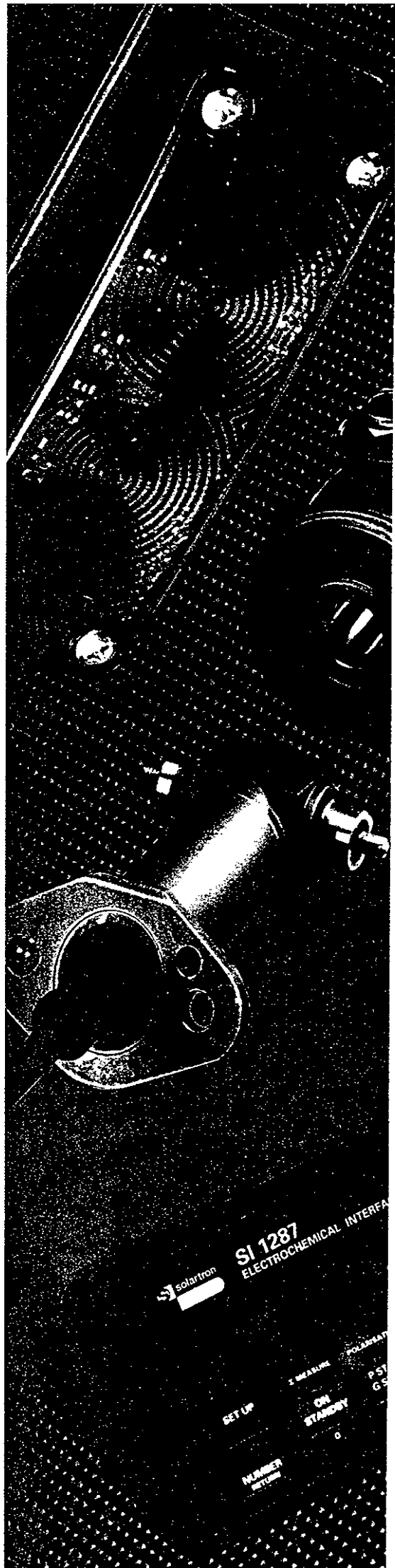
BLP's specialist power-line filters business also grew well, in particular in the field of medical electronics, where new export business was won through close collaboration with Philips Medical Systems on patient care equipment.

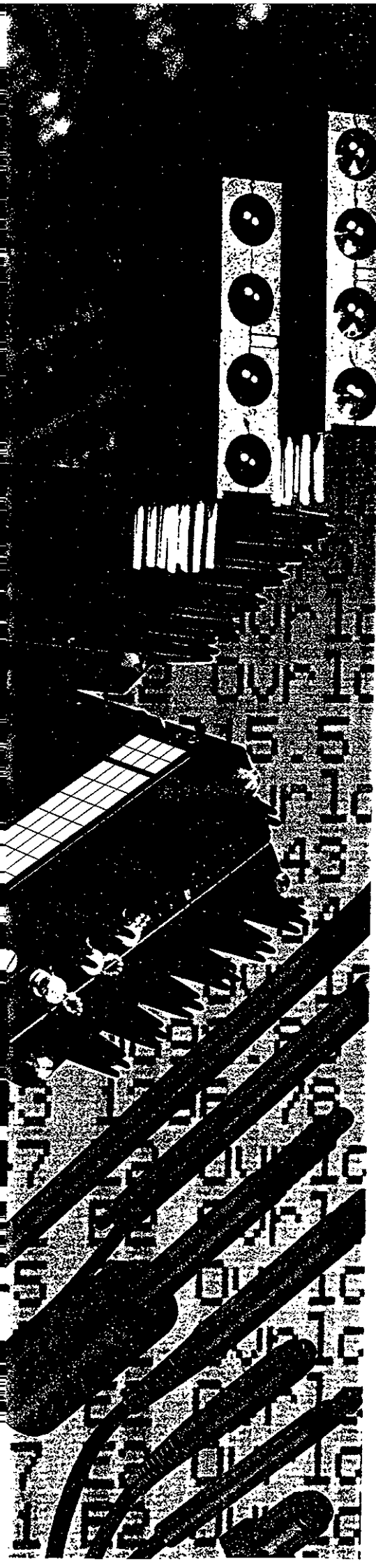
Sensors

The Sensors division, which comprises Weston Aerospace and Solartron Metrology, continued to develop since its acquisition in May 1994. In 1995 sales were £22.9m (1994: £14.4m) and operating profit was £4.7m (1994: £3.8m) as the Group benefited from a full twelve month contribution from the Solartron businesses. In the second half of 1995, however, Weston Aerospace saw margins negatively impacted by modifications to a range of temperature products which led to changes in the manufacturing process.

During the year, Weston Aerospace completed the development of a new speed probe designed to improve the reliability and operating life of the RB199 engine which powers all versions of the Panavia Tornado. An initial order was won in 1995.

The company provided a full range of temperature and speed





Chief executive's review

measurement probes to Rolls Royce for their Trent 800 engine which will power the Boeing 777 for Singapore Airlines among others. The company also supplied sensors which are used within the FADEC engine control system supplied by Lucas.

Weston were also selected to develop and supply accessories for the new PW150 engine being developed by Pratt & Whitney, Canada. The PW150 will power the DeHavilland DHC 8 Series 400 twin turboprop regional transport aircraft.

Solartron Metrology entered 1995 with a large order backlog following a high level of demand from the North American automotive industry during the latter half of 1994. As predicted, demand returned to more normal levels during the year.

The Digital Probe, launched in 1994, received an excellent response from the market with good progress being made during the year. A number of OEM's have now incorporated the product into their products or system and expectations are high that Solartron's Digital Probe will become an industry standard showing substantial growth over the next few years.

Early in 1996 the Group announced the acquisition of Pressure Systems Inc., USA, for a consideration of \$7.6m, of which \$0.5m is deferred. PSI manufactures a wide range of pressure sensors and transducers and is the world leader in the field of wind tunnel pressure measurement. PSI will form part of the Sensors division.

Instrumentation

Total sales in this division were £24.1m (1994: £14.0m), and operating profits were £3.3m (1994: £2.0m). Although sales for 1995 were ahead of 1994, growth in the core product lines was offset by the withdrawal of non-strategic products and the exiting from unprofitable market segments.

In the second half of 1995 Solartron Instruments and Solartron Transducers were merged to form a single business, to be known as Solartron, addressing three distinct market segments: Industrial Data Acquisition systems primarily for the power utility and heavy industrial sectors, Transducers for specialist applications in the hydrocarbon and process industries, and Laboratory Analytical Instruments for sophisticated measurement in research laboratories.

The merger of the two businesses allowed the rationalisation of product

portfolios with a resulting improved sales and marketing focus on the three core product lines. A new management team completed the consolidation of the business into a single location within a very tight time frame, substantially reducing overhead costs which will contribute to improved profit margins in 1996.

