

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 J Hewitt with the other non-executive directors Sir Alan Cockshaw, R Jeens and W Whiteley as members. During the last financial year the committee met on three occasions to determine on behalf of the Board the framework of executive remuneration.

In determining the remuneration packages, the remuneration committee may seek the view of other Board members. The committee also draws on advice from independent consultants to provide independent market information and remuneration advice. 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 some of the remuneration committee meetings, but not 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 or cash alternative and health care 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 fully expensed company car or cash alternative 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 2003 bonuses were earned at three 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 matured during the year with 65,090 options exercised by the Group's employees. The options were 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. One award was made during the year at the issue price of 230p per share.

Directors' remuneration and pension entitlements

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

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

	Basic salary £'000	Bonuses ⁽¹⁾ £'000	Salary supplement £'000	Taxable benefits £'000	Fees £'000	Share option exercised £'000	Total 2003 £'000	Total 2002 £'000
Sir Alan Cockshaw	–	–	–	–	50	–	50	50
H L Tee	235	35	–	28	–	5	303	261
A J Vaisey	210	32	34 ⁽²⁾⁽³⁾	12	–	–	288	330
J Hewitt	–	–	–	–	20	–	20	20
R Jeens	–	–	–	–	20	–	20	20
W Whiteley	–	–	–	–	20	–	20	20
P A M Curry	–	–	–	–	7	–	7	20
	445	67	34	40	117	5	708	721

- (1) The executive directors were not awarded bonuses during 2003 under the performance related scheme described above. The executive directors were awarded a discretionary bonus on the disposal of the Weston Group equivalent to 15% of annual salary. The bonus was calculated by reference to the excess of the gross consideration of the transaction over the target set by the remuneration committee.
- (2) On the anniversary of the car replacement date Mr Vaisey chose the cash alternative to a company car and has received an additional payment of £6,500 classified as salary supplement.
- (3) Mr Vaisey received an additional payment amounting to £27,300 classified as a salary supplement, to compensate for the expected tax liability which arises in respect of the Company's contribution to the unapproved pension scheme.

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.

Pension benefits earned by directors (defined benefit schemes)

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 31/12/03 £'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 31/12/02 £'000	Transfer value of accrued benefits at 31/12/03 £'000	Increase in transfer value less directors' contributions £'000
Mr H L Tee	128	5	8	63	1,386	1,962	562

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.

The actuaries advised the Company that the recommended assumptions used under GN11 have been revised, particularly in respect of life expectancy tables and rates of investment returns. This contributed to a part of the increase in the transfer value.

Pension contributions paid on behalf of directors (money purchase schemes)

	Contributions £'000
Mr A J Vaisey	84 (2002: 7 (see note 2))

Notes

- In 2002 the pension arrangements for Mr Vaisey transferred from a defined benefit basis to a money purchase basis and additional contributions were made in 2002 as detailed in the 2002 accounts. The contributions shown above for 2002 of £7,000 represent those made payments made to the money purchase scheme following the transfer of the benefits.
- The contributions shown above of £84,000 in 2003 and £7,000 in 2002 are the total amounts paid by the Company in equal amounts to The Roxboro Group UK Pension Scheme and to an unapproved pension scheme.

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

Directors' remuneration report continued

Directors' beneficial interests

Directors' beneficial interests in the shares in the company are set out below:

	Ordinary Shares At 31 December 2003	B Shares At 31 December 2003	Ordinary Shares At 31 December 2002
Sir Alan Cockshaw	15,873	–	30,000
H L Tee	1,370,857	2,590,922	2,579,422
A J Vaisey	43,702	–	82,600
J Hewitt	4,232	–	8,000
R Jeens	10,000	–	10,000
W Whiteley	–	–	–

H L Tee increased the number of ordinary shares held following the exercise of 11,500 options on 23 June 2003.

On 3 July R Jeens acquired 4,709 ordinary shares of 1.89p each.

On 30 June 2003 the Company completed a capital reorganisation whereby 100 ordinary shares and 189 redeemable B shares were issued for every 189 ordinary shares held. The effect of this reorganisation is reflected in the directors' interests shown above.

