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Directors' report

The directors present their report and the audited accounts of the Group for the year ended 31 December 2002.

Principal activities

The principal activities of the Group and its subsidiary undertakings during the year were the manufacture and sale of electronic measurement products for the aerospace, energy and process markets and electronic lighting and electromagnetic products for the communications and transportation markets.

Review of the businesses and future developments

A review of the businesses during the year, and the Group's prospects can be found in the Chairman's statement, the Chief Executive's review and the Finance Director's review on pages 2 to 13.

Group profit and loss account and dividends

The Group profit and loss account is set out on page 24.

The directors recommend a final dividend of 6.9p per share, amounting to £3,916,000. This final dividend together with the interim dividend of 3.1p per share paid on 21 October 2002, which amounted to £1,759,000, gives a total dividend for the year of 10p per share amounting to £5,675,000. The recommended final dividend, if approved at the Annual General Meeting, will be payable on 29 April 2003 to members on the register at close of business on 28 March 2003.

Directors

The members of the board of directors at the date of this report are detailed on pages 14 to 15, together with brief biographical details.

In accordance with the Articles of Association, Sir A. Cockshaw and Mr H L Tee will retire at the forthcoming Annual General Meeting by rotation and being eligible offer themselves for reappointment. Sir A Cockshaw is a member of the remuneration, nominations and audit committees. Peter Curry will not be standing for re-election.

Substantial shareholdings

The following shareholders, other than directors, had notified the Company of a holding of 3% or more of the issued share capital of the Company:

	6 March 2003 ordinary shares of 1p each	Percentage of issued ordinary shares of 1p each
Aberforth Partners	11,011,500	19.4%
Aviva	5,603,848	9.9%
FMR Corporation	4,215,080	7.4%
Legal and General Investment Management	2,320,678	4.1%
Prudential PLC	2,024,133	3.6%

Social policy

The Roxboro Group PLC takes its responsibilities to its employees, customers and shareholders seriously but it also recognises its social responsibilities.

Roxboro has a policy of not making donations to political groups, parties or individuals, but has a positive policy of supporting worthwhile institutions which benefit either the communities in which we operate or the industry in which we work.

Environmental policy

The Group recognises its responsibility for the environment in which it operates. The business operations within the Group have a minimal environmental impact. Each business operates within a policy of reducing the environmental effects of its operations and to meet any statutory requirements placed on it.

Political and charitable contributions

No contributions were made for political purposes. A total of £10,000 (2001: £5,000) was donated to various charities.

Employee involvement

The Group recognises the importance of good communications and relations with its employees. As the Group operates internationally its employment policies are designed to meet local conditions and requirements, and enable any special needs to be accommodated within the particular environment.

Staff appraisals and consultations take place between individuals and local management with training and development undertaken locally. All employees are given equal opportunities to develop their experience and their careers.

It is Group policy to keep employees as fully informed as possible, on matters which affect them, through communication procedures which include regular briefings, consultative committees on each site and through a regular Group newsletter and Employee Annual Report.

Disabled employees

The Group gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Employees who become disabled are provided, wherever practicable, with continuing employment under normal terms and conditions and are provided with training and career development wherever appropriate.

Engineering technology

The Group continues to invest strongly the resources engaged in technology 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 market share in its competitive markets.

Creditor payment policy and practice

Terms of payment are agreed with individual suppliers prior to supply. It is the Group's policy to settle with its suppliers as payments fall due, provided the supplier has delivered the goods and services in accordance with agreed terms and conditions. As the Company is a non-trading holding Company it therefore has no trade creditors. At 31 December 2002, the Group had an average of 45 days' purchases outstanding in trade creditors.

Going concern

The directors are of the opinion 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.

Special business at the Annual General Meeting

The resolutions that will be proposed at the Annual General Meeting on 23 April 2003 are set out in the Notice of Annual General Meeting on pages 46 to 47 of this document. Resolutions 1 to 5 are resolutions relating to ordinary business, whilst resolutions 6 to 11 will be special business. Details of the resolutions relating to special business are set out below:

Ordinary resolution 6 proposes that the limit on the aggregate annual sum authorised by the Company's Articles of Association and which may be paid to the non-executive directors of the Company for their services be increased to £200,000.

Special resolution 7 seeks to renew the authority from shareholders to enable the Company to purchase its own ordinary shares.

Ordinary resolution 8 gives authority to the directors to allot ordinary shares up to an aggregate nominal amount of £162,461 being the authorised ordinary share capital less issued share capital, and representing approximately 29% of the ordinary share capital in issue at the date of the Notice of the Annual General Meeting.

Special resolution 9 seeks authority for the directors, until the earlier of the conclusion of the Annual General Meeting to be held in 2004 and the date 15 months from the date of the passing of the resolution, to make issues of equity securities for cash made otherwise than to existing shareholders in proportion to their existing shareholdings up to an aggregate nominal amount of £28,377 being the equivalent of approximately 5% of the ordinary share capital in issue on the date of the notice of the Annual General Meeting.

As a result of the new requirements introduced into Section 241A of the Companies Act, 1985, resolution 10, which is an ordinary resolution, seeks shareholder approval of the directors' remuneration report, which is set out on pages 18 to 21 of this document.

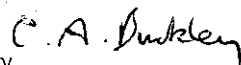
Special resolution 11 ratifies the payments made during the years ended 31 December 2000 and 31 December 2001 by the Company to the non-executive directors of amounts in excess of the maximum aggregate annual sum of £100,000 permitted under Article 87 of the Articles of Association.

Finally, the non-executive directors agreed that £33,000 of the fees due for services provided during the year ended 31 December 2002 were not paid to them to ensure that the Company did not make payments in breach of the Articles. The final part of the resolution approves the payment of these aggregate fees of £33,000.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors will be proposed at the Annual General Meeting.

By order of the board



C A Buckley Company Secretary
18 March 2003

Directors' remuneration report

Remuneration strategy

The Group aims to remunerate employees at levels which are competitive, and are designed to attract, retain and motivate people of high quality and experience. The board considers itself to be responsible for the Group's remuneration policy, however it has charged the remuneration committee with determining and maintaining a remuneration package for the Company's executive directors and the Group's senior executives that aligns executive rewards with shareholder value creation, motivates executives to attain challenging performance levels and considers both individual and Company performance.

Remuneration committee The remuneration committee was chaired throughout the year by P A M Curry with other non-executive directors Sir Alan Cockshaw, J Hewitt, R Jeens and W Whiteley as members. From 1 January 2003 the remuneration committee is chaired by J Hewitt.

In determining the remuneration packages, the remuneration committee may seek the view of other board members. The committee will, if considered appropriate, also seek advice from independent consultants to provide market information and remuneration advice but did not do so in 2002. During the year, the committee sought the assistance of the Chief Executive on matters relating to the performance and remuneration of other senior executives within the Group. The Chief Executive was present for part of all the remuneration committee meetings, except when his own remuneration was discussed.

Remuneration policy The remuneration package for the executive directors and senior executives consists of an annual salary, short and long-term incentive schemes, pension arrangements, car and healthcare benefits.

The incentive schemes consist of annual bonuses, executive share option schemes, employee sharesave schemes and an employee share ownership plan.

Basic salary and benefits The basic salary is reviewed annually, and is determined by reference to relevant market data and the individuals experience, responsibilities and performance. Benefits principally comprise pension arrangements, a car and private healthcare.

Performance related bonuses The bonus for Group executive directors and certain senior executives is calculated on formulae which are determined each year by the remuneration committee. For each of the Group executive directors and certain senior executives, the formula measures the Group's performance against specified targets relating to the operational performance of the Group or its subsidiaries.

For the subsidiary senior executives, the targets are a combination of measures relating to their performance against specific objectives and business units operational performance. In 2002 bonuses were earned at two subsidiary companies by the executive team responsible for those businesses. The maximum bonuses payable under the above schemes are limited to 50% of annual salary. The cost of any subsidiary bonuses are taken into account before Group executive directors' bonuses are calculated.

No. 1, No. 2 and No. 3 executive share option schemes The No. 1, No. 2 and No. 3 executive share option schemes are available for certain executives in the Group's businesses. It is the policy of the committee that annual awards should not exceed the annual basic salary of the recipient in any one year. The option price is based on the mid market price of the Company's shares on the last dealing date preceding the granting of the options and can be exercised between the third and tenth anniversary of the grant date.

The executive directors each have options outstanding only under the No. 3 executive scheme. The exercise of options under the No. 3 executive share option scheme is dependent on certain performance criteria being achieved, namely that compound EPS growth over a three year period should exceed the movement in the retail price index by at least 3% for each year.

Employee sharesave and stock option schemes In the UK, grants were made under a sharesave scheme in January 1998. The option price was based on a discount of 20% from the mid market price of the ordinary shares five days before the application date. The savings term was for three or five years. The options under the three year scheme have either been exercised or lapsed. The five year plan is due to mature in 2003. The options are exercisable at a price of 150p per share.

Employee share ownership plan (restricted share scheme) This scheme is administered by an independent trust and awards can be recommended by the remuneration committee for senior executives in the Group's businesses. The shares are awarded at Nil cost to the recipient. No award was made under this scheme during the year.

