

Directors' report

The directors present their report and the audited accounts of the Group for the year ended 31 December 2003.

Principal activities

The principal activities of the Company and its subsidiary undertakings during the year were the manufacture and sale of electronic measurement products for the 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 ordinary share, amounting to £2,075,000. This final dividend together with the interim dividend of 3.1p per ordinary share paid on 16 October 2003, which amounted to £932,000, gives a total dividend for the year of 10.0p per ordinary share amounting to £3,007,000. The recommended final dividend, if approved at the Annual General Meeting, will be payable on 30 April 2004 to members on the register at close of business on 26 March 2004.

Directors

The members of the board of directors throughout the year and at the date of this report are detailed on page 15, together with brief biographical details.

In accordance with the Articles of Association, Mr R Jeens and Mr J Hewitt will retire at the forthcoming Annual General Meeting by rotation and being eligible offer themselves for reappointment. Mr Jeens and Mr Hewitt are both members of the remuneration, nominations and audit committees.

Mr P A M Curry retired as a director of the Company on 23 April 2003.

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 2004 ordinary shares of 1.89p each	Percentage of issued ordinary shares of 1.89p each
Aberforth Partners	7,346,927	24.4%
Aviva	3,288,589	10.9%
Trustees of Royal Mail Pension Scheme	2,156,409	7.2%
Prudential PLC	1,196,962	4.0%
Legal and General Investment Management	1,035,505	3.4%

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 £3,000 (2002: £10,000) was donated to a single charity.

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 strongly invest 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 2003, the Group had an average of 45 days' (2002: 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 26 April 2004 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 10 will be special business. Details of the resolutions relating to special business are set out below:

Special resolution 6 seeks to renew the authority from shareholders to enable the Company to purchase its own ordinary shares. This authority will apply for up to 3,007,209 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 2005 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 7 gives authority to the directors to allot ordinary shares up to an aggregate nominal amount of £161,638 being the authorised ordinary share capital less issued share capital, and representing approximately 28% 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 2005 and the date 15 months from the date of the passing of the resolution, and will replace a similar authority granted on 23 April 2003 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 8 seeks authority for the directors, until the earlier of the conclusion of the Annual General Meeting to be held in 2005 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 £28,418 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 23 April 2003.

Resolution 9, which is an ordinary resolution, seeks shareholder approval of the Directors' Remuneration Report, which is set out on page 18 to 21 of this document.

Special resolution 10 proposes (in paragraph (a) of the resolution) a reduction of the authorised share capital in relation to the B shares and (in paragraph (b) of the resolution) an amendment to the Articles of Association of the Company to reflect the composition of the authorised share capital of the Company following the reduction of the authorised share capital in relation to the B shares.

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
15 March 2004