During the year, the Industrial Data Acquisition product line continued its penetration of the US electricity generating industry with the 1051 vibration monitoring system. Following the successful installation and start up of the first system in the Philadelphia area, two further system orders were received from US utility companies. In Europe, sales to the French power industry doubled, as a number of long term projects entered the procurement phase. Solartron also succeeded in introducing its remote data modules, known as IMPS, into Railtrack where they are used to acquire and process signalling data.

In the Transducers area, sales for flow measurement products showed good progress despite hydrocarbon activity in the North Sea being subdued. Sales were strong in Asia Pacific and South America, particularly for gas pipeline applications. To consolidate the company's position in the hydrocarbon and process markets for liquid density measurement, a range of advanced densitometers, incorporating the latest digital electronic techniques, was launched.

Sales of Laboratory Analytical Instruments, widely used in semiconductor, battery and LCD development grew strongly, particularly in Japan.

As a result of the reorganisation, Solartron is now a much stronger business. While a number of less profitable product lines have been discontinued, new product introductions are expected to increase over the next year leading to good future growth.

*The merger of
Solartron Instruments
and Solartron
Transducers allowed
the rationalisation of
product portfolios
with a resulting
improved sales and
marketing focus*



Harry Tee, *Group Chief Executive*

Directors and advisers

Directors

Peter Smitham
Non-executive Chairman

Harry Tee
Group Chief Executive

Andrew Ricketts
Group Financial Director

Peter Timms
Director

Lindsay Bury
Non-executive Director

Richard Koch
Non-executive Director

Phil Tempest
Non-executive Director

Sir Derek Hornby
Non-executive Director

Company Secretary

John Andrews FCMA

Registered Office

Byron House
Cambridge Business Park
Cambridge CB4 4WZ

Financial Advisers

Samuel Montagu & Co Limited
10 Lower Thames Street
London EC3R 6AE

Stock Brokers

James Capel & Co Limited
Thames Exchange
10 Queen Street Place
London EC4R 1BL

Auditors

Ernst & Young
Compass House
80 Newmarket Road
Cambridge CB5 8DZ

Legal Advisers

Clifford Chance
200 Aldersgate Street
London ECLA 4JJ

Piliero Goldstein, Jenkins & Hall
292 Madison Avenue
New York
New York 10017-6307
U S A

Principal Bankers

Bank of Scotland
38 Threadneedle Street
London EC2P 2EH

CoreStates Bank NA
Centurion House
24 Monument Street
London EC3R 8AJ

Registrars

Bank of Scotland
Apex House
9 Haddington Place
Edinburgh EH7 4AL

Top to bottom:
Peter Smitham,
Harry Tee,
Andrew Ricketts,
Peter Timms,
Lindsay Bury,
Richard Koch,
Phil Tempest,
Sir Derek Hornby.

Directors' report

The Directors present their report and the audited accounts of the Group for the year ended 31 December 1995.

Principal activities

The main activities of the Group and its subsidiary undertakings during the year were the manufacture and the sale of specialist components, sensors and instrumentation for a wide range of industries.

Review of the businesses and future developments

A review of the businesses during the year, with an indication of likely future developments, can be found in the Chairman's statement on page 2 and Chief Executive's review on pages 4 to 7.

Group profit and loss account and dividends

The Group profit and loss account is set out on page 16.

The Directors recommend a final dividend of 4.0p net per share, amounting to £2,246,000. This, together with the interim dividend of 2.0p net per share paid on 2 November 1995 and amounting to £1,120,000, gives 6.0p net per share amounting to £3,366,000. Retained profit is £7,664,000.

Fixed assets

Details of changes in fixed assets of the Group are set out in notes 11 and 12 to the accounts.

Directors

The Directors of the Company who served throughout the year were as follows:

P Smitham (Chairman)

H L Tee (Group Chief Executive)

A F Ricketts (Group Financial Director)

L C N Bury

Sir Derek Hornby

P A Tempest

R Koch was appointed a non-executive director and P C Timms was appointed an executive director with effect from 1 January 1996.

In accordance with the Articles of Association R Koch and P C Timms, who were appointed directors on 1 January 1996, are required to be re-appointed at the annual general meeting and, being eligible, offer themselves for re-appointment. Sir Derek Hornby retires in accordance with Article 77 and, being eligible, offers himself for re-election, L C N Bury retires by rotation and, being eligible, offers himself for re-election.

Non-Executive Directors

Peter Smitham

Peter Smitham is the managing partner in Schroder Venture Advisers where he has been since 1985 and joined Roxboro as non-executive chairman on formation of the Group in 1990. Prior to joining Schroder Venture Advisers he held senior management positions in the electronics industry. He has been a director of a number of private and public companies.

Lindsay Bury

Lindsay Bury joined Roxboro as a non-executive director in September 1993. He is Chairman of South Staffordshire Waterworks plc and of Unicorn International plc as well as a director of Sage Group plc and The Electrical and General Investment Company plc. Since 1984 he has been Chairman of The Sharp Technology Fund, a venture capital fund specialising in technology investments.

Directors' report

(continued)

Sir Derek Hornby

Sir Derek Hornby joined Roxboro as a non-executive director in October 1993. He became Chairman of London and Continental Railways in September 1994, and was Chairman of the British Overseas Trade Board from November 1990 to November 1995.

He was a part-time member of the British Railways Board from 1985 to 1991 and is a non-executive director of the Sedgwick Group, AMP Asset Management, Pillar Property Investments plc and of the Dixons group.

He joined Rank Xerox as a director of international operations for Xerox Corporation in the USA. Sir Derek retired as Chairman of Rank Xerox (UK) Limited in 1990, a position he held from 1984.

Richard Koch

Richard Koch joined Roxboro as a non-executive director in January 1996. He was a co-founder and a managing partner of The LEK Partnership and is now managing partner of Odyssey, a Strategic Consultancy, Chairman of MSI, an unquoted hotel group, and principal investor in Belgo restaurants. He is a non-executive director of Filofax Group PLC, Advent Venture Capital Trust PLC and a number of unquoted companies.

Philip Tempest

Philip Tempest led the management buy-out of the Solartron Group from Schlumberger in 1993, having held senior management positions in Schlumberger for many years. Following the acquisition of the Solartron Group by Roxboro he has been involved in the development of all the UK businesses. On 31 December 1995, he resigned as an executive director and was appointed a non-executive director.

Directors' and officers' liability insurance

During the year the Company purchased and maintained Directors' and officers' indemnity insurance as permitted by Section 310 (3) of the Companies Act 1985.

