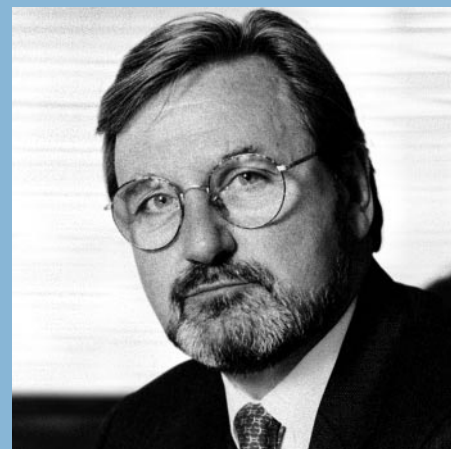


Chief Executive's review

Resizing operations to match demand and getting the right balance is a continuous process at Roxboro. As a result of the initiatives implemented by the Group in 2002 Roxboro has entered 2003 with a significantly lower cost base. The workforce across the Group has been reduced, but further cost reductions have also been achieved through production transfers to lower cost territories and our continuing investment in our Roxboro Business Techniques (RoBusT) Programmes. All Dialight's labour-intensive production, particularly at the Signals Division, has now been transferred from US facilities to our enlarged plant in Ensenada, Mexico. Additionally, and specifically at the Signals Division of Dialight, new supply agreements have been agreed with key suppliers significantly reducing material costs.

The combination of the two factors outlined above will benefit the current year as lower labour and material costs are incurred progressively on the Signal products. At Solartron some European production has also been transferred to lower cost economies. For example circuit board assembly has been transferred to Eastern Europe while other parts are being assembled in China. At Weston further reductions in staffing levels were carried out in October and some parts are now being sourced in the Far East.

Within our own manufacturing facilities our RoBusT programmes, applying the latest operation improvement practices including Six Sigma, drive efficiency improvement throughout our operations and are critical to our ability to continue to do business with our key customers. The drive to high levels of excellence in customer service efficiency and productivity will continue to be critical to Roxboro's performance over the long term, although the results of these programmes are not always immediately apparent in the profit and loss account.



Harry Tee
Chief Executive

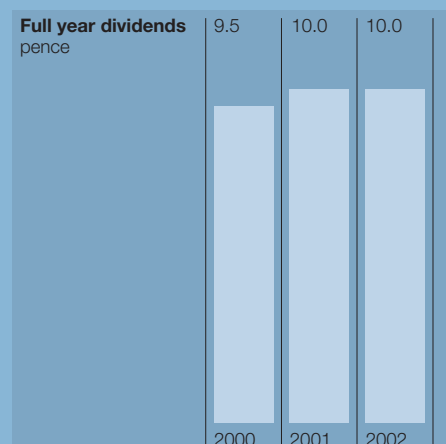
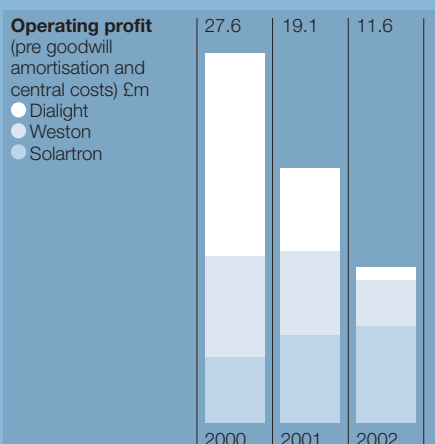
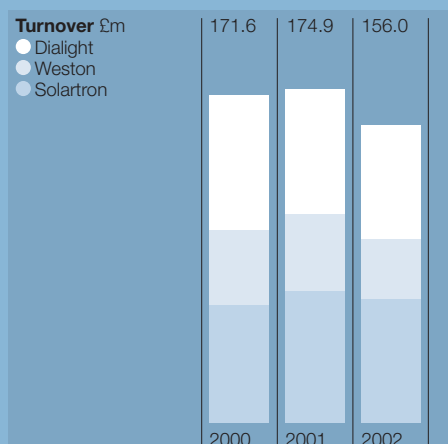
Divisional performance Weston