A reconciliation of the movement in the number of ordinary shares held by the directors is as follows:

	At 31 December 2002 1p each	Shares issued under UK Sharesave Scheme	Effect of Share Consolidation	Shares purchased	At 31 December 2003 1.89p each
Sir A Cockshaw	30,000	–	(14,127)	–	15,873
H L Tee	2,579,422	11,500	(1,220,065)	–	1,370,857
A J Vaisey	82,600	–	(38,898)	–	43,702
J Hewitt	8,000	–	(3,768)	–	4,232
R Jeens	10,000	–	(4,709)	4,709	10,000
W Whiteley	–	–	–	–	–

On 7 July 2003 Sir Alan Cockshaw, A J Vaisey, J Hewitt and R Jeens redeemed their full interest in the B shares of the Company at the redemption value of 75p per share. The number of B shares redeemed was 30,000, 82,600, 8,000 and 10,000 respectively.

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 audited 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
A J Vaisey	14 September 2001	125,000	194.0p
	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 tenth anniversary of the year of the grant.

Employee Sharesave Scheme During the year H L Tee exercised options over 11,500 shares. The exercise price of the options was 150p and the Company's share price on the date of exercise was 196.5p.

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

On 30 June 2003 the Company completed a capital reorganisation whereby the existing ordinary shares of 1p each were consolidated into new ordinary shares of 1.89p each.

The share price range for the existing ordinary shares during the period 1 January 2003 to 29 June 2003 was a lowest market mid-point of 126.5p per share and highest market mid-point price of 196.5 per share. On 29 June 2003 the market mid point price was 196.5 per share. The share price range for the new ordinary shares during the period 30 June 2003 to 31 December 2003 was a lowest market mid-point of 218.5p per share and highest market mid-point price of 259p per share. On 31 December 2003 the market mid point price was 236.5p per share.

Service contracts

The service contract of H L Tee dated 11 October 1993 was amended in January 2004 and now includes an ongoing notice period for termination of 12 months to be given by both the Company and H L Tee.

The service contract with A J Vaisey, dated 20 December 2002 includes an ongoing terminable period of 12 months if given by the Company and six months if given by A J Vaisey.

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

Remuneration policy for non-executive directors

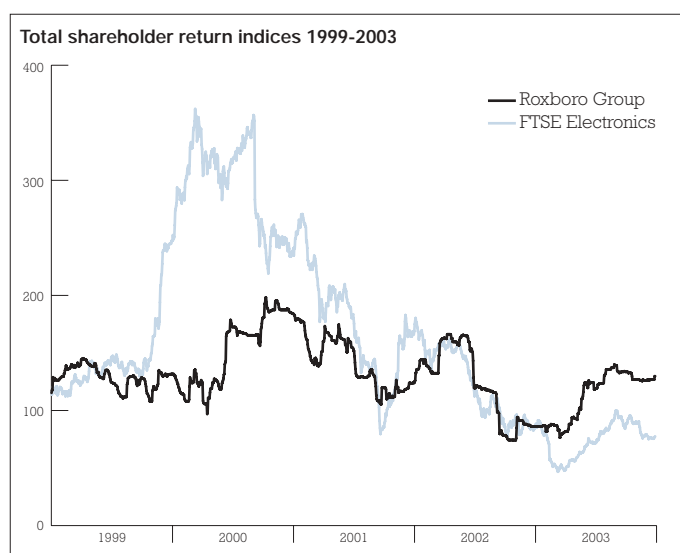
Fees for the non-executive Directors are determined by the Board as a whole. The non-executive directors do not take part in these discussions. The non-executive directors do not participate in the Company's Bonus Schemes or Share Schemes, and they are not eligible for Pension Scheme membership.

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 Company 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 returned 12.7% to shareholders compared with a return of -33.1% from the FTSE Electronics Index and 36.5% from the FTSE Small Cap Index.



J Hewitt Chairman of the remuneration committee

On behalf of the Board

15 March 2004