Substantial Shareholdings

The only shareholders, other than Directors, with a holding of 3% or more of the issued share capital are as follows:

	1 March 1996 ordinary shares of 1p each	Percentage of issued ordinary shares of 1p each
Norwich Union Life Insurance Society	2,089,936	3.7%
Standard Life Assurance Co.	1,853,015	3.3%
National Provident Institution	1,800,603	3.2%
General Accident Fire and Life Assurance Corpn. PLC	1,724,851	3.1%
Scottish Widows Fund and Life Assurance Society	1,680,658	3.0%
Schroder UK Venture Fund I	188,751	0.3%
Schroder UK Venture Fund III	1,135,756	2.0%
Schroder UK Buy Out Fund II	4,914,129	8.8%

P Smitham (Chairman) is the managing partner of Schroder Venture Advisers who advise the Schroder UK Buy-Out and Venture Funds.

Political and charitable contributions

No contributions were made for political purposes. A total of £2,200 was donated to various charities.

Employees

The Group gives full consideration to applications from disabled persons for employment where the job requirements can be adequately fulfilled by a handicapped or disabled person. It is the Group's policy, where existing employees become disabled, to provide continuing employment under normal terms and conditions wherever practicable, and to provide training and career development and promotion wherever appropriate.

The Group operates internationally and its employment policies are designed to meet local conditions and requirements. It is Group policy to keep employees as fully informed as possible, on matters which affect them, through communication procedures including regular briefings, consultative committees on each site and through a regular Group newsletter and Employee Annual Report.

Income and Corporation Taxes Act 1988

The Company is not a close company within the meaning of the provisions of the Income and Corporation Taxes Act 1988 and there has been no change in that respect since the end of the financial year.

Engineering technology

The Group continues to increase the resources engaged in research and product development in both the UK and the USA, and to update and expand its product range. Investment in this area is essential for the Group to retain and increase its position in its competitive markets.

Post Balance Sheet Events

In January the Group acquired Pressure Systems Inc., a US corporation engaged in the design, manufacture and distribution of pressure measuring instruments and transducers (see Note 28 to the Accounts).

Corporate governance

Statement of Compliance

The Board aims to achieve the highest possible standards in corporate governance.

The Directors are firmly of the view that Corporate Governance must be a dynamic process, attuned to the business objectives of the group as a whole and to each constituent part. This process is reinforced by a culture of openness and clear accountability based upon defined and agreed areas of responsibility.

The Directors are pleased to confirm that the Company has complied with the Code of Best Practice issued by the Cadbury Committee on the financial aspects of Corporate Governance.

The Workings of the Board and its Committees

Board of Directors

The Board comprises eight members, five of whom are non-executive directors representing a strong and independent element on the Board with their views carrying significant weight in its decisions. A minimum of 10 board meetings are held annually with a substantial number taking place at the operational locations. The Board is responsible for overall strategy, major finance matters, internal financial control and acquisition and divestment policies. It also monitors executive management in all businesses through its review of financial, strategic and operational matters. A schedule of matters specifically reserved for the Boards' decision has been agreed and notified to executive and operational management.

All directors are subject to retirement by rotation.

Two committees have been appointed by the Board with specific responsibilities.

Audit Committee

During the year the Audit Committee members were P Smitham (Chairman), L C N Bury and Sir Derek Hornby. Since the end of the year membership includes P A Tempest. The Committee meets at least twice a year to review financial statements to be published by the Group and matters of internal financial control, financial reporting and accounting policies. It also provides a forum through which the company's external auditors and internal finance functions can report to the non-executive directors.

Remuneration Committee

During the year the Remuneration Committee members were Sir Derek Hornby (Chairman), L C N Bury and P Smitham. Since the end of the year membership includes R Koch. The Committee meets at least three times through the year to review the terms and conditions of the directors and senior management. The Chief Executive may attend the meetings, but is not a member and is never in attendance when his own remuneration is under review.

The Report of the Committee, together with details of the Directors' remuneration and shareholdings, is on pages 14 and 15 of these Accounts.

Internal financial control

The Directors are responsible for ensuring that the Group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication, and that the assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the system of internal financial control that has operated throughout the period may be described under the following headings.

Control Environment

The Roxboro Group is a geographically dispersed organisation operating through a number of subsidiary companies. Each subsidiary has its own management group which meets regularly to monitor all significant operational matters. The managing director of each subsidiary reports to the Group Chief Executive who provides the link with the main Board of directors. The principal matters controlled by the main Board include overall strategy, major financial matters, acquisitions and divestments and internal financial control.

The above provides a clearly defined organisation structure within which the Group's activities can be planned, executed, controlled and monitored to achieve strategic objectives defined by the Board.

Identification and evaluation of business risks and control objectives

The management group of each operating subsidiary has primary responsibility for identifying the major business risks facing the subsidiary and for developing appropriate policies to manage those risks. The main Board provides further input and strategic guidance to the subsidiary companies in response to perceived needs identified from the Board's interaction with

those subsidiaries. This risk management approach is used to focus the attention of the operating subsidiary boards to the significant areas of risk and thence to determine key control objectives.

Information Systems

There is a comprehensive budgeting system in place in each operating subsidiary approved by that subsidiary's management group and subsequently by the main Board. The consolidated annual budget is approved by the main Board. Management accounts including profit and loss, balance sheet and cash flows, are published monthly and provide directors with relevant reports identifying and explaining significant deviations from budget, prior year and forecasts. Revised forecasts for the full year are reviewed with the subsidiary management group by the Group Chief Executive and Financial Director, and significant deviations are discussed at and approved by the main Board.

Main Control Procedures

The Directors have identified a number of key areas which are subject to regular reporting to them. Financial controls and procedures, including information system controls, are detailed in procedures manuals and are subject to Board review. These controls include defined procedures for requesting approval for major transactions.

In addition the Board visits all operating companies regularly and so is able to review activities on a detailed basis, and to discuss results with operational management. Formal presentations are made to the Board by the subsidiary operating company management group, which are minuted.

The Board has reviewed the effectiveness of the system of internal financial control as it operated during the year.

The Auditors have reported to the Board on compliance with the Cadbury Code of Best Practice and their report is set out below:

Report by the Auditors to the Roxboro Group PLC on corporate governance matters

In addition to our audit of the accounts we have reviewed the Directors' statements on pages 12 and 13 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board, and assessed whether the Director's statement on going concern and internal financial control are consistent with the information of which we are aware from our audit. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control on pages 12 and 13 other than the opinion on effectiveness, which is outside the scope of our report, and going concern on page 3, in our opinion the Directors have provided the disclosures required by paragraph 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 12 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young
Chartered Accountants
City

11 March 1996

Report of the Remuneration Committee

The membership of the Committee is given on page 12 of these Accounts.

The Committee has studied the provisions of the Code of Best Practice issued by the Study Group on Directors' Remuneration (the Greenbury Report) and is putting in place its recommendations where appropriate. For example, shareholders are being asked to approve a new long-term incentive scheme which the Committee believes reflects the spirit of the Greenbury Report and will provide share-based awards to key executives for superior performance over three year periods.