	2002 £m	2001 £m
Turnover	31.4	40.2
Operating profit	3.4	6.3

The civil aerospace industry continued to be weak throughout 2002 and as a result Weston's demand from OEMs and from airlines for spares was well down. Costs were reduced substantially late in 2001 with a further tranche in October 2002. Despite market weakness we continued to invest in the business's future by maintaining our spend on new programmes and new products. In particular, the Trent 500 programme was completed for Rolls-Royce and the products are now in production. Additionally, Weston reached an agreement with Rolls-Royce to supply an Eddy Current based speed system for the Rolls-Royce Avon engines used in the power generation industry. This exclusive deal will give Weston access to the entire installed base of Avon engines with a significantly improved retrofit product. Work to produce sensors for other engine producers in the power sector is continuing.

As passenger traffic, on long haul flights in particular, has fallen so too has demand for spare parts supplied by Weston directly to the airline carriers. This was exacerbated because of stocks held by OEMs, engine repairers and our distributors. As these stocks are reduced we would expect to see our sales of spares begin to improve.

Despite the overall weakness in the market Weston has continued to improve its market position with an ever increasing serviceable market. This position will lead to future growth as the company increases the number of aerospace and power platforms on which it has approved products. In 1994 when Roxboro acquired Weston its products were qualified for only 6% of the available world market. Today the company has a qualified product range capable of addressing 20% of the market and this grows annually as Weston's superior products and technology take market share both on new programmes and in after-market retrofits.





Following the acquisition of Garufo GmbH and its integration into Dialight, a team was set up to develop a universal, low cost traffic light utilising the latest super-bright LED technology. This team comprised engineers from Dialight, USA and Garufo, Germany drawing on the skills and expertise of both companies.

The resultant product will be introduced in the second quarter of 2003 and will meet the requirements of both the US and European markets including the high sun-phantom factor required for northern Europe.

The Garufo team from left to right is: Michael Hertrich, Hanno Reimann and Markus Lomberg.

Dialight

	2002 £m	2001 £m
Turnover	59.8	65.9
Operating profit	1.0	6.2

The performance of Dialight in 2002 was disappointing and resulted from two key issues. Firstly the continuing weakness in the telecoms sector led to the annual demand for the company's opto-electronic components being the lowest since 1991. With a high level of operational gearing, the profitability of the OE Division fell markedly as a consequence of the reduced volume.

This product line carries a high contribution margin so when volumes begin to pick up again, more normal levels of profitability can be expected to return, although the volumes experienced in the heady days of the Internet bubble are unlikely to return for some considerable time. New initiatives in this Division include the establishment of the Luxeon Design Centre, a programme developed with LumiLeds, the world's leading producer of super-bright LEDs and Future Electronics, their distributor in the United States. Dialight's role will be to design, develop and produce light-engines utilising the latest super-bright LED technology with associated optics for OEMs who wish to incorporate this new technology lighting into their products. Dialight has also turned its attention to the automotive industry where new LED applications are on the increase. A typical example of this is where a Dialight assembly provides the backlighting to a switch cluster with multiple legends on American SUVs. We aim to develop many new automotive applications for both internal and external lighting over the coming years.

The Signals Division had a disappointing year. Firstly the growth in the conversion of US traffic signals to electronic lighting slowed as a result of the general economic climate adversely impacting State and City tax receipts. Secondly the market equilibrium was affected in the second quarter by aggressive competitive pricing. As a result the average selling price dropped more quickly than had been expected and Dialight lost some key contracts early in the year. Sales improved in the second half with Dialight winning over 50% of the bids issued, however, the company continued to utilise materials purchased in the first half at higher cost, causing margins to be squeezed. In the second half all Signals production was transferred to our enlarged facility in Ensenada, Mexico, with a consequential cost reduction. New pricing structures are now in place with all key suppliers and a number of further cost reduction initiatives will have the effect of improving margins over the course of 2003. The operating performance of the Division improved markedly in the second half as some of these initiatives began to take effect.