Directors' remuneration and pension entitlements

The auditors have reported on the information contained in this section of the report.

The remuneration, excluding pensions, of the directors is set out below:

	Basic salary £'000	Bonuses £'000	Salary supplement £'000	Taxable benefits £'000	Fees £'000	Total 2002 £'000	Total 2001 £'000
Sir Alan Cockshaw	-	-	-	-	50	50	50
H L Tee	235	-	-	26	-	261	255
A J Vaisey	210	-	100	20	-	330	302
P A M Curry	-	-	-	-	20	20	20
J Hewitt	-	-	-	-	20	20	6
R Jeens	-	-	-	-	20	20	13
W Whiteley	-	-	-	-	20	20	6
L C N Bury	-	-	-	-	-	-	7
R Koch	-	-	-	-	-	-	15
	445	-	100	46	130	721	674

The annual salary review for the executive directors is due on 1 January of each year. The executive directors approached and agreed with the Remuneration Committee that the annual pay review due at January 2002 be deferred in light of the difficult trading conditions. The executive directors have offered and agreed a similar deferral at January 2003. The executive directors were not awarded bonuses during 2002.

The non-executive directors receive a set fee for their services, which can be enhanced for taking on or providing additional responsibilities or services. No additional payments were made during the year. During the year the directors became aware that during the previous two financial years, the total fees paid to the non-executive directors had been in excess to the amount permitted under the Company's Articles of Association. The overpayments totalled £7,000 and £17,000 in the years ended 31 December 2000 and 31 December 2001 respectively. Total fees due to the non-executive directors for the year ended 31 December 2002 are £130,000 which have been fully provided in the year. Of these fees due, £97,000 has been paid during the year. Payment of the £33,000 due for the year ended 31 December 2002 will be made upon shareholder approval being given at the forthcoming Annual General Meeting together with ratification of the overpayment of £24,000 made during the previous two years.

Mr Tee is a contributory member of The Roxboro UK Executive Pension Fund. This fund is a defined benefit scheme and the pension entitlements of Mr Tee are as follows:

	Accrued benefits at 31/12/02 £'000	Increase in accrued benefits excluding inflation (A) £'000	Increase in accrued benefits including inflation £'000	Transfer value of (A) less directors' contributions £'000	Transfer value of accrued benefits at 31/12/01 £'000	Transfer value of accrued benefits at 31/12/02 £'000	Reduction in transfer value less directors' contributions £'000
Mr H L Tee	120	6	8	53	1,439	1,386	(67)

The accrued pension benefit shown is the amount that would be paid each year to the director in the form of a pension if he retired at the end of the year. This pension is calculated based on the total period of service with the Company, both before and after becoming a director. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

On joining the Company in August 1996, Mr Vaisey became a member of The Roxboro UK Executive Pension Fund on a non-contributory basis. The Company also committed to providing additional pension benefits for Mr Vaisey through a funded unapproved pension scheme in order to bring his pension benefits up to the level which would have been provided under the approved scheme if the restrictions imposed by the Finance Act 1989 had not been applied.

Directors' remuneration report continued

With effect from 1 December 2002, Mr Vaisey and the remuneration committee reached agreement whereby the pension entitlement of Mr Vaisey was revised. From 1 December 2002, the pension arrangements for Mr Vaisey transferred from a defined benefit basis to a defined contribution basis. The transfer to a defined contribution basis included a transfer payment of £242,000 in respect of pension benefits earned up to 1 December 2002 which amounted to £20,520 per annum in The Roxboro UK Executive Fund. The transfer was paid to The Roxboro Group UK Pension Scheme. The Roxboro Group UK Pension Scheme is a money purchase scheme and in 2002 contributions of £3,500 were made by the Company in respect of Mr Vaisey. The Company continues to be committed to providing additional pension benefits, now on a defined contribution basis, for Mr Vaisey through a funded unapproved pension scheme as his pension entitlement under the money purchase scheme is restricted under the Finance Act 1989. A funded unapproved pension scheme was established for Mr Vaisey during the year.

In December 2002, the Company paid £422,000 to the unapproved pension scheme representing the full amount due at that date in respect of benefits earned to 1 December 2002. Of this payment £273,000 was provided at 31 December 2001 with the amount charged in the accounts for the year ended 31 December 2002 amounting to £149,000 (2001: £69,000). In 2002 ordinary contributions of £3,500 were made by the Company to the unapproved pension scheme.

Mr Vaisey has an entitlement to additional payments amounting to £283,000, classified as salary supplement to compensate for the expected tax liability which arises in respect of the Company's contribution to the unapproved pension scheme. Of this payment £183,000 was provided at 31 December 2001 with the amount charged in accounts for the year ended 31 December 2002 amounting to £100,000 (2001: £46,000).

As part of the pension arrangements, the directors are entitled to life assurance cover equal to four times basic salary.

Directors' beneficial interests

Directors' beneficial interests in the ordinary shares of 1p each in the Company are set out below:

	At 31 December 2002 Shares	At 31 December 2001 Shares
Sir Alan Cockshaw	30,000	30,000
H L Tee	2,579,422	2,579,422
A J Vaisey	82,600	82,600
P A M Curry	60,000	60,000
J Hewitt	8,000	8,000
R Jeens	10,000	10,000
W Whiteley	-	-

There has been no change in directors' holdings since the year end date.

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.

Directors' share options

The auditors have reported on the information contained in this section of the report.

Share options granted to directors are as follows:

No. 3 executive share option scheme	Date granted	Options granted	Exercise price per share
H L Tee	21 September 1999	80,000	246.5p
	14 March 2000	84,970	250.5p
	14 September 2001	125,000	194.0p
A J Vaisey	21 September 1999	60,000	246.5p
	14 March 2000	71,202	250.5p
	14 September 2001	100,000	194.0p

There has been no change to the share options during the year.

The options are exercisable after the third anniversary and before the 10th anniversary of the year of the grant.

Employee sharesave scheme	Date granted	Options granted	Exercise price per share	Savings period years
H L Tee	21 January 1998	11,500	150p	5

The executive directors were eligible to participate in the Company's Inland Revenue approved savings related share option scheme, on equal terms with all other employees.

Share price

The share price range during 2002 was between a lowest market mid point price of 124p per share and a highest market mid point price of 286p per share. The market mid point price at 31 December 2002 was 144p per share.

Service contracts

The service contract of H L Tee dated 11 October 1993 includes an ongoing notice period for termination of 24 months to be given by both the Company and H L Tee. This notice period was fixed in 1990 at the time of the formation of the Company and the committee are in agreement for it to continue.

On 20 December 2002, the Company entered into a new service contract with A J Vaisey, replacing any prior arrangement. The reason for the new contract with A J Vaisey was to adopt the revised pension arrangements as detailed earlier in this report. With effect from 1 December 2002, Mr Vaisey's pension entitlement transferred from a defined benefit basis to a defined contributions basis. A J Vaisey's service contract includes an ongoing terminable period of 12 months if given by the Company and six months if given by A J Vaisey.

It is the remuneration committee's intention that any future executive appointments will have notice periods of not more than 12 months. However, the committee accepts that it may have to offer a longer initial contract term for certain incoming directors.

There are no predetermined provisions for compensation on termination within the executive directors' service contracts which exceed 24 months' emoluments for Mr Tee and 12 months' emoluments for Mr Vaisey.

Remuneration policy for non-executive directors

Fees for the non-executive directors are determined by the board as a whole. The non-executive directors do not take part in these discussions. The non-executive directors do not participate in the Company's bonus schemes or share schemes, and they are not eligible for pension scheme membership.

The agreement with non-executive directors is that they have an initial term of three years. This may be extended by a further three year period by mutual consent of the director and the board and thereafter for one-year periods upon agreement between the Board and the non-executive director. All agreements with the non-executive directors include notice periods of three months.

Performance review

The following graphs show the five year total shareholder return performance of the Company, compared with the total shareholder return over the same period for the FTSE Small Cap Index and the FTSE Electronics Index. These were selected as they were considered to be a broad representation of Roxboro's Peer Group in terms of its size and industry sector.

The graphs show that The Roxboro Group outperformed both these indices over the five-year period with total returns to shareholders at 31 December 2002 of -6.5% compared with a return of -21.3% from the FTSE Small Cap Index and -20.9% from the FTSE Electronics Index.

**J Hewitt**

Chairman of the remuneration committee

On behalf of the board

18 March 2003

Corporate governance

The Company is committed to high standards of corporate governance. The board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance.

Statement by the directors on compliance with the provisions of the Combined Code

The Company has been in full compliance with the provisions set out in the Combined Code throughout the year, except in the following area:

As noted in the board Report on Remuneration, the Chief Executive of the Group, H L Tee, has a service contract of more than one year.

The directors' statement regarding compliance with requirements relating to internal control are dealt with below.