The Group aims to remunerate directors at levels which are competitive, and are designed to attract, retain and motivate people of the right calibre. The Committee, drawing on the advice of independent consultants, is charged with maintaining a remuneration package for the Group's senior executives that balances short and long-term goals with immediate, medium and long-term rewards within a structure that is performance-related and fits the culture and values of the Group.

The remuneration package for the directors and senior executives consists of an annual salary and incentive scheme, pension arrangements, and car and health care benefits.

The annual bonus scheme for executive directors and senior management is based on the growth in the Group's earnings per share and can result in a performance payment up to 30% of basic salary. For the subsidiary management, the targets are a combination of measures relating to orders, operating profit and cash flow.

Full details of the proposed long-term incentive scheme can be found in the circular which is being distributed with these accounts. Shareholder approval for this scheme is being sought under resolution 11 at the annual general meeting.

The No. 1 and No. 2 Executive Share Option Schemes, in which the directors did not participate, will be kept in place for certain executives in the Group's businesses. The Company is seeking to introduce a long-term incentive scheme for the senior management team to replace the executive share option arrangements. Any participant in the long-term scheme will not be eligible to receive grants under either the No. 1 or the No. 2 Executive Share Option Schemes.

The contract of service of the Group Chief Executive includes a notice period for termination of 24 months, and that of the Group Financial Director includes one of 18 months. Notice periods for the other directors do not exceed 12 months.

The contracts of service of the directors to be re-elected at the forthcoming annual general meeting expire as follows - P Timms' contract expires in July 1996; Sir Derek Hornby's and L C N Bury's contracts expire in November 1996, and R Koch's contract expires in January 1999.

It is the Committee's intention that future appointments will have notice periods of not more than 12 months, in line with its view of best practice. However, the Committee accepts that it may have to offer a longer initial contract term for certain incoming directors.

The emoluments of the directors who served during the year are set out below:

	Basic Salary £'000	Performance payments £'000	Taxable benefits £'000	Pension contributions £'000	Fees £'000	1995 Total £'000	1994 Total £'000
H L Tee	155	47	16	47	—	265	220
A F Ricketts	100	30	8	30	—	168	137
P A Tempest	98	29	10	11	—	148	67
P Smitham	—	—	—	—	26	26	26
L C N Bury	—	—	—	—	15	15	15
Sir Derek Hornby	—	—	—	—	15	15	15
	353	106	34	88	56	637	480

The pension contributions for H L Tee, A F Ricketts and P A Tempest represent the amounts paid by the company to the respective pension schemes in accordance with advice from the actuaries of the scheme.

The non-executive directors receive a set fee for their services, which can be enhanced for taking on additional responsibilities.

The directors' beneficial interests in shares of the company are set out below:

	At 31 December 1995 Ordinary Shares of 1p each	At 31 December 1994 Ordinary Shares of 1p each
H L Tee	2,429,422	2,429,422
A F Ricketts	744,623	847,434
P A Tempest	748,804	471,814
L C N Bury	200,000	100,000

None of the directors had or has an interest in any material contract relating to the business of the company or any of its subsidiary undertakings except for P A Tempest. In 1994 at the time of the Solartron acquisition, he was allotted 471,814 ordinary shares. A further 636,990 ordinary shares were allotted in July 1995 as part of the deferred consideration. He sold 360,000 shares during 1995. Up to 1 March 1996 he has sold a further 365,000 shares.

The emoluments, excluding pension contributions, of directors and those emoluments of a director whose duties were carried out wholly outside the United Kingdom in 1994, were within the following ranges:

	1995 Numbers	1994 Numbers
£ 10,001 to £ 15,000	2	2
£ 25,001 to £ 30,000	1	1
£ 60,001 to £ 65,000	—	1
£110,001 to £115,000	—	1
£135,001 to £140,000	2	—
£175,001 to £180,000	—	1
£215,001 to £220,000	1	—

No share options have been granted to any director.

Auditors

A resolution to re-appoint Ernst & Young as Auditors will be proposed at the annual general meeting on 18 April 1996.

By order of the Board

J B Andrews
Secretary

J B Andrews

11 March 1996

The Roxboro Group PLC
Byron House
Cambridge Business Park
Cambridge CB4 4WZ

Group profit and loss account

for the year ended 31 December 1995

	<i>Notes</i>	1995 £'000	1994 £'000
Turnover	<i>1(a)</i>	93,707	69,475
Cost of sales		(57,442)	(41,751)
Gross profit		36,265	27,724
Distribution costs		(12,478)	(9,072)
Administrative expenses		(7,904)	(6,429)
Operating profit on ordinary activities before interest	<i>1(b)</i>	15,883	12,223
Net interest receivable	6	80	3
Profit on ordinary activities before taxation		15,963	12,226
Tax on profit on ordinary activities	7	(4,933)	(3,613)
Profit on ordinary activities after taxation		11,030	8,613
Dividends	8	(3,366)	(2,596)
Retained profit	22	7,664	6,017
Earnings per ordinary share		Pence	Pence
Basic	9	19.7	18.4
Fully diluted	9	19.7	17.4

Group statement of total recognised gains and losses

for the year ended 31 December 1995

	1995 £'000	1994 £'000
Profit for the year attributable to equity shareholders	11,030	8,613
Currency translation differences on foreign currency net investments	165	(363)
Total gains recognised in the year	11,195	8,250

Balance sheets

: 31 December 1995

	Notes	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Fixed assets					
Tangible assets	11	15,503	13,441	295	181
Investments	12	161	230	63,966	53,970
		15,664	13,671	64,261	54,151
Current assets					
Stocks	13	12,680	9,392	—	—
Debtors	14	17,213	14,238	14,997	14,519
Cash at bank and in hand	18	7,523	9,752	5,307	4,404
		37,416	33,382	20,304	18,923
Creditors:					
Amounts falling due within one year	15	(22,397)	(19,233)	(4,204)	(2,607)
Net current assets		15,019	14,149	16,100	16,316
Total assets less current liabilities		30,683	27,820	80,361	70,467
Creditors:					
Amounts falling due after more than one year	16	(5,898)	(3,857)	(3,000)	—
Provisions for liabilities and charges	19	(241)	(1,433)	—	—
		24,544	22,530	77,361	70,467
Capital and reserves					
Called up share capital	21	560	541	560	541
Share premium	22	4,231	—	4,231	—
Capital redemption reserve	22	51	51	51	51
Other reserves	22	1,978	11,981	66,077	66,077
Profit and loss account	22	17,724	9,957	6,442	3,798
		24,544	22,530	77,361	70,467