Despite a setback on road signals, the Division had a number of notable successes with other electronic lighting products including a \$5m contract for rail signals from New York City Transit near the end of the year. Dialight now produces new technology lighting products for rail, airport and road all utilising the very latest super bright electronic lighting technology.

In Europe the conversion to electronic lighting is beginning to speed up and, following our acquisition of Garufo in February, sales more than doubled in the second half year.

In July Roy Burton was appointed President and CEO of Dialight and immediately set about a significant programme to improve operational performance, particularly in the Signals Division. The results of this work have already begun to show through in the performance of the company.



During the course of the past year Solartron ISA has enjoyed great success with its wet gas metering products and in particular the Dualstream 2 wet gas meter.

The Dualstream 2 meter was introduced to the product portfolio following extensive development work carried out by Solartron ISA's development team at the National Engineering laboratory in East Kilbride. The manufacturing technology for this product followed closely the know-how established for Dualstream 1, however a considerable amount of further manufacturing development work was needed to ensure the unique geometry of the meter could be produced to comply with the highest international pressure vessel standards at working pressures up to 670 bar.

The product won the top achievement award of the Worshipful Company of Scientific Instrument Makers in 2001 and the Institution of Chemical Engineers' special category for Total Processing and Packaging Award in 2002.

This is an example of market leadership achieved by the combination of advanced technology and in-depth application know-how from a Roxboro Company.

The Solartron ISA team from left to right is: Mark Tudge, Ken Gibson, Steve Clarke and Stuart Dinsdale.

Solartron

	2002 £m	2001 £m
Turnover	64.8	68.8
Operating profit	7.2	6.5

Despite weakness in certain markets Solartron performed very satisfactorily in 2002. Following the integration of Mobrey into Solartron in 2000 the primary focus in 2002 was to substantially improve operational performance and to serve customers much better. Although this is a never ending project, significant progress was made in the year through the implementation of the Group's RoBusT programme. An example of this is the On-Time-Delivery (OTD) statistic. Through using RoBusT, Solartron Mobrey has substantially improved its OTD performance to a sustainable +94% from less than 50% when the business was acquired.

A number of product lines were discontinued from the wide range on offer at Solartron Mobrey with the result of disguising underlying growth on other products but with the benefit of improving margins.

A number of new products were introduced during the year, including the MSP900 ultrasonic level measurement transmitter/controller which is aimed primarily at the water market and has quickly become the product of choice for Thames Water among others. It is used in tank gauging and open-channel flow measurement of waste water in water treatment plants and other applications.

The company also introduced Multistream Metering Software which runs on Solartron's 7955 flow computer platform. This provides fully independent multi-stream fiscal metering of oil or gas in a single computer giving the customer substantial cost benefits.

These and other products were launched in the second half of 2002 and will contribute to 2003 performance.

At Solartron ISA good progress was maintained in developing the market for the Dualstream 2 wet gas measurement product family. This market is highly conservative and it will take time for confidence to build but with a number of systems now operating sub-sea in the Mexican Gulf and a number of others elsewhere, the indications look encouraging.

The Solartron Analytical business unit was affected by the continuing weak economy in Japan, which has historically been a strong market for its products, and the slowing economy in the United States. The business enjoyed excellent success, in China however, where sales have tripled over the past three years. In particular China has become a key market for the Metalscan M2500 family of spectrometers where they are used extensively in the metals industry. The company has invested in developing the Chinese market for its products and as the Chinese economy continues to grow and develop, demand for sophisticated instrumentation will continue to increase.

Solartron Metrology had an acceptable year despite weakness in the US automotive sector. The key to success in this business is continuously finding new applications for its high quality gauging sensors. Among the successes in the past few years has been the company's ability to address measurement issues in the glass industry. Applications include automotive, television, curved and flat screen displays and many others.