The workings of the board and its committees

The board The board currently comprises the independent non-executive chairman, the Chief Executive, one other executive director and four other independent non-executive directors, one of whom, P A M Curry, acts as senior independent director. All of the non-executive directors are independent of management and are free from any relationship which could effect the exercise of their independent judgement. Their biographies appear on pages 14 to 15. These demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the accounts is set out on page 45 and a statement on going concern is given on page 17.

The board has a formal schedule of matter specifically reserved to it for decision. All directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary ensures that the directors receive appropriate training as necessary.

The board meets at least eight times each year, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy, examining major acquisition possibilities and reporting to shareholders. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. To enable the board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all directors in advance of board meetings. The Chairman ensures that the directors take independent professional advice as required.

The following committees deal with the specific aspects of the Group's affairs.

Nomination committee During the year the nomination committee comprised the non-executive directors. The Chairman is Sir Alan Cockshaw. The committee is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. In appropriate cases, recruitment consultants are used to assist the process. All directors are subject to re-election at least every three years. The committee is also involved in the selection and recruitment of Managing Directors of the subsidiary businesses.

Remuneration committee The Group's remuneration committee was chaired by P A M Curry throughout the year with the other members being all the non-executive directors, Sir Alan Cockshaw, J Hewitt, R Jeens and W Whiteley. From 1 January 2003 the committee is chaired by J Hewitt. It is responsible for making recommendations to the board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights and compensation payments.

The board itself determines the remuneration of the non-executive directors. The committee calls for advice by leading firms of remuneration consultants as they consider appropriate.

Further details of the Company's policies on remuneration and service contracts are given in the directors' remuneration report on pages 18 to 21.

Audit committee The audit committee, which is chaired by R Jeens, comprises all the non-executive directors and meets not less than twice annually. The committee provides a forum for reporting by the Group's external auditors. Meetings are also attended by invitation by the executive directors.

The audit committee is responsible for reviewing a wide range of matters including the half year and annual accounts before their submission to the board, and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The audit committee advises the board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors. The audit committee keeps under review the cost-effectiveness and the independence and objectivity of the external auditors.

Relations with shareholders

Communication with shareholders is given high priority. The operating and financial review on pages 3 to 13 includes a detailed review of the business and future developments. There is regular dialogue with institutional shareholders to foster mutual understandings of objectives. Such dialogue is controlled by written guidelines to ensure protection of share price sensitive information that has not already been made available generally to the Company's shareholders. Similar guidelines also apply to communications between the Company and parties such as financial analysts, brokers and the press.

The board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that the Chairman of the audit, remuneration and nomination committees are available at these meetings to answer questions. Details of resolutions to be proposed at the Annual General Meeting on 23 April 2003 can be found in the Notice of the Meeting on page 46.

Internal control

The board has overall responsibility for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness in accordance with the guidance set out in "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull Guidance). The directors have reviewed the effectiveness of the system of internal controls in operation throughout the year. The role of the Group's management is to implement board policies on risk and control. Internal controls systems are designed to meet the particular needs of the business concerned and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Group's management operates an ongoing risk management process for identifying, evaluating and managing the significant risks faced by Roxboro. The process is reviewed by the board during the year.

The key procedures, which the directors have established to review and confirm the effectiveness of the system of internal control, include the following:

- **Management structure** The board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the board. Each executive director has been given responsibility for specific aspects of the Group's affairs. The executive directors together with key senior executives constitute the executive committee, which meets regularly, to discuss day-to-day operational matters. The executive directors also meet regularly with the Managing Directors of the subsidiary businesses, together with their management teams.
- **Risk assessment** Each business is required to maintain a Risk Register. The Risk Register identifies the key risks facing the business, the probability of those risks occurring, the impact should the risk occur, and the actions being taken to manage those risks to the approved level. Each business must submit the register to the board on an annual basis. The risk assessment is performed on a continual basis and reports are submitted to the board on a periodic basis to update them on progress as appropriate.
- **Corporate accounting and procedures manual** Responsibility levels are communicated throughout the Group as part of the corporate accounting and procedures manual which sets out, inter alia, the general ethos of the Group, delegation of authority and authorisation levels, segregation of duties and other control procedures together with accounting policies and procedures. The manual is updated regularly.
- **Quality and integrity of personnel** The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the corporate accounting and procedures manual.
- **Budgetary process** Each year the board approves the annual budget and updated business plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through the monthly reporting to the board of variances from the budget, updated forecasts for the year together with information on the key risk areas.
- **Investment appraisal** Capital expenditure and research and development projects are regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the board. Reviews are carried out after the acquisition is complete, and for some projects, during the acquisition period, to monitor expenditure; major overruns are investigated.

Due diligence work is carried out if a business is to be acquired.

- **Audit committee** The audit committee monitors, through reports to it by the Group finance department, the controls which are in force and any perceived gaps in the control environment. The audit committee also considers and determines relevant action in respect of any control issues raised by the Group finance department or external auditors.

The Group does not have an internal audit department, however the situation is reviewed periodically by the board to assess whether circumstances have changed to warrant its introduction. However, visits are made at least once a year to each subsidiary by members of the head office finance department or senior financial personnel from Group companies to review internal control procedures.

Group profit and loss account

for the year ended 31 December 2002

	Notes	2002 £'000	Restated* 2001 £'000
Turnover	2(a)		
Continuing operations		153,357	174,934
Acquisition		2,670	–
		156,027	174,934
Cost of sales		(110,223)	(121,754)
Gross profit		45,804	53,180
Distribution costs		(20,122)	(20,742)
Administrative expenses (after amortisation of intangible assets of £1,097,000 (2001: £950,000))		(18,226)	(17,061)
Operating profit	2(b)/3	7,769	15,377
Continuing operations		(313)	–
Acquisition		7,456	15,377
Net interest payable	5	(883)	(978)
Profit on ordinary activities before taxation		6,573	14,399
Tax on profit on ordinary activities	6	(2,491)	(5,518)
Profit for the financial year		4,082	8,881
Dividends	7	(5,675)	(5,682)
Retained(loss)/profit for the financial year	22	(1,593)	3,199
		Pence	Pence
Earnings per share			
Basic	8	7.2	15.7
Adjusted	8	9.1	17.3
Diluted	8	7.2	15.6

Group statement of total recognised gains and losses

for the year ended 31 December 2002

	2002 £'000	Restated* 2001 £'000
Profit for the financial year	4,082	8,881
Currency translation differences on foreign currency net investments	(2,987)	487
Total gains recognised in the year	1,095	9,368
Prior year adjustment in respect of adoption of FRS19 (note 18)	943	
Total recognised gains and losses	2,038	

*Restated on adoption of FRS19 (see note 18).

Balance sheets

at 31 December 2002

	Notes	Group 2002 £'000	Restated* Group 2001 £'000	Company 2002 £'000	Restated* Company 2001 £'000
Fixed assets					
Intangible assets	10	19,454	16,833	-	-
Tangible assets	11	22,122	24,542	60	79
Investments	12	16	16	98,096	98,096
		41,592	41,391	98,156	98,175
Current assets					
Stocks	13	23,906	25,022	-	-
Debtors	14	29,279	32,138	29,930	32,677
Cash at bank and in hand		7,747	6,708	-	430
		60,932	63,868	29,930	33,107
Creditors:					
Amounts falling due within one year					
Borrowings	15	(19,442)	(15,142)	(16,949)	(16,401)
Other creditors	15	(25,208)	(27,439)	(5,820)	(6,549)
		(44,650)	(42,581)	(22,769)	(22,950)
Net current assets		16,282	21,287	7,161	10,157
Total assets less current liabilities		57,874	62,678	105,317	108,332
Creditors:					
Amounts falling due after more than one year					
Borrowings	15	(7)	(117)	-	(90)
Provisions for liabilities and charges	18	(1,843)	(1,970)	-	-
		56,024	60,591	105,317	108,242
Capital and reserves					
Called up share capital	21	568	567	568	567
Share premium account	22	5,841	5,822	5,841	5,822
Capital redemption reserve	22	51	51	51	51
Other reserves	22	-	-	66,077	66,077
Profit and loss account	22	49,564	54,151	32,780	35,725
Equity shareholders' funds		56,024	60,591	105,317	108,242

H L Tee Group Chief Executive

A J Vaisey Group Finance director
18 March 2003

*Restated on adoption of FRS19 (see note 18).

Group statement of cash flows

for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Cash flow from operating activities	3(c)	12,975	19,807
Outflow related to 2000 exceptional item		-	(940)
		12,975	18,867
Returns on investments and servicing of finance			
Interest paid		(985)	(1,167)
Interest received		103	223
Net cash outflow from returns on investment and servicing of finance		(882)	(944)
Taxation		(1,789)	(5,189)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,415)	(6,182)
Sale of tangible fixed assets		82	554
Net cash outflow from investing activities		(2,333)	(5,628)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(4,357)	-
Purchase of intangible assets		(473)	-
		(4,830)	-
Equity dividends paid		(5,675)	(5,445)
Cash (outflow)/ inflow before use of liquid resources and financing		(2,534)	1,661
Financing			
Issue of ordinary share capital		13	272
Net loan advance/(repayments)		4,216	(3,786)
Capital element of finance lease rental payments		(26)	(79)
		4,203	(3,593)
Increase/(decrease) in cash in the year	17	1,669	(1,932)
Reconciliation of net cash flow to movements in net debt			
Increase/(decrease) in cash in the year		1,669	(1,932)
Cash (inflow)/outflow from change in debt and lease financing		(4,190)	3,865
Change in net debt resulting from cash flows		(2,521)	1,933
Translation difference		(630)	83
Movement in net debt in the year		(3,151)	2,016
Net debt at beginning of year		(8,551)	(10,567)
Net debt at end of year	17	(11,702)	(8,551)

Notes to the accounts

1. 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 accounting policies is set out below:

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts except as noted below. The Group has adopted FRS19 "Deferred Tax" in these accounts. The comparative figures have been restated accordingly (see note 18). The Group has followed the transitional arrangements of FRS17 "Retirement Benefits" in these accounts.