H L Tee *Group Chief Executive*

11 March 1996



A F Ricketts *Group Financial Director*

Group statement of cash flows

for the year ended 31 December 1995

	<i>Notes</i>	1995 £'000	1994 £'000
Net cash inflow from operating activities	<i>2(b)</i>	13,290	13,853
Returns on investments and servicing of finance			
Dividends paid		(2,905)	(811)
Bank interest paid		(348)	(329)
Finance lease interest		(3)	(16)
Interest received		431	348
Net cash outflow from returns on investment and servicing of finance		(2,825)	(808)
Taxation			
UK Corporation tax paid		(1,074)	—
Overseas tax paid		(2,389)	(1,850)
Advance corporation tax recovered		313	320
Advance corporation tax paid		(650)	—
Withholding tax recovered		18	64
Tax paid		(3,782)	(1,466)
Investing activities			
Paid for purchase of tangible fixed assets		(5,709)	(3,315)
Deferred consideration		(5,815)	—
Paid for purchase of business undertaking		(108)	(26,311)
Received from sale of tangible fixed assets		179	68
Net cash outflow from investing activities		(11,453)	(29,558)
Net cash outflow before financing		(4,770)	(17,979)
Financing			
Proceeds of share issue net of costs	<i>24</i>	—	(33,035)
New loans	<i>24</i>	(3,500)	(10,000)
Long term loan repayments	<i>24</i>	930	20,157
Capital element of finance lease rental payments	<i>20</i>	44	99
		(2,526)	(22,779)
(Decrease)/increase in cash and cash equivalents	<i>18</i>	(2,244)	4,800
		(4,770)	(17,979)

Major non cash transactions:

See notes 12 and 24 for an analysis of new shares issued in 1995 as part of the deferred consideration following the acquisition of Solartron Group in 1994.

Accounting policies

Accounting Convention

The accounts are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards. A summary of the principal accounting policies is set out below:

Basis of Consolidation

The consolidated accounts incorporate the accounts of the Company and those of each of its subsidiary undertakings. No profit and loss account is presented for The Roxboro Group PLC as provided by Section 230 of the Companies Act 1985. The results of businesses acquired or disposed of are included in the profit and loss account from the date on which control passes.

Depreciation

Depreciation is calculated so as to write off the cost, less estimated net realisable value, of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

- Freehold land - not depreciated
- Freehold buildings - between 2% and 6%
- Office equipment - between 10% and 20%
- Computer equipment - between 25% and 33.3%
- Plant, machinery, fixtures and fittings - between 7% and 20%
- Tooling and moulds - minimum 25%
- Motor cars - between 25% and 33.3%

Leased assets

Assets acquired under finance leases and the related future rental obligations are included on the balance sheet. The interest element of the rental obligation is charged against profit in proportion to the reducing capital elements outstanding. The assets are depreciated over the shorter of the lease term and their useful lives. The costs of operating leases are expensed as incurred.

Foreign currencies

Company: Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

Group: Profit and loss accounts denominated in foreign currencies are translated into sterling at the average rates of exchange ruling for the relevant financial year. Assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences arising on the retranslation of the opening net investment in foreign enterprises are dealt with as adjustments to reserves.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes material, direct labour and all overheads appropriate to the relevant stage of production. Net realisable value represents the estimated amount at which stocks and work in progress will be realised after taking into account all relevant marketing, selling and distribution costs.

Deferred taxation

Taxation deferred or accelerated is provided for under the liability method in respect of all material timing differences only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Goodwill

Purchased goodwill, representing the difference between the purchase price and the fair value of net assets acquired, is immediately set off against other reserves. On disposal of businesses, goodwill previously written off under this policy is written back through the profit and loss account.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost.

Employee share option plans

The ESOP asset is categorised as investments in own shares at original cost providing that this does not exceed current value. The cost of shares awarded to employees is written off in the profit and loss account of the employing company in the year of the award.

Accounting policies

(continued)

Pension contributions

The Group operates defined benefit and defined contribution pension schemes in both the UK and USA. The defined benefit pension scheme costs are accounted for on the basis of charging the consistent ongoing cost of providing pensions over the years during which the Group benefits from the employees' services, adjusted for any variations in cost arising from the experience of the scheme. The effects of variations from regular cost are spread over the average expected remaining working lifetime of members of the scheme. Contributions for the defined contribution pension scheme in the UK are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme.

The Dialight plan for post-retirement medical benefits is an annual plan and provision is made for the forthcoming year's estimated expenditure.

Engineering technology

All costs incurred in the development of the Group's technology and product creation are written off to the profit and loss account as incurred.

Engineering costs are written off to the profit and loss account unless they lead to a new asset being completed for manufacturing purposes, in which case this element is capitalised.

Notes to the accounts

1. Segmental Information

Turnover, operating profit and net assets all relate to continuing operations and are analysed below:

	1995 £'000	1994 £'000
a) Turnover		
By geographical destination:		
UK	28,033	20,076
USA	39,202	33,083
Other European countries	18,702	12,300
Rest of the World	15,495	9,568
	<u>101,432</u>	<u>75,027</u>
Inter-segment sales	(7,725)	(5,552)
	<u>93,707</u>	<u>69,475</u>
By geographical origin:		
UK	59,981	41,493
USA	37,950	31,916
Other European countries	3,501	1,618
	<u>101,432</u>	<u>75,027</u>
Inter-segment sales	(7,725)	(5,552)
	<u>93,707</u>	<u>69,475</u>
By business operation:		
Components	46,742	41,023
Sensors	22,899	14,413
Instrumentation	24,066	14,039
	<u>93,707</u>	<u>69,475</u>
b) Profit		
By geographical origin:		
UK	9,810	6,872
USA	7,228	6,733
Other European countries	231	(81)
	<u>17,269</u>	<u>13,524</u>
Operating profit before central costs	(1,386)	(1,301)
Central costs	(1,386)	(1,301)
	<u>15,883</u>	<u>12,223</u>
Operating profit on ordinary activities before interest	15,883	12,223

Notes to the accounts

(continued)

I. Segmental Information (continued)

	1995 £'000	1994 £'000
b) Profit continued		
By business operation:		
Components	9,316	7,731
Sensors	4,691	3,835
Instrumentation	3,262	1,958
<hr/>		
Operating profit before central costs	17,269	13,524
Central costs	(1,386)	(1,301)
<hr/>		
Operating profit on ordinary activities before interest	15,883	12,223
<hr/>		
c) Net assets		
By geographical origin:		
UK	17,891	11,670
USA	9,489	6,277
Rest of the world	1,100	787
<hr/>		
	28,480	18,734
Unallocated net (liabilities)/assets	(3,936)	3,796
<hr/>		
	24,544	22,530
<hr/>		
By business operation:		
Components	16,398	11,051
Sensors	8,016	6,416
Instrumentation	4,066	1,267
<hr/>		
	28,480	18,734
Unallocated net (liabilities)/assets	(3,936)	3,796
<hr/>		
	24,544	22,530
<hr/>		

Unallocated amounts represent the Group's central net assets including loans.

