

# 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
<b>a) Turnover</b>		
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
	<b>156,027</b>	174,934
By geographical origin:		
UK	83,180	93,097
USA	69,205	79,502
Other European countries	14,945	13,788
	<b>167,330</b>	186,387
Inter-segment sales	<b>(11,303)</b>	(11,453)
	<b>156,027</b>	174,934
By business operation:		
Dialight	59,812	65,921
Weston	31,370	40,212
Solartron	64,845	68,801
	<b>156,027</b>	174,934

## 2. Segmental information continued

	2002 £'000	2001 £'000
<b>b) Operating profit</b>		
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
<b>c) Net assets</b>		
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
<b>a) Operating profit is stated after charging</b>		
Auditors' remuneration	235	190
Depreciation on owned fixed assets	4,850	5,048
Depreciation on assets held under finance leases	20	20
	<b>4,870</b>	5,068
Amortisation of intangible asset	16	–
Amortisation of goodwill	1,081	950
	<b>1,097</b>	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
	<b>3,123</b>	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
	<b>516</b>	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>b) Acquisition</b>				
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	<b>7,769</b>	<b>(313)</b>	<b>7,456</b>	15,377

	2002 £'000	2001 £'000
<b>c) Reconciliation of operating profit to cash flow from operating activities</b>		
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	<b>12,975</b>	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
	<b>49,833</b>	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
	<b>1,854</b>	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)
	<b>(986)</b>	(1,201)
Interest receivable:		
Bank deposit interest	103	223
Net interest payable	<b>(883)</b>	(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
	<b>1,512</b>	2,531
Overseas tax		
Current	690	1,919
Adjustments in respect of prior years	(8)	(69)
	<b>682</b>	1,850
Total current tax	<b>2,194</b>	4,381
Deferred tax		
Current year	496	1,071
Adjustments in respect of prior years	(199)	66
	<b>297</b>	1,137
Total tax charge	<b>2,491</b>	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	<b>6,573</b>	14,399
Notional charge at UK corporate tax rate at 30%	<b>1,972</b>	4,320
Differences in effective overseas tax rates	<b>110</b>	302
Goodwill amortisation for which no tax relief is due	<b>324</b>	285
Items not deductible for tax purposes	<b>80</b>	125
Unrecognised losses	<b>220</b>	145
Adjustments in respect of prior years	<b>(16)</b>	275
Current year deferred tax movements taken to profit and loss account	<b>(496)</b>	(1,071)
Total current tax charge	<b>2,194</b>	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)	<b>1,759</b>	1,766
Final proposed 6.9p (2001: 6.9p)	<b>3,916</b>	3,916
	<b>5,675</b>	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	<b>56,754</b>	56,705
Dilutive potential ordinary shares:		
Employee share options	-	97
	<b>56,754</b>	56,802

	2002 pence	Restated* 2001 pence
Reconciliation to adjusted earnings per share		
Basic earnings per share	<b>7.2</b>	15.7
Amortisation of intangible assets of £1,097,000 (2001: £950,000)	<b>1.9</b>	1.6
Adjusted earnings per share	<b>9.1</b>	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
<b>Cost</b>			
At 1 January 2002	–	18,995	18,995
Additions	573	3,145	3,718
<b>At 31 December 2002</b>	<b>573</b>	<b>22,140</b>	<b>22,713</b>
<b>Amortisation</b>			
At 1 January 2002	–	(2,162)	(2,162)
Provided during the year	(16)	(1,081)	(1,097)
<b>At 31 December 2002</b>	<b>(16)</b>	<b>(3,243)</b>	<b>(3,259)</b>
<b>Net book value</b>			
<b>At 31 December 2002</b>	<b>557</b>	<b>18,897</b>	<b>19,454</b>
At 31 December 2001	–	16,833	16,833

## 11. Tangible assets

	<b>Group</b>			<b>Company</b>
	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000	Equipment and vehicles £'000
<b>Cost</b>				
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)	–
<b>At 31 December 2002</b>	<b>8,338</b>	<b>48,987</b>	<b>57,325</b>	<b>528</b>
<b>Depreciation</b>				
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	–
<b>At 31 December 2002</b>	<b>(2,545)</b>	<b>(32,658)</b>	<b>(35,203)</b>	<b>(468)</b>
<b>Net book value</b>				
<b>At 31 December 2002</b>	<b>5,793</b>	<b>16,329</b>	<b>22,122</b>	<b>60</b>
At 31 December 2001	5,039	19,503	24,542	79

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

	<b>2002</b> £'000	2001 £'000
Plant, equipment and vehicles	<b>63</b>	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)
<b>Net book value at 31 December 2002</b>				<b>98,080</b>
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
<b>Plant and machinery leases which expire</b>		
Within one year	198	102
Between one and two years inclusive	142	108
Between two and five years inclusive	183	284
	<b>523</b>	494
<b>Land and buildings leases which expire</b>		
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
	<b>2,626</b>	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
<b>Current assets:</b>				
Cash at bank	7,747	7,747	6,708	6,708
<b>Liabilities:</b>				
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
	<b>(19,449)</b>	<b>(18,695)</b>	(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	<b>73,000,000</b>	<b>730</b>	73,000,000	730
Issued and fully paid	<b>56,754,015</b>	<b>568</b>	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	–	–
<b>At 31 December 2002</b>	<b>160,000</b>		<b>62,500</b>		<b>98,670</b>		<b>1,311,760</b>	

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
<b>Group</b>					
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)
<b>At 31 December 2002</b>	<b>5,841</b>	<b>51</b>	<b>–</b>	<b>49,564</b>	<b>55,456</b>
<b>Company</b>					
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
<b>At 31 December 2002</b>	<b>5,841</b>	<b>51</b>	<b>66,077</b>	<b>32,780</b>	<b>104,749</b>

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
<b>Main actuarial assumptions:</b>			
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
<b>Operating profit</b>			
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
<b>Finance income/(cost)</b>			
Expected return on pension scheme assets	1,102	938	2,040
Interest on pension scheme liabilities	(1,049)	(908)	(1,957)
	53	30	83
<b>Consolidated statement of total recognised gains and losses</b>			
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)
<b>Movement in year:</b>			
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
<b>Difference between the expected and actual return on assets:</b>			
Amount	(3,841)	(2,318)	(6,159)
Percentage of scheme assets	(29%)	(28%)	(28%)
<b>Experience gains and losses on scheme liabilities:</b>			
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 Garufo 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) <sup>(1)</sup>	–	–
Stocks	364	–	71 <sup>(2)</sup>	435
Debtors	286	(5) <sup>(4)</sup>	(162) <sup>(3)</sup>	119
Overdraft	(58)	–	–	(58)
Creditors due within one year	(370)	(43) <sup>(5)</sup>	–	(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 a 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.