Basis of consolidation

The consolidated accounts include the accounts of the Company and those of each of its subsidiary undertakings made up to 31 December each year. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 230(4) of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

Turnover

Group turnover represents the net amounts invoiced to customers for goods and services supplied in respect of ordinary activities, excluding intra-Group transactions and value added tax, except for long-term contracts where turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

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 20% and 33.3%
Plant, machinery, fixtures and fittings	– between 10% and 20%
Tooling and moulds	– minimum 25%
Motor vehicles	– between 25% and 33.3%

Leased assets

Assets acquired under finance leases and the related future rental obligations relating to capital repayments 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 charged to the profit and loss account on a straight line basis over the period of the lease.

Foreign currencies

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.

Profit and loss accounts denominated in foreign currencies are translated into sterling in the Group accounts 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. Gains and losses arising on these translations are taken to reserves. Exchange differences arising on the retranslation of the opening net investment in foreign enterprises are dealt with as adjustments to reserves.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand, deposits repayable on demand, less overdrafts payable on demand.

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 and costs to complete.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year for which they are first foreseen.

Notes to the accounts continued

1. Accounting policies continued

Taxation

Deferred taxation is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Intangible assets

Goodwill prior to 31 December 1997, representing the difference between the purchase price and the fair value of net assets acquired is immediately set off against reserves. On disposal of businesses, goodwill previously written off under this policy is written back through the profit and loss account. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10.

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised and amortised on a straight line basis over its anticipated useful economic life of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstance indicate that the carrying value may not be recoverable.

Intangible fixed assets purchased separately from a business are capitalised at their cost. Concessions, patents, licences and trademarks purchased by the Company are amortised in full by equal annual instalments over their useful economic lives.

Engineering technology

Research and development expenditure incurred in the Group's technology and product creation is written off to the profit and loss account as incurred.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost, less provisions for impairment in value.

Employee share option plans

The ESOP asset is categorised as investments in own shares at original cost. The cost of shares is recognised when the employee becomes unconditionally entitled to shares.

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 are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme.

2. Segmental information

Turnover, operating profit and net assets are analysed below:

	2002 £'000	2001 £'000
a) Turnover		
By geographical destination:		
UK	32,787	35,364
USA	71,596	90,005
Other European countries	31,439	32,745
Rest of the world	20,205	16,820
	156,027	174,934
By geographical origin:		
UK	83,180	93,097
USA	69,205	79,502
Other European countries	14,945	13,788
	167,330	186,387
Inter-segment sales	(11,303)	(11,453)
	156,027	174,934
By business operation:		
Dialight	59,812	65,921
Weston	31,370	40,212
Solartron	64,845	68,801
	156,027	174,934

2. Segmental information continued

	2002 £'000	2001 £'000
b) Operating profit		
By geographical origin:		
UK	9,492	11,725
USA	2,435	7,522
Other European countries	(351)	(158)
Operating profit before central costs and intangible assets amortisation	11,576	19,089
Central costs	(3,023)	(2,762)
Amortisation of intangible assets	(1,097)	(950)
Operating profit on ordinary activities	7,456	15,377
By business operation:		
Dialight	1,014	6,223
Weston	3,394	6,348
Solartron	7,168	6,518
Operating profit before central costs and intangible assets amortisation	11,576	19,089
Central costs	(3,023)	(2,762)
Amortisation of intangible assets	(1,097)	(950)
Operating profit on ordinary activities	7,456	15,377

In 2002, £766,000 of the amortisation of intangible assets related to the Solartron business, £184,000 to the Weston business and £147,000 related to the Dialight business.

In 2001, £766,000 of the goodwill amortisation related to the Solartron business and £184,000 related to the Weston business.

	2002 £'000	Restated* 2001 £'000
c) Net assets		
By geographical origin:		
UK	30,167	32,894
USA	19,428	20,746
Other European countries	1,558	893
	51,153	54,533
Unallocated central net assets	4,871	6,058
	56,024	60,591
By business operation:		
Dialight	23,678	20,052
Weston	10,793	14,363
Solartron	16,682	20,118
	51,153	54,533
Unallocated central net assets	4,871	6,058
	56,024	60,591

*Restated on adoption of FRS19 (see note 18).

Unallocated central net assets include intangible assets of £19,454,000 of which £12,931,000 relates to the Solartron business, £3,571,000 relates to the Dialight business, and £2,952,000 relates to the Weston business. In 2001 the unallocated central net assets included goodwill of £16,833,000 of which £13,697,000 related to the Solartron business and £3,136,000 to the Weston business.

Notes to the accounts continued

3. Operating profit

	2002 £'000	2001 £'000
a) Operating profit is stated after charging		
Auditors' remuneration	235	190
Depreciation on owned fixed assets	4,850	5,048
Depreciation on assets held under finance leases	20	20
	4,870	5,068
Amortisation of intangible asset	16	–
Amortisation of goodwill	1,081	950
	1,097	950
Engineering and technology research costs	9,474	9,902
Operating lease rentals – plant and machinery	485	523
– land and buildings	2,638	2,571
	3,123	3,094
An analysis of non-audit fees is as follows:		
Taxation	138	122
Pension advisory	72	15
Due diligence	116*	–
Advice given to pension schemes and not recharged to the schemes	128	96
Other advisory	62	210
	516	443

*This figure includes £93,000 capitalised in respect of acquisitions.

The Group has not sought any management consultancy services from its auditors

Details for each Director, of remuneration, pension entitlements and interests in share options are set out on pages 18 to 21.

	Existing operations 2002 £'000	Acquisition 2002 £'000	Continuing operations 2002 £'000	2001 £'000
b) Acquisition				
Turnover	153,357	2,670	156,027	174,934
Cost of sales	(108,047)	(2,176)	(110,223)	(121,754)
Gross profit	45,310	494	45,804	53,180
Distribution costs	(19,723)	(399)	(20,122)	(20,742)
Administrative expenses	(17,818)	(408)	(18,226)	(17,061)
Operating profit	7,769	(313)	7,456	15,377

	2002 £'000	2001 £'000
c) Reconciliation of operating profit to cash flow from operating activities		
Operating profit	7,456	15,377
Depreciation charge	4,870	5,068
Amortisation of intangible assets	1,097	950
Loss/(profit) on sale of tangible fixed assets	56	(379)
Decrease/(increase) in stocks	498	(3,257)
Decrease in debtors	1,644	2,432
Decrease in creditors	(2,635)	(420)
(Decrease)/increase in provisions	(11)	36
Cash flow from operating activities	12,975	19,807

4. Staff costs

	2002 £'000	2001 £'000
Staff costs during the year were:		
Wages and salaries	41,739	48,308
Social security costs	4,431	4,401
Pension costs	3,663	3,258
	49,833	55,967

Employee information

	2002 Number	2001 Number
The average number of employees (including executive directors) by geographical location during the year, was:		
UK	1,070	1,193
USA	464	571
Rest of the world	320	197
	1,854	1,961

5. Net interest payable

	2002 £'000	2001 £'000
Interest on bank loans and overdrafts	(983)	(1,194)
Finance charges payable under finance leases	(3)	(7)
	(986)	(1,201)
Interest receivable:		
Bank deposit interest	103	223
Net interest payable	(883)	(978)

6. Tax on profit on ordinary activities

	2002 £'000	Restated* 2001 £'000
UK corporation tax		
Current tax	1,520	2,187
Adjustments to current tax in respect of prior years	(8)	344
	1,512	2,531
Overseas tax		
Current	690	1,919
Adjustments in respect of prior years	(8)	(69)
	682	1,850
Total current tax	2,194	4,381
Deferred tax		
Current year	496	1,071
Adjustments in respect of prior years	(199)	66
	297	1,137
Total tax charge	2,491	5,518

*Restated on adoption of FRS19 (see note 18).