2. Operating Profit

	1995 £'000	1994 £'000
a) Operating profit is stated after charging		
Depreciation on owned fixed assets	3,273	2,371
Depreciation of assets held under finance leases	20	91
Engineering and technology research costs	5,456	3,270
Hire of plant and machinery	134	149
Other operating lease rentals	336	684
Auditors – audit services (includes £28,000 (1994 £28,000) overseas)	125	125
– non-audit services	73	79
Exchange differences on foreign currency borrowings	136	112

In 1995, the Auditors received an additional £74,000 (1994 £311,000) in connection with the acquisition, which has been charged to cost of investment.

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

Operating profit	15,883	12,223
Depreciation	3,293	2,462
Assets written off	189	—
Loss on sale of tangible fixed assets	17	38
(Increase)/decrease in stocks	(3,180)	262
(Increase)/decrease in debtors	(2,397)	1,483
Increase/(decrease) in creditors	1,394	(2,020)
Acquisition provisions	(2,100)	(207)
Foreign exchange rate movements	191	(388)
Net cash inflow from operating activities	13,290	13,853

3. Staff Costs

	1995 £'000	1994 £'000
Staff costs during the year were:		
Wages and salaries	25,423	19,645
Social security costs	3,384	2,577
Pension costs	1,832	1,398
	30,639	23,620

4. Employee Information

	1995 Numbers	1994 Numbers
The average number of employees (including Executive Directors) by geographical location during the year, was:		
UK	959	948
USA	361	325
Rest of world	22	28
	1,342	1,301

Notes to the accounts

(continued)

5. Directors' Remuneration

Directors' remuneration is detailed in the Remuneration Committee report.

6. Net Interest receivable

	1995 £'000	1994 £'000
Interest payable:		
Bank interest on loans and overdrafts	(348)	(329)
Finance charges payable under finance leases	(3)	(16)
	<u>(351)</u>	<u>(345)</u>
Interest receivable:		
Bank deposit interest	431	348
Net interest receivable	<u>80</u>	<u>3</u>

7. Tax on profit on ordinary activities

	1995 £'000	1994 £'000
The taxation charge, based on the profit on ordinary activities, comprises:		
United Kingdom corporation tax at 33% (1994 - 33%) – current year	1,720	1,485
– prior year	(151)	—
Overseas taxation	2,456	1,844
Deferred taxation	908	284
	<u>4,933</u>	<u>3,613</u>

The effective tax rate for the year is disproportionate to profit before tax due to the reversal of previously unrecognised deferred tax assets.

8. Dividends

	1995 £'000	1994 £'000
On ordinary shares of 1p each:		
Interim paid 2.0p (1994 1.5p)	1,120	811
Final proposed 4.0p (1994 3.3p)	2,246	1,785
	<u>3,366</u>	<u>2,596</u>

9. Earnings per Ordinary Share

The calculation of earnings per ordinary share of 19.7p (1994 18.4p) is based on earnings of £11,030,000 (1994 £8,613,000) and on 56,001,980 (1994 46,773,250) ordinary shares in issue during the year, adjusted for the issue of 1,910,956 deferred consideration shares in July 1995, deemed for the purpose of this calculation to have been in issue for the full year.

The calculation in 1994 of fully diluted earnings per share (17.4p) assumed that the full amount of deferred consideration would be made in shares. The deferred consideration was paid partly in shares and partly in cash.

10. Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £6,010,000 (1994 £3,658,000).

11. Tangible assets

	Freehold Land & buildings £'000	Plant and machinery £'000	Tools fixtures fittings & equipment £'000	Group Total £'000	Company Fixtures fittings computers £'000
Cost					
At 1 January 1995	5,605	17,918	13,933	37,456	272
Exchange adjustments	14	70	67	151	—
Additions	527	1,760	3,422	5,709	271
Disposals	—	(701)	(970)	(1,671)	(117)
Reclassification	—	(346)	346	—	—
At 31 December 1995	6,146	18,701	16,798	41,645	426
Depreciation					
At 1 January 1995	(1,150)	(12,714)	(10,151)	(24,015)	(91)
Exchange adjustments	(9)	(55)	(58)	(122)	—
Charged to profit and loss account	(151)	(1,479)	(1,663)	(3,293)	(133)
Disposals	—	605	683	1,288	93
Reclassification	—	(66)	66	—	—
At 31 December 1995	(1,310)	(13,709)	(11,123)	(26,142)	(131)
Net book amount					
At 31 December 1995	4,836	4,992	5,675	15,503	295
At 31 December 1994	4,455	5,204	3,782	13,441	181

Included in the amounts for plant and machinery above are the following amounts relating to leased assets.

	Cost £'000	Depre- ciation £'000	Net book value £'000
At 1 January 1995	375	(352)	23
Exchange adjustments	3	(3)	—
Depreciation	—	(20)	(20)
At 31 December 1995	378	(375)	3

Notes to the accounts

(continued)

12. Investments

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Investments at cost comprise:				
Investments in subsidiary undertakings	—	—	63,805	53,740
Investments in own shares	161	230	161	230
	<u>161</u>	<u>230</u>	<u>63,966</u>	<u>53,970</u>

a) Details of the principal investments in subsidiary undertakings are:

Name	Country of incorporation and operation	Activities
BLP Components Limited	England and Wales	Manufacture of electro-mechanical, electronic and electrical components
Dialight Corporation *	United States of America	
Solartron Group Limited	England and Wales	Manufacture of sensor, measurement and instrumentation products
Solartron Overseas Limited*	England and Wales	Intermediary holding company
Roxboro Overseas Limited	England and Wales	Intermediary holding company
Roxboro Holdings Inc.*	United States of America	Intermediary holding company
Solartron Holdings Inc.*	United States of America	Service and distribution
Solartron France s.a.r.l. *	France	Service and distribution
Solartron Deutschland GmbH *	Germany	Service and distribution

All subsidiaries are wholly owned and investments comprise ordinary shares held directly by the company except where indicated by *.

On 31 January 1996 Roxboro Holdings Inc. acquired the business of Pressure Systems Inc., incorporated in the United States of America and involved in pressure measuring instruments and transducers.

- b) Investments in subsidiary companies increased in the year as a result of the deferred consideration payment arising from the Solartron acquisition in 1994, amounting to £10,065,000, of which £4,250,000 was satisfied by share issue and £5,815,000 in cash.
- c) The company has established The Roxboro Group Restricted Share Scheme (ESOP), the independent trustee of which originally subscribed for 100,000 shares at a price of 230 pence per share. Two awards amounting to 15,000 shares on each occasion were made during the year.

