

Report of the directors

The directors present their report and the accounts of the Company and the Group for the year ended 30 November 2003.

Principal activities The report of the directors should be read in conjunction with the Chairman's Statement, the Chief Executive's Review, the Review of Operations and the Financial Review, which contain details of the principal activities of the Group during the year and an indication of likely future developments.

Results and dividends The Group's consolidated net profit for the year, after taxation, was £6.0m (2002: £2.1m).

The directors recommend that a final dividend of 2.70p per share (2002: 1.50p), amounting to £2.7m (2002: £1.5m), be paid on 28 April 2004 to ordinary shareholders whose names appear on the register at close of business on 2 April 2004.

That dividend together with the interim dividend of 1.50p per share (2002: 2.50p) already paid will make a total dividend on the ordinary shares of 4.20p (2002: 4.00p) amounting to £4.2m (2002: £4.0m) which, with the dividends paid on the first, second and third cumulative preference stocks of £23,000 leaves a profit for the year of £1.8m (2002: loss of £1.9m).

Acquisition during the year On 21 February 2003, the Company completed the acquisition of the carpet tile division of Gaskell plc for a total cash consideration of £19.3m.

Directors The present directors of the Company, who all held office throughout the financial year under review, are shown on page 16.

Re-election of directors Mr R D Clegg will retire by rotation in accordance with the Company's Articles of Association at the annual general meeting of the Company to be held on 21 April 2004 and, being eligible, will offer himself for re-appointment.

Mr Clegg was appointed as Chairman of the Company on 1 June 2001 and has been a non-executive director since February 1994. The Company has an agreement with Clegg & Co Limited for the provision of Mr Clegg's services to the Company. This agreement may be terminated by the Company giving six months' notice in writing.

Mr A J Cole will retire as a director at the conclusion of the Company's annual general meeting. Mr Cole is the Company's senior non-executive director. Following Mr Cole's retirement, Mr S J Hannam will be appointed as the Company's senior non-executive director.

Directors' interests in shares and debentures of the Company are shown on page 30.

Substantial interests At the date of this report, the Company had been notified under Section 198 of the Companies Act 1985 of the following notifiable holdings of the Company's ordinary shares:

	Shares	%
Schroder Investment Management Ltd and subsidiary and affiliated companies	24,088,777	24.22
Liontrust Investment Funds Ltd	5,118,908	5.15
AFL Fjarfestingarfelag	5,002,500	5.03
Prudential PLC – M&G	4,640,000	4.66
British Airways Pension Trustees	3,875,000	3.90
Legal & General Investment Management Ltd	3,699,432	3.72

Ordinary share capital Details of the Company's authorised and issued share capital at 30 November 2003 and of options granted under the Company's employee share option scheme are shown in note 19 to the accounts. No shares were issued during the year under review.

Annual general meeting The annual general meeting will be held at the Paddington Hilton Hotel, 146 Praed Street, London W2 1EE on 21 April 2004 commencing at 12 noon. The Notice of the Annual General Meeting is set out on pages 58 and 59.

Resolutions at the annual general meeting

Renewal of the directors' authority to allot shares The directors consider it desirable that their authorities to allot relevant securities and to allot relevant securities for cash without first offering them pro rata to existing shareholders should be renewed as set out below.

An ordinary resolution to authorise the directors to allot shares in the Company up to an aggregate nominal amount of £16,262,655 representing 32,525,310 shares, being approximately 33% of the issued ordinary share capital currently in issue, until the next annual general meeting or, if earlier, 15 months after the date of the passing of the resolution.

Renewal of the directors' authority to allot shares for cash other than to existing shareholders Conditional upon the passing of the above resolution, a special resolution will be proposed which will enable the directors to allot not more than £2,486,867 in aggregate of the nominal value of the Company's issued share capital for cash, without first offering