Notes to the accounts continued

6. Tax on profit on ordinary activities continued

Reconciliation of current tax charge

The UK standard rate of corporation tax for the year is 30% (2001: 30%)

	2002 £'000	2001 £'000
The actual tax charge for the current year exceeds the standard rate for the reasons set out below:		
Profit on ordinary activities before taxation	6,573	14,399
Notional charge at UK corporate tax rate at 30%	1,972	4,320
Differences in effective overseas tax rates	110	302
Goodwill amortisation for which no tax relief is due	324	285
Items not deductible for tax purposes	80	125
Unrecognised losses	220	145
Adjustments in respect of prior years	(16)	275
Current year deferred tax movements taken to profit and loss account	(496)	(1,071)
Total current tax charge	2,194	4,381

Factors that may affect future tax charges:

No provision has been made for deferred tax on gains rolled over into replacements assets. Such tax would become payable only if the assets were sold without it being possible to claim rollover relief. The total amount unprovided is £0.2m and it is not envisaged that any tax will become payable in the foreseeable future.

A deferred tax asset in respect of losses carried forward has only been recognised to the extent that the losses are deemed recoverable.

7. Dividends

	2002 £'000	2001 £'000
On ordinary shares of 1p each:		
Interim paid 3.1p (2001: 3.1p)	1,759	1,766
Final proposed 6.9p (2001: 6.9p)	3,916	3,916
	5,675	5,682

8. Earnings per Share

The calculation of earnings per ordinary share is based on profit of £4,082,000 (2001: £8,881,000)* and on 56,754,000 (2001: 56,705,000) ordinary shares, being the average number of ordinary shares in issue during the year.

The diluted earnings per share is based on profit for the year of £4,082,000 (2001: £8,881,000)*, and on 56,754,000 (2001: 56,802,000) ordinary shares, calculated as follows:

	2002 Thousands	2001 Thousands
Basic weighted average number of shares	56,754	56,705
Dilutive potential ordinary shares:		
Employee share options	-	97
	56,754	56,802

	2002 pence	Restated* 2001 pence
Reconciliation to adjusted earnings per share		
Basic earnings per share	7.2	15.7
Amortisation of intangible assets of £1,097,000 (2001: £950,000)	1.9	1.6
Adjusted earnings per share	9.1	17.3

*Restated on adoption of FRS19 (see note 18).

9. Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £2,737,000 (2001: £35,360,000).

10. Intangible assets

	Concessions, patents, licences and trademarks £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2002	–	18,995	18,995
Additions	573	3,145	3,718
At 31 December 2002	573	22,140	22,713
Amortisation			
At 1 January 2002	–	(2,162)	(2,162)
Provided during the year	(16)	(1,081)	(1,097)
At 31 December 2002	(16)	(3,243)	(3,259)
Net book value			
At 31 December 2002	557	18,897	19,454
At 31 December 2001	–	16,833	16,833

11. Tangible assets

	Group		Company	
	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000	Equipment and vehicles £'000
Cost				
At 1 January 2002	7,558	50,788	58,346	485
Exchange adjustments	(333)	(1,946)	(2,279)	–
Subsidiary acquired	1,033	94	1,127	–
Additions	102	2,150	2,252	43
Disposals	(22)	(2,099)	(2,121)	–
At 31 December 2002	8,338	48,987	57,325	528
Depreciation				
At 1 January 2002	(2,519)	(31,285)	(33,804)	(406)
Exchange adjustments	203	1,285	1,488	–
Charged to profit and loss account	(235)	(4,635)	(4,870)	(62)
Disposals	6	1,977	1,983	–
At 31 December 2002	(2,545)	(32,658)	(35,203)	(468)
Net book value				
At 31 December 2002	5,793	16,329	22,122	60
At 31 December 2001	5,039	19,503	24,542	79

The net book value of assets held under finance leases is as follows:

	2002 £'000	2001 £'000
Plant, equipment and vehicles	63	129

Notes to the accounts continued

12. Investments

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Investments comprise:				
Investments in subsidiary undertakings	–	–	98,080	98,080
Investments in own shares	16	16	16	16
	16	16	98,096	98,096
Investments in subsidiary undertakings:				
Cost				
At 1 January 2002 and 31 December 2002				100,207
Provisions:				
At 1 January 2002 and 31 December 2002				(2,127)
Net book value at 31 December 2002				98,080
Net book value at 31 December 2001				98,080

Details of the principal subsidiary companies are as follows:

Name	Country of incorporation and operation
Dialight Corporation*	United States of America
Garufu GmbH*	Germany
BLP Components Limited	England and Wales
Weston Aerospace*	England and Wales
Norwich Aero Products Inc*	United States of America
Pressure Systems Inc.*	United States of America
Solartron Mobrey Limited*	England and Wales
ISA Controls Limited*	England and Wales
Solartron Metrology Limited	England and Wales

The Group owns all of the equity of the above companies. The investment is held directly by the Company except for those companies where indicated by*.

13. Stocks

	2002 £'000	2001 £'000
Stocks comprise:		
Raw materials and consumables	14,190	13,411
Work in progress	4,289	4,219
Finished goods and goods for resale	5,427	7,392
	23,906	25,022

14. Debtors

	Group		Company	
	2002 £'000	Restated* 2001 £'000	2002 £'000	Restated* 2001 £'000
Trade debtors	25,557	26,428	–	–
Bills receivable	247	354	–	–
Amounts due under long-term contracts	–	1,048	–	–
Amounts owed by subsidiary undertakings	–	–	29,268	31,200
Other debtors	1,430	1,512	72	393
Corporation tax recoverable	–	–	540	901
Deferred tax asset (note 18)	228	555	50	183
Prepayments – pension	609	843	–	–
Prepayments – other	1,208	1,398	–	–
	29,279	32,138	29,930	32,677
Amounts falling due after more than one year included in debtors above are:				
Deferred tax asset (note 18)	152	464	50	183
Prepayments – pension	298	476	–	–
	450	940	50	183

*Restated on adoption of FRS19 (see note 18).

15. Creditors

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Amounts falling due within one year				
Bank loans and overdrafts	19,313	15,000	16,859	16,291
Loan notes	109	116	90	110
Finance leases (note 19)	20	26	-	-
Borrowings (note 16)	19,442	15,142	16,949	16,401
Trade creditors	11,760	13,237	-	-
Other taxes and social security costs	1,432	1,725	-	39
Amounts owed to subsidiary undertakings	-	-	884	1,463
Corporation tax	1,535	1,126	-	-
Dividends payable	3,916	3,916	3,916	3,916
Accruals and deferred income	6,565	7,435	1,020	1,131
	25,208	27,439	5,820	6,549
	44,650	42,581	22,769	22,950

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Amounts falling due after more than one year				
Loan notes	-	90	-	90
Finance leases (note 19)	7	27	-	-
Borrowings (note 16)	7	117	-	90

16. Borrowings

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans and overdrafts (unsecured)	19,313	15,000	16,859	16,291
Loan notes (unsecured)	109	206	90	200
Finance leases (note 19)	27	53	-	-
	19,449	15,259	16,949	16,491
Less amounts falling due within one year	(19,442)	(15,142)	(16,949)	(16,401)
Amounts falling due after one year	7	117	-	90
The loans and loan notes are repayable				
- within one year	109	116	90	110
- between one and two years	-	90	-	90
	109	206	90	200

Further details of the borrowings are set out in note 20.

17. Analysis of net debt

	At 1 Jan 2002 £'000	Cash flow £'000	Other movement £'000	At 31 Dec 2002 £'000
Cash in hand, at bank	6,708	1,669	(630)	7,747
Debt due within one year	(15,116)	(4,216)	(90)	(19,422)
Debt due after one year	(90)	-	90	-
Finance leases	(53)	26	-	(27)
Total	(8,551)	(2,521)	(630)	(11,702)
	At 1 Jan 2001 £'000	Cash flow £'000	Other movement £'000	At 31 Dec 2001 £'000
Cash in hand, at bank	8,557	(1,932)	83	6,708
Debt due within one year	(1,792)	3,786	(17,110)	(15,116)
Debt due after one year	(17,200)	-	17,110	(90)
Finance leases	(132)	79	-	(53)
Total	(10,567)	1,933	83	(8,551)

Notes to the accounts continued

18. Provisions for liabilities and charges

	Provision for dilapidation costs		Warranty provision		Total	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Group						
At 1 January	(600)	(600)	(1,370)	(1,317)	(1,970)	(1,917)
Exchange adjustment	-	-	57	(16)	57	(16)
Profit and loss account	-	-	(348)	(307)	(348)	(307)
Utilised	-	-	474	270	474	270
Subsidiaries acquired	-	-	(56)	-	(56)	-
At 31 December	(600)	(600)	(1,243)	(1,370)	(1,843)	(1,970)

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Deferred Tax Asset				
At 1 January	(388)	409	145	132
Prior year adjustment	943	1,271	38	62
Restated	555	1,680	183	194
Profit and loss account	(297)	(1,137)	(133)	(11)
Exchange adjustment	(30)	(10)	-	-
Transferred to corporation tax	-	22	-	-
At 31 December (included in debtors - note 14)	228	555	50	183

An analysis of deferred tax is as follows:

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Capital allowances	(919)	(720)	44	38
Short-term timing differences	1,537	1,665	6	145
Gain held over	(390)	(390)	-	-
	228	555	50	183

Prior year adjustment:

The Group has implemented FRS19 "Deferred Tax" in relation to providing for deferred tax on the full provision basis. The effect of the move from the partial to the full provision was to reduce profit after tax by £159,000 (2001: £331,000) and to increase net assets by £744,000 (2001: £943,000). The effect on the Company was to increase profit after tax by £6,000 (2001: a reduction of £24,000) and to increase net assets by £44,000 (2001: £38,000). Basic earnings per share for the prior year have been restated from 16.2p to 15.7p, adjusted earnings per share from 17.9p to 17.3p and diluted earnings per share from 16.2p to 15.6p.