	Shares	Pence per share	£'000
At 1 January 1995	100,000	230	230,000
Awards made during 1995	(30,000)	230	(69,000)
At 31 December 1995	<u>70,000</u>	<u>230</u>	<u>161,000</u>

The ESOP Trust asset has been identified as Investments in own shares in accordance with UITF 13. In previous years the asset was recorded as a debtor. This prior year adjustment has no effect on the current year profit and loss account. The market value at the end of the year was £188,000.

The Trustees may grant an award to an employee upon such terms as the Trustees may specify. There is to be no monetary consideration for the grant of any award.

The purchase of the shares was funded by an interest free loan to the Trust from The Roxboro Group PLC. All expenses incurred by the Trust are settled directly by The Roxboro Group PLC and charged in the accounts as incurred.

13. Stocks

	1995 £'000	1994 £'000
Stocks comprise:		
Raw materials and consumables	7,308	4,975
Work in progress	2,758	2,616
Finished goods and goods for resale	2,614	1,801
	12,680	9,392

In the opinion of the Directors the replacement cost of stocks and work in progress is not materially different from that shown above.

14. Debtors

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Trade debtors	14,494	12,054	—	—
Bills receivable	89	116	—	—
Amounts owed by subsidiary undertakings	—	—	14,795	14,486
Other debtors	782	538	54	—
Prepayments - pension	493	625	—	—
Prepayments - other	515	574	56	33
Advance corporation tax recoverable	840	313	92	—
Corporation tax recoverable	—	18	—	—
	17,213	14,238	14,997	14,519
Amounts falling due after more than one year included in debtors above are:				
Prepayments - pension	445	442	—	—
Advance corporation tax recoverable	562	—	—	—
Amounts owed by subsidiary undertakings	—	—	14,500	12,500
	1,007	442	14,500	12,500

The Employee Share Option Plan which was classified as a debtor falling due after more than one year in the 1994 accounts has been reclassified as Investments in own shares in 1995 as recommended by UITF13.

Notes to the accounts

(continued)

15. Creditors

Amounts falling due within one year

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Trade creditors	8,619	6,094	—	—
Accruals and deferred income	5,748	6,555	100	100
Bank loans and overdrafts (note 17)	1,466	923	500	91
Tax and social security	959	763	7	21
Amounts owed to subsidiary undertakings	—	—	433	—
Finance leases (note 20)	24	46	—	—
Other creditors	621	1,142	320	278
Corporation tax	1,874	1,612	506	332
Advance corporation tax	840	313	92	—
Dividends payable	2,246	1,785	2,246	1,785
	<u>22,397</u>	<u>19,233</u>	<u>4,204</u>	<u>2,607</u>

16. Creditors

Amounts falling due after more than one year

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Bank loans and overdrafts (note 17)	5,898	3,835	3,000	—
Finance leases (note 20)	—	22	—	—
	<u>5,898</u>	<u>3,857</u>	<u>3,000</u>	<u>—</u>

17. Bank loans and overdrafts

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
The bank loans and overdrafts are repayable				
– within one year	1,466	923	500	91
– between one and two years	3,932	959	2,000	—
– between two and five years	1,966	2,876	1,000	—
	<u>7,364</u>	<u>4,758</u>	<u>3,500</u>	<u>91</u>

The rate of interest payable on the loans is a percentage, variable according to certain conditions, above LIBOR. \$5,250,000 of the long term loan is capped at 5.5% against LIBOR until December 1996.

18. Analysis of changes in cash and cash equivalents

	1995 £'000	1994 £'000
At 1 January	9,752	4,757
Net cash (outflow)/inflow before foreign exchange rate adjustments	(2,244)	4,800
Foreign exchange rate movements	15	195
At 31 December	<u>7,523</u>	<u>9,752</u>

18. Analysis of changes in cash and cash equivalents (continued)

Analysis of the balances of cash and cash equivalents
as shown on the Group balance sheet:

	1995 £'000	1994 £'000	Change in 1995 £'000	Change in 1994 £'000
Cash at bank and in hand	7,523	9,752	(2,229)	1,011
Bank loans and overdrafts	—	—	—	3,984
At 31 December	7,523	9,752	(2,229)	4,995

19. Provisions for liabilities and charges

	Reorganisation provisions		Post retirement medical benefit		Deferred Tax	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Group						
At 1 January	2,658	—	—	602	(1,225)	—
Acquisition	—	2,865	—	—	—	(1,509)
Charged to profit and loss account	—	—	—	—	908	284
Utilised during the year	(2,100)	(207)	—	(602)	—	—
At 31 December	558	2,658	—	—	(317)	(1,225)

Deferred tax

An analysis of the deferred tax asset is as follows:

	Provided 1995 £'000	Not Provided 1995 £'000	Provided 1994 £'000	Not Provided 1994 £'000
	Group			
Trading losses carried forward	—	(539)	—	(782)
Depreciation in advance of capital allowances	—	947	(241)	147
Short-term timing differences	(317)	(853)	(984)	(1,412)
Rollover on gains	—	117	—	466
Overseas remittances	—	334	—	139
At 31 December	(317)	6	(1,225)	(1,442)
Company				
Depreciation in advance of capital allowances	—	(17)	—	(3)
Short-term timing differences	—	(11)	—	(57)
Rollover on gains	—	—	—	225
At 31 December	—	(28)	—	165

Notes to the accounts

(continued)

20. Obligations under leases

The Group has the following obligations under finance leases:

	1995 £'000	1994 £'000
Amounts payable – within one year	24	46
– between two and five years	—	25
	24	71
Less: finance charges allocated to future years	—	(3)
	24	68
Analysis of changes in finance leasing during the year:		
At 1 January	68	167
Capital element of finance lease repayments	(44)	(99)
At 31 December	24	68

The Group is committed to the following annual payments under operating leases:

	1995 £'000	1994 £'000
Plant and machinery leases which expire		
– within one year	27	87
– between one and two years inclusive	93	124
– between two and five years inclusive	153	128
	273	339
Land and buildings leases which expire		
– within one year	53	239
– between one and two years inclusive	31	8
– between two and five years inclusive	196	53
– after five years	665	182
	945	482

The parent company has no commitments under finance or operating leases.

21. Called up share capital

	1995 Number	1995 £'000	1994 Number	1994 £'000
Ordinary shares of 1p each				
Authorised	73,000,000	730	73,000,000	730
Issued and fully paid	56,002,377	560	54,090,710	541

In July 1995 1,910,956 shares with an aggregate nominal value of £19,110 were issued as part of the deferred consideration following the Solartron acquisition in 1994. In November 1995 options amounting to 711 shares with an aggregate nominal value of £7 were exercised from The Roxboro Group Sharesave Scheme.

