

Directors' report

The directors present their report and the audited accounts of the Group for the year ended 31 December 2001.

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 17.

Group profit and loss account and dividends The Group profit and loss account is set out on page 26.

The directors recommend a final dividend of 6.9p per share, amounting to £3,916,000. This, together with the interim dividend of 3.1p per share paid on 18 October 2001 and amounting to £1,766,000, gives a total dividend for the year of 10.0p per share amounting to £5,682,000. The recommended final dividend, if approved at the Annual General Meeting, will be payable on 30 April 2002 to members on the register at close of business on 2 April 2002.

Directors The members of the board of directors at the date of this report are detailed on page 18, together with brief biographical details.

Mr R C H Jeens was appointed as a non-executive director of the Company on 11 May 2001.

Mr J L Hewitt and Mr W H Whiteley were appointed as non-executive directors of the Company on 11 September 2001.

Mr R Koch and Mr L Bury retired as directors on 11 September 2001 and 24 April 2001 respectively.

In accordance with the Articles of Association Mr A J Vaisey will retire by rotation and being eligible offers himself for reappointment.

In accordance with the Articles of Association Mr P A M Curry will retire as a director of the Company and being eligible offers himself for reappointment. Mr Curry is a member of the Remuneration, Nominations and Audit Committee.

In accordance with the Articles of Association, Messrs J L Hewitt, R C H Jeens and W H Whiteley will vacate office and being eligible, will offer themselves for reappointment. All three non-executive directors are members of the audit and remuneration committees.

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.

	4 March 2002 ordinary shares of 1p each	Percentage of issued ordinary shares of 1p each
Aberforth Partners' clients	8,191,500	14.43%
CGNU plc and its subsidiaries	7,358,871	12.97%
Fidelity International Limited	4,714,968	8.31%
Prudential plc	2,262,258	3.99%
Legal & General Investment Management	2,082,695	3.67%

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.

Roxboro is a sponsor of YEDA (the Young Electronic Design Award) which encourages young people to take an interest in electronics technology while still at school. HRH the Duke of York is the YEDA Patron.

The directors believe this two year sponsorship of £12,500 per annum to be an important initiative in addressing the skills shortage in the United Kingdom and showing young people the attractions of the electronics industry.

Roxboro is also proud to be the principal sponsor of Cantate, a group which encourages young people from 8 to 18 years of age to participate in music. Roxboro has supported this group which draws its members from Hertfordshire and Cambridgeshire and has two choirs through a three year sponsorship of £10,000 per annum. The Cantate Junior Choir won the Sainsbury Junior Choir of the Year Competition at the Royal Albert Hall at the end of 2000, an achievement in which Roxboro was proud to have played a part, and was runner-up in a worldwide children's choir competition.

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 £5,000 (2000: £3,000) 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 increase 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 2001 the Group had an average of 43 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 24 April 2002 are set out in the Notice of Annual General Meeting on page 43 of this document. Resolutions 1 to 8 are resolutions relating to ordinary business, whilst resolutions 9 to 11 will be special business. Details of the resolutions relating to special business are set out below:

Special resolution 9 seeks to renew the authority from shareholders to enable the Company to purchase its own ordinary shares. This authority will apply for up to 5,675,401 ordinary shares, representing 10% of the Company's issued ordinary share capital. Purchases will only be made on the London Stock Exchange at a maximum price per share equal to 105% of the average middle market quotations for an ordinary share of the Company taken from the Daily Official List of the United Kingdom Listing Authority for the five business days immediately before the day on which the ordinary shares are purchased. If granted, the authority will expire at the conclusion of the Annual General Meeting in 2003 or within 15 months of the passing of this resolution, whichever is the earlier.

The directors are of the opinion that this authority, if renewed, will continue to give them greater flexibility to manage the issued share capital of the Company for the benefit of the shareholders and would only use this authority if it is for the benefit of the shareholders as a whole. The directors have no present intention of exercising the authority conferred by this resolution.

Ordinary resolution 10 gives authority to the directors to allot ordinary shares up to an aggregate nominal amount of £162,459 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. If granted, the authority will expire at the earlier of the conclusion of the Annual General Meeting to be held in 2003 and the date 15 months from the date of the passing of the resolution, and will replace a similar authority granted on 25 April 2001 and which expires at the conclusion of the forthcoming Annual General Meeting. Save for any ordinary shares issued pursuant to the exercise of options granted under the Share Option Schemes, the directors have no present intention of exercising the authority conferred by this resolution.

Special resolution 11 seeks authority for the directors, until the earlier of the conclusion of the Annual General Meeting to be held in 2003 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. The power will, if granted, replace the similar power conferred on the directors on 25 April 2001.

Events since the balance sheet date On 28 February 2002, the Group acquired 100% of the share capital of Garufo GmbH. Further details are set out in note 29.

Auditors Ernst and Young LLP resigned as auditors during the year and the directors appointed KPMG Audit Plc to fill the casual vacancy arising. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment 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 2002