19. Obligations under leases

The Group has the following obligations under finance leases:

	2002 £'000	2001 £'000
Amounts payable		
Within one year	20	26
In one to two years	7	20
In two to five years	-	7
	27	53
Analysis of changes in finance leasing during the year:		
At 1 January	53	132
Capital element of finance lease repayments	(26)	(79)
At 31 December	27	53

19. Obligations under leases continued

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

	2002 £'000	2001 £'000
Plant and machinery leases which expire		
Within one year	198	102
Between one and two years inclusive	142	108
Between two and five years inclusive	183	284
	523	494
Land and buildings leases which expire		
Within one year	40	179
Between one and two years inclusive	95	150
Between two and five years inclusive	630	151
After five years	1,861	2,165
	2,626	2,645

The parent company has annual operating leases commitments of £55,000 in respect of land and buildings terminating between one and five years (2001: £55,000).

20. Financial instruments and related disclosures

Details of the Group's treasury policies and strategies are given in the Finance Director's review on pages 12 to 13.

The following table sets out the carrying amounts and the fair values of the Group's financial instruments at 31 December 2002.

Where available market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates. Short-term debtors and creditors have been excluded from these disclosures.

	Book value 2002 £'000	Fair value 2002 £'000	Book value 2001 £'000	Fair value 2001 £'000
Current assets:				
Cash at bank	7,747	7,747	6,708	6,708
Liabilities:				
Short-term borrowings and overdrafts	(19,442)	(19,442)	(15,142)	(15,142)
Long-term borrowings	(7)	(7)	(117)	(117)
Forward exchange contracts	-	754	-	255
	(19,449)	(18,695)	(15,259)	(15,004)

1. Cash at bank: The carrying amount reported in the balance sheet approximate to fair value.
2. Short-term borrowings and overdrafts – the fair value approximates to the carrying amount reported in the balance sheet because of the short maturity of these instruments.
3. Long-term borrowings: The fair value of long-term borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.
4. Forward exchange contracts: The fair value of the Group's forward exchange contracts is based on market prices and exchange rates at the balance sheet date.

Notes to the accounts continued

20. Financial instruments and related disclosures continued

Interest rate and currency profile of net debt

The Group's net debt and interest rate profile by currency is as follows:

2002	Floating rate £'000	Fixed rate		Total £'000
		£'000	Years fixed Interest rate	
Currency				
Sterling	(15,114)	(90)	0.25 5.31%	(15,204)
US dollars	6,701	-	-	6,701
Euro	(3,542)	-	-	(3,542)
Other	343	-	-	343
	(11,612)	(90)	0.25 5.31%	(11,702)

2001	Floating rate £'000	Fixed rate		Total £'000
		£'000	Years fixed Interest rate	
Currency				
Sterling	(12,547)	(200)	0.8 5.31%	(12,747)
US dollars	3,662	-	-	3,662
Euro	312	-	-	312
Other	222	-	-	222
	(8,351)	(200)	0.8 5.31%	(8,551)

The floating rate borrowings are linked to LIBOR in the UK and US Prime Rate and bank funding rates in the USA and Europe.

The interest rates and years fixed have been calculated on a weighted average basis.

Currency risk

As detailed in the financial review, the Group's policy is to utilise forward currency contracts to match exposures on financial assets and liabilities. As at 31 December 2002, after taking into account the effects of forward foreign exchange contracts, the Group had no material currency exposure.

Hedges

The Group's policy is to hedge against transactional currency exposures and currency exposures on future expected sales.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Unrecognised gains and losses and deferred gains and losses on financial instruments used for hedging are as follows:

	Gain/(loss) £'000
Gains and losses unrecognised at 31 December 2001:	255
Gains recognised in the profit and loss account in 2002	188
Gains and losses unrecognised at 31 December 2002	754
Gains and losses to be recognised in the profit and loss account in 2003	754

Borrowing facilities

At 31 December 2002 the Group had the following undrawn committed borrowing facilities available.

	2002 £'000	2001 £'000
Expiring within one year	6,824	17,394

21. Called up share capital

	2002 Number	2002 £'000	2001 Number	2001 £'000
Ordinary shares of 1p each				
Authorised	73,000,000	730	73,000,000	730
Issued and fully paid	56,754,015	568	56,745,736	567

During the year 8,279 ordinary shares of 1p each were issued for consideration of £13,000.

The employee share schemes in operation through the year were:

	Roxboro No. 1 Executive Share Option Scheme		Roxboro No. 2 Executive Share Option Scheme		Roxboro Group UK Sharesave Scheme		Roxboro No. 3 Executive Share Option Scheme	
	Shares	Pence per share	Shares	Pence per share	Shares	Pence per share	Shares	Pence per share
Options granted in previous years			77,500	230	–	–	812,500	246
	5,000	233	5,000	233	128,139	150	284,873	251
	20,000	230	–	–	–	–	410,000	194
	25,000	269	5,000	250	–	–	–	–
	110,000	292	5,000	292	–	–	–	–
Options granted at 1 January 2002	160,000		92,500		128,139		1,507,373	
Options lapsed during year	–	–	(30,000)	230	(21,190)	150	(102,500)	246
Options lapsed during year							(43,113)	251
Options lapsed during year							(50,000)	194
Options exercised during year	–	–	–	–	(8,279)	150	–	–
At 31 December 2002	160,000		62,500		98,670		1,311,760	

Exercise dates	Between 1 Nov 1996 and 14 Nov 2006	Between 9 Nov 1996 and 22 Sept 2004	Between 1 March 2003 and 30 Aug 2003	Between 21 Sept 2002 and 14 Sept 2011
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22. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Group					
At 1 January 2002	5,822	51	–	53,208	59,081
Prior year adjustment	–	–	–	943	943
Restated	5,822	51	–	54,151	60,024
Loss for the year	–	–	–	(1,593)	(1,593)
New share issue	19	–	–	(7)	12
Exchange adjustments	–	–	–	(2,987)	(2,987)
At 31 December 2002	5,841	51	–	49,564	55,456
Company					
At 1 January 2002	5,822	51	66,077	35,687	107,637
Prior year adjustment	–	–	–	38	38
Restated	5,822	51	66,077	35,725	107,675
Loss for the year	–	–	–	(2,938)	(2,938)
New share issue	19	–	–	(7)	12
At 31 December 2002	5,841	51	66,077	32,780	104,749

Goodwill amounting to £68,619,000 (2001: £71,486,000) has been written off to the profit and loss account reserve.

The Company's profit and loss account of £32,780,000 as at 31 December 2002 includes £27,507,000 (2001: £28,918,000) of non-distributable reserves.

Notes to the accounts continued

23. Reconciliation of movements in Group's shareholders' funds

	2002 £'000	Restated* 2001 £'000
The movements in Group's shareholders' funds are:		
Total recognised gains and losses	1,095	9,368
Dividends	(5,675)	(5,682)
New share capital subscribed	13	272
Net change to shareholders' funds	(4,567)	3,958
Balance brought forward (originally £59,648,000 before adding prior year adjustment of £943,000)	60,591	56,633
Balance carried forward	56,024	60,591

*Restated on adoption of FRS19 (see note 18).

24. Commitments for capital expenditure

	2002 £'000	2001 £'000
Group		
Capital expenditure contracted	413	1,101

The Company has no capital expenditure commitments.

25. Pensions

UK Defined Benefit Pension Schemes There are three separately administered defined benefit pension schemes funded by the payment of contributions. The assets of the schemes are held separately from those of the Group. The total amount contributed by the Group during 2002 was £1,052,000 (2001: £1,093,000). The contributions to the schemes normally are determined with the advice of independent qualified actuaries on the basis of triennial valuations. Interim actuarial valuations have been prepared for each of the UK Defined Benefit Schemes which showed a reduction in the funding levels. The contributions to the schemes have been increased in line with actuarial recommendations.

	Roxboro UK Pension Fund	Roxboro UK Executive Fund	Solartron Mobrey Pension Scheme
Market value of fund's assets	£9,635,000	£2,380,000	£440,000
Level of funding on an ongoing basis	98%	91%	134%
Valuation method	Defined accrued benefit method	Defined accrued benefit method	Defined accrued benefit method
Date of valuation	6 April 2002	5 April 2000	6 April 2001
Main actuarial assumptions:			
The following assumptions apply for each scheme:			
Rate of return on investment	9.0% p.a. (pre-retirement) 8.0% p.a. (in retirement)		
Annual rate of salary increases	6.0% p.a.		
Annual rate of pension increases	3.5% p.a.		
Annual rate of dividend growth	5.8% (except for the Executive Scheme which is 5.6% p.a.)		