21. Called up share capital (continued)

Employee share schemes	Roxboro no 1 Executive Share Option Scheme		Roxboro no.2 Executive Option Scheme		Roxboro Group Sharesave Scheme		Roxboro Group US Stock Purchase Scheme	
	Shares	pence per Share	Shares	pence per Share	Shares	pence per Share	Shares	pence per Share
Options granted prior to 31 December 1994	107,500	230	175,000	230	262,165	184	180,175	196
	50,000	269	50,000	241	481,205	234	22,742	241
	390,000	292	5,000	250				
			5,000	292				
Total options granted	547,500		235,000		743,370		202,917	
Options waived during year	(7,500)	230	(20,000)	230	(16,585)	184	(47,943)	196
Options waived during year	(40,000)	292	—	—	(56,850)	234	(316)	241
Options exercised during year	—	—	—	—	(711)	234	—	—
At 31 December 1995	500,000		215,000		669,224		154,658	

Options under The Roxboro Group US Stock Purchase Scheme granted in October 1993 at 196 pence per share were exercised on 29 January 1996. Total shares issued amounted to 132,232.

22. Reserves

	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Profit and loss Account £'000	Total £'000
Group					
At 1 January 1995	—	51	11,981	9,957	21,989
Profit for the year	—	—	—	7,664	7,664
New share issue as deferred consideration	4,231	—	—	—	4,231
Goodwill arising on deferred consideration	—	—	(10,065)	—	(10,065)
Exchange adjustments	—	—	62	103	165
At 31 December 1995	4,231	51	1,978	17,724	23,984
Company					
At 1 January 1995	—	51	66,077	3,798	69,926
Profit for the year	—	—	—	2,644	2,644
New share issue as deferred consideration	4,231	—	—	—	4,231
At 31 December 1995	4,231	51	66,077	6,442	76,801

Goodwill amounting to £64,470,065 (1994 £54,405,065) has been written off to other reserves.

Notes to the accounts

(continued)

23. Reconciliation of movement in Shareholders' Funds

	1995 £'000	1994 £'000
The movements in shareholders' funds are		
Total recognised gains and losses	11,195	8,250
Dividends	(3,366)	(2,596)
New share capital subscribed	4,250	49,685
Goodwill written off	(10,065)	(48,796)
Net change to shareholders' funds	2,014	6,543
Balance brought forward	22,530	15,987
Balance carried forward	24,544	22,530

24. Analysis of changes in financing

	Share Capital Premium and Capital Redemption Reserve		Loans and Finance leases	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Balance at 1 January	592	16,984	4,826	167
New loans	—	—	3,500	10,000
New share capital issued for cash	—	33,035	—	—
New share capital issued on acquisition	4,250	16,650	—	—
Loans of acquired subsidiary	—	—	—	14,915
Loans repaid	—	—	(974)	(20,256)
Cancellation of share premium account	—	(66,077)	—	—
Foreign exchange rate movements	—	—	36	—
Balance at 31 December	4,842	592	7,388	4,826
Analysis of balance at year end				
Loans			7,364	4,758
Finance leases			24	68
Balance at 31 December			7,388	4,826

25. Commitments for capital expenditure

	1995 £'000	1994 £'000
Capital commitments for the Group comprise		
Expenditure contracted for	1,316	1,121
Approved by the Directors but not yet contracted for	678	602
Total	1,994	1,723

The parent company had no capital commitments at 31 December 1995 or 31 December 1994.

26. Pensions

UK Defined Benefit Pension Schemes

There are two separately administered defined benefit pension schemes funded by the payment of contributions. The total amount contributed by the Group during 1995 was £379,000 (1994 £293,000). The contributions to the schemes are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method for one scheme and attained age for the other.

The results of the most recent valuations for the two schemes, which were conducted as at 6 April 1994, were as follows:

Main assumptions:	Employee Scheme	Executive Scheme
Rate of return on investment	9.0% pa	9.0% pa
Annual rate of salary increases	7.0% pa	7.0% pa
Annual rate of pension increases	4.5% pa	4.5% pa
Annual rate of dividend increases	4.5% pa	4.5% pa
Market value of fund's assets	£5,947,000	£666,000
Level of funding on an ongoing basis	97%	99%
Valuation method	Projected unit credit method	Attained age method

The ongoing company contribution towards the employee scheme was increased from January 1995 to address the level of funding.

Solartron UK Defined Contribution Scheme

The Solartron divisions operate a pension scheme for their employees, on a defined contribution basis, and new employees invited to join the scheme when they become eligible. The assets of the scheme are held separately from those of the Group in independently administered funds. The total amount contributed by the Solartron Group was £1,231,000 (1994 £910,000 from date of acquisition in May to end of year).

USA Defined Benefit Pension Schemes

The Group operates three defined benefit schemes. The first scheme covers all US salaried employees excluding six (1994 eight) management employees, the second covers the six management employees and the third covers all hourly employees of Dialight Corporation. These schemes are funded as required by the Employee Retirement Income Security Act of 1974 (ERISA). The schemes were the subject of an actuarial valuation report updated as of January 1995 based on employee data and assets at that date. The valuation was carried out by an independent qualified actuary using reasonable actuarial assumptions and methods which satisfied both SSAP24 accounting requirements and the requirements of ERISA. The expense for the 1995 fiscal year under the three pension schemes was £222,000 (1994 £195,000). As of 31 December 1995, the prepaid balance sheet asset value stands at £493,000 (1994 £625,000).

The schemes are funded according to the projected unit credit method, assuming an interest rate of 8.5%, expected salary increases of 5.5% and using the market value of assets. The total market value of assets under the three pension schemes at 31 December 1995 was £9,138,000 (31 December 1994 £7,837,000). Assets in the scheme exceed accrued benefits. The Group also operates a supplemental pension scheme effective 1 January 1991 covering six management employees. This scheme expense is determined according to the Projected Unit Credit method. The total market value of assets at 31 December 1995 was £75,000 (1994 £50,623).

27. Contingent liabilities

Group guarantees and performance bonds given by the bank to third parties on behalf of the Group amount to £459,000 (1994 £506,000).

28. Post Balance Sheet Events

On 31 January 1996 the Group acquired Pressure Systems, Inc., a US corporation based in Virginia and engaged in the design, manufacture and distribution of pressure measuring instruments and transducers. Total consideration was \$7,600,000 for the equity and the assumption of total debt of \$4,168,000

Directors' responsibilities for the accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group 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 Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report

to the members of The Roxboro Group PLC

We have audited the accounts on pages 16 to 33, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 19 and 20. We have also examined the amounts disclosed relating to the emoluments of the directors which form part of the report to shareholders by the Remuneration Committee on pages 14 and 15.

Respective responsibilities of directors and auditors

As described on page 34 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

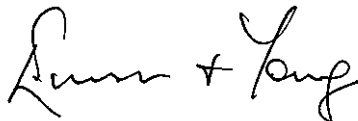
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
Cambridge



11 March 1996

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