UK Defined Contribution Schemes New employees are invited to join the schemes when they become eligible. The assets of the schemes are held separately from those of the Group in independently administered funds. The total amount contributed by these businesses was £1,272,000 (2001: £1,403,000).

There are no prepayments or accruals in the UK schemes as amounts contributed by the businesses are all paid to the Funds in the month when the contribution is due.

US Defined Benefit Pension Schemes The Group operates three defined benefit schemes for employees of US subsidiaries. The assets of the schemes are held separately from those of the Group. 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 July 2002 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 SSAP 24 accounting requirements and the requirements of ERISA. The expense for 2002 under the three pension schemes was £762,000 (2001: £241,000). As of 31 December 2002, the prepaid balance sheet asset value stands at £609,000 (2001: £843,000).

The schemes are funded according to the projected unit credit method, assuming an interest rate of 7.25%, expected salary increases of 4.0% and using the market value of assets. The total market value of assets under the two major pension schemes at 31 December 2002 was £7,910,000. (31 December 2001: £10,900,000). The Group also operates a supplemental pension scheme for senior executives determined according to the Projected Unit Credit method. The total market value of assets in this scheme at 31 December 2002 was £81,000 (2001: £264,000).

US 401K Retirement Plans The Group operates 401K Retirement Plans for employees of US companies. The total amount contributed for the year was £349,000 (2001: £479,000).

25. Pensions continued

UK Defined Benefit Pension Schemes continued

FRS17 Disclosure for the year ended 31 December 2002 The Group has continued to account for pensions in accordance with SSAP 24. FRS17 "Retirement Benefits" was issued in November 2000, however, this will not be mandatory for the Group until the year ending 31 December 2005.

The disclosures required by FRS17 in the second transitional year are set out below. These disclosures set out the difference between the market value of the pension scheme assets, and the present value of the scheme's liabilities.

The Roxboro Group PLC operates a number of defined benefit schemes in the UK and US. The actuarial valuations of these schemes have been updated to 31 December 2002 by the schemes' actuaries in accordance with FRS17 in order to value liabilities and assets.

The principal financial assumptions used in the valuation of the liabilities of the Group's schemes under FRS17 are:

	2002 UK	2001 UK	2002 US	2001 US
Inflation	2.25%	2.5%	2.5%	2.5%
Salary increases	3.0%	4.0%	3.75%	4.0%
Increase to pensions in payment	2.25%	2.25%	0%	0%
Discount rate	5.5%	6.0%	6.5%	7.25%

There is no statutory obligation to increase pension payments in the US and no percentage increase has been assumed in the calculations.

The valuations of the defined benefit schemes at 31 December 2002 were:

	Expected long-term rate of return %	2002 UK schemes £'000	Expected long-term rate of return %	2002 US schemes £'000	2002 Total £'000
Equities	6.5	10,315	8.5	5,841	16,156
Bonds	5.5	2,337	7.0	2,309	4,646
Property	6.5	291	-	-	291
Cash	4.0	523	-	-	523
Total market value of assets		13,466		8,150	21,616
Present value of scheme liabilities		(20,126)		(13,180)	(33,306)
Shortfall		(6,660)		(5,030)	(11,690)
Related deferred tax asset		1,998		1,911	3,909
Net pension liability		(4,662)		(3,119)	(7,781)

	Expected long-term rate of return %	2001 UK schemes £'000	Expected long-term rate of return %	2001 US schemes £'000	2001 Total £'000
Equities	8.0	10,269	9.5	8,445	18,714
Bonds	6.0	1,771	7.0	2,820	4,591
Property	8.0	281	-	-	281
Cash	4.0	307	-	-	307
Total market value of assets		12,628		11,265	23,893
Present value of scheme liabilities		(15,747)		(13,445)	(29,192)
Shortfall		(3,119)		(2,180)	(5,299)
Related deferred tax asset		936		829	1,765
Net pension liability		(2,183)		(1,351)	(3,534)

A transfer in the order of £3,000,000 was received during the year by the Solartron Mobrey Pension Scheme for those persons who were employees of the acquired UK Mobrey business who chose to transfer their pension entitlement from the Meggitt Group Pension Plan.

During the year the provision of post-retirement medical benefits was revised such that the cost of benefits is met by the former employees by way of premiums to provide the benefit. As a result there is no liability to the Group at the year end.

Notes to the accounts continued

25. Pensions continued

UK Defined Benefit Pension Schemes continued

The actuarial liabilities of the post-retirement scheme at 31 December 2001 were:

	£'000
Present value of scheme liabilities	(1,421)
Related deferred tax asset	540
Net post-retirement liability	(881)

On full compliance with FRS17, on the basis of the above assumptions, the amounts that would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the year ended 31 December 2002 are set out below:

	UK £'000	US £'000	Total £'000
Operating profit			
Current service cost	813	194	1,007
Death in service cost	91	–	91
Past service cost	10	–	10
Settlements/Curtailments	(19)	(106)	(125)
Total charge to operating profit	895	88	983
Finance income/(cost)			
Expected return on pension scheme assets	1,102	938	2,040
Interest on pension scheme liabilities	(1,049)	(908)	(1,957)
	53	30	83

Consolidated statement of total recognised gains and losses

Actual return less expected return on scheme assets	(3,841)	(2,318)	(6,159)
Experience gains and losses arising on scheme liabilities	263	(36)	227
Assumption changes regarding present value of liabilities	(666)	(1,087)	(1,753)
Actuarial loss recognised in statement of total recognised gains and losses	(4,244)	(3,441)	(7,685)

Movement in scheme deficits during the year:

	UK £'000	US £'000	Total £'000
Deficit in schemes at beginning of the year	(3,119)	(2,180)	(5,299)
Movement in year:			
Current service cost	(813)	(194)	(1,007)
Death in service cost	(91)	–	(91)
Contributions	1,545	222	1,767
Past service cost	(10)	–	(10)
Other finance income/(cost)	53	30	83
Settlements and curtailments	19	106	125
Actuarial loss	(4,244)	(3,441)	(7,685)
Exchange	–	427	427
Deficit in schemes at end of the year	(6,660)	(5,030)	(11,690)

A history of experience gains and losses over the period is as follows:

	UK £'000	US £'000	Total £'000
Difference between the expected and actual return on assets:			
Amount	(3,841)	(2,318)	(6,159)
Percentage of scheme assets	(29%)	(28%)	(28%)
Experience gains and losses on scheme liabilities:			
Amount	263	(36)	227
Percentage of scheme liabilities	1%	0%	1%

25. Pensions continued

UK Defined Benefit Pension Schemes continued

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2002 would be as follows:

	Net assets £'000	Profit and loss £'000
As at 31 December 2002	56,024	49,564
Deficit in relation to pension schemes (net of deferred tax assets)	(7,781)	(7,781)
SSAP 24 adjustment	(320)	(320)
	47,923	41,463

If the above amounts had been recognised in the financial statements, the Company's profit and loss reserve and net assets at 31 December 2002 would have been reduced by £547,000 (2001: £91,000).

26. Contingent liabilities

Guarantees and performance bonds given by the bank to third parties on behalf of the Group amount to £831,000 (2001: £629,000).

27. Acquisition

In February 2002 the Group acquired 100% of the share capital of Garufu GmbH based near Munich, Germany, for a cash consideration (including costs) of Euro 7m.

The impact of the acquisition on the consolidated net assets is summarised below:

	Book value £'000	Revaluation of assets acquired £'000	Accounting policy alignment £'000	Provisional fair value to Group £'000
Tangible fixed assets	1,127	–	–	1,127
Investments	9	(9) ⁽¹⁾	–	–
Stocks	364	–	71 ⁽²⁾	435
Debtors	286	(5) ⁽⁴⁾	(162) ⁽³⁾	119
Overdraft	(58)	–	–	(58)
Creditors due within one year	(370)	(43) ⁽⁵⁾	–	(413)
Provisions	(56)	–	–	(56)
	1,302	(57)	(91)	1,154
Goodwill arising on consolidation				3,145
Discharged by cash				4,299

Adjustments:

1. Reassessment of carrying value of investment.
2. Reassessment of the valuation of stock in accordance with SSAP 9.
3. Realignment of accounting policy for long-term contracts in accordance with SSAP 9.
4. Reassessment of the realisable value of amounts recoverable from debtors.
5. To provide for costs all of which existed at the date of acquisition, arising from taxation payable.

Notes to the accounts continued

27. Acquisition continued

The cash flow arising on the acquisition was as follows:

	£'000
Cash consideration	4,299
Add: net debt in acquired business	58
Net cash outflow on acquisition	4,357

The following summarises the profit after taxation for the latest period prior to acquisition being the year ended 31 December 2001:

	£'000
Profit after taxation	27

The summarised profit and loss account for the period 1 January 2002 to the date of acquisition was as follows:

	£'000
Turnover	311
Operating loss	(16)
Loss before taxation	(16)

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 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 Company and 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 Company 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.

Independent auditor's report

to the members of The Roxboro Group PLC

We have audited the accounts on pages 24 to 44. We have also audited the information in the directors' remuneration report that is described as having been audited.

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 auditor's 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

The directors are responsible for preparing the annual report and the directors' remuneration report. As described above, this includes responsibility for preparing the accounts in accordance with applicable UK law and accounting standards. Our responsibilities, as independent auditors, are established in the UK by statute, the Auditing Practices board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the directors' remuneration report to be audited are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 Group is not disclosed.

We review whether the statement on page 22 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement and the unaudited part of the directors' remuneration report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit 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 and the part of the directors' remuneration report to be audited. 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 and the part of the directors' remuneration report to be audited are free from material mis-statement, 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 and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- The accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002 and of the profit of the Group for the year then ended; and
- the accounts and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham
18 March 2003

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Wednesday 23 April 2003 at 11.30 am at The City of London Club, 19 Old Broad Street, London EC2N 1DS for the following purposes:

1. To receive the Company's annual accounts for the financial year ended 31 December 2002, together with the directors' report and the auditors' report on those accounts.
2. To declare a final dividend.
3. To reappoint KPMG Audit Plc as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.
4. To reappoint Sir Alan Cockshaw who retires by rotation in accordance with the Company's Articles of Association.
5. To reappoint Harry Tee who retires by rotation in accordance with the Company's Articles of association.
6. To pass the following resolution as an ordinary resolution:
"That the limit on the maximum aggregate annual sum which may be paid per annum by the Company to the directors by way of fees for their services as set out in Article 87 of the Articles of Association be and is hereby increased from £100,000 to £200,000".
7. To pass the following resolution as a special resolution:
"To authorise the Company generally and unconditionally to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 1p in the capital of the Company ("ordinary shares") provided that:
 - (a) the maximum aggregate number of ordinary shares authorised to be purchased is 5,675,401 (representing 10% of the issued ordinary share capital);
 - (b) the minimum price which may be paid for an ordinary share is 1p;
 - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from The Daily Official List of the United Kingdom Listing Authority for the five business days immediately preceding the day on which the purchase is made;
 - (d) this authority expires at the conclusion of the Annual General Meeting of the Company to be held in 2004 or within 15 months from the date of the passing of this resolution whichever is earlier; and
 - (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract."
8. To pass the following resolution as an ordinary resolution:
"To renew the authority conferred upon the directors under Article (4)(B) of the Company's Articles of Association for the period expiring at the earlier of the conclusion of the Annual General Meeting of the Company held in 2004 and 15 months after the date of the passing of this resolution and for that period the "Section 80 amount" is £162,461."
9. To pass the following resolution as a special resolution:
"To renew the authority conferred upon the directors under Article 4(C) of the Company's Articles of Association for the period expiring at the earlier of the conclusion of the Annual General Meeting of the Company held in 2004 and 15 months after the date of the passing of this resolution and for that period the "Section 89 amount" is £28,377."
10. To pass the following resolution as an ordinary resolution:
"To approve the directors' remuneration report for the year ended 31 December 2002".
11. To pass the following resolution as a special resolution:
 - (a) To ratify and confirm the breach of the Articles of Association of the Company arising out of the payment by the Company to its non-executive directors of aggregate fees for their services in excess of the maximum aggregate limit of £100,000 per annum permitted as being so payable under Article 87 of the Articles of Association of the Company and consisting of:
 - (i) an aggregate overpayment of £7,000 paid to the non-executive directors of the Company in the year ended 31 December 2000; and
 - (ii) an aggregate overpayment of £17,000 paid to the non-executive directors of the Company in the year ended 31 December 2001.(together the overpayments);
 - (b) to waive all and any claims or rights of action the Company may have against its directors (both past and present) arising out of payment of the overpayments; and
 - (c) to approve the payment to the non-executive directors of the Company of an aggregate amount of £33,000 in relation to unpaid fees for services provided by such non-executive in the year ended 31 December 2002, to authorise the directors of the Company to make such payment and to confirm that the payment of such amounts shall not be a breach of the Articles of Association of the Company

By order of the board

C A Buckley Company Secretary
18 March 2003

Notes

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and (if required by the directors) a power of attorney or other authority under which it is executed (or a copy of it notarially certified or certified some other way approved by the directors) must be deposited at the Company's registrars, Lloyds TSB, PO Box 28448, Finance House, Orchard Brae, Edinburgh, EH4 1WQ not less than 48 hours before the time for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting. An instrument of proxy not delivered in accordance with this note is invalid.
3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00 pm on Monday 21 April 2003 shall be entitled to attend or vote at this Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00 pm on Monday 21 April 2003 shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.
4. Copies of all directors' service contracts are available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) and will also be available at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.
5. The register of directors' interests kept by the Company under Section 325 of the Companies Act 1985 will be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.

Five year summary

for the years ended 31 December

	2002 £m	2001 £m	2000 £m	1999 £m	1998 £m
Turnover	156.0	174.9	171.6	124.8	114.2
Research and development expenditure	9.5	9.9	8.2	6.9	6.4
Operating profit before goodwill and non-recurring costs	8.6	16.3	24.9	19.2	17.2
Non-recurring operating costs	–	–	–	(0.7)	–
Goodwill	(1.1)	(0.9)	(0.9)	(0.3)	–
Operating profit	7.5	15.4	24.0	18.2	17.2
Exceptional items	–	–	(0.1)	–	–
Net interest (payable)/receivable	(0.9)	(1.0)	(2.2)	(0.3)	0.3
Profit before taxation	6.6	14.4	21.7	17.9	17.5
Operating cash flow	13.0	19.8	27.3	18.7	16.7
Net (borrowings)/cash	(11.7)	(8.6)	(10.6)	(10.2)	11.9
Shareholders' funds	56.0	60.6*	56.6*	45.8*	38.4*
	Pence	Pence	Pence	Pence	Pence
Statistical information					
Earnings per share – Adjusted	9.1	17.3*	26.1*	22.0*	21.5*
Earnings per share – Basic	7.2	15.7*	26.0*	20.4*	21.5*
Dividends per share	10.0	10.0	9.5	8.7	8.0
Dividend cover (times)	0.7	1.6*	2.7*	2.3*	2.7*
Operating margin before goodwill	5.5%	9.3%	14.5%	14.8%	15.0%
Return on Capital Employed	13.3%	25.4%*	42.4%*	39.7%*	44.8%*
Added value per employee (£'000)	31.0	36.4	38.5	36.7	35.8

*Restated on adoption of FRS19

Directory of principal activities

The Roxboro Group PLC

Byron House
Cambridge Business Park
Cambridge CB4 0WZ
Telephone: 01223 424626
Facsimile: 01223 424656
Email: roxboro@roxboro.com
www.roxboro.com

Dialight

Dialight Corporation

1501 Route 34 South
Farmingdale
New Jersey 07727
USA
Telephone: +1 732 919 3119
Facsimile: +1 732 751 5778
Email: info@dialight.com
www.dialight.com

Garufo

Gewerbepark Spörerau 25
D-86368 Wang
Germany
Telephone: +49 87 09 92 490
Facsimile: +49 87 09 92 4910
Email: garufo@t-online.de
www.garufo.com

BLP

Exning Road
Newmarket
Suffolk CB8 0AX
Telephone: 01638 665161
Facsimile: 01638 660718
Email: sales@blpcomp.com
www.blpcomp.com

Solartron

Solartron Mobrey

158 Edinburgh Avenue
Slough
Berkshire SL1 4UE
Telephone: 01753 756600
Facsimile: 01753 823589
Email: sales@solartron.com
www.solartronmobrey.com

Solartron ISA

Hackworth Industrial Park
Shildon
Co. Durham DL4 1LH
Telephone: 01388 773065
Facsimile: 01388 774888
Email: sales@solartronisa.com
www.solartronisa.com

Solartron Analytical

Unit B1, Armstrong Mall
Southwood Business Park
Farnborough
Hampshire GU14 0NR
Telephone: 01252 556800
Facsimile: 01252 556899
Email: info@solartronanalytical.com
www.solartronanalytical.com

Solartron Metrology

Steyning Way
Bognor Regis
West Sussex PO22 9ST
Telephone: 01243 833300
Facsimile: 01243 861244
Email: sales@solartronmetrology.com
www.solartronmetrology.com

Weston

Weston Aerospace

Victoria Road
Farnborough
Hampshire GU14 7PW
Telephone: 01252 544433
Facsimile: 01252 371216
Email: sales@westonaero.com
www.westonaero.com

Norwich Aero Products

50 O'Hara Drive
PO Box 109
Norwich
New York 13815
USA
Telephone: +1 607 336 7636
Facsimile: +1 607 336 2610
Email: norwichaero@norwichaero.com
www.norwichaero.com

Pressure Systems

34 Research Drive
Hampton
Virginia 23666
USA
Telephone: +1 757 865 1243
Facsimile: +1 757 766 2644
Email: sales@psih.com
www.PressureSystems.com

The Roxboro Group PLC
Byron House
Cambridge Business Park
Cambridge CB4 0WZ
Telephone: 01223 424626
Facsimile: 01223 424656
Email: roxboro@roxboro.com
www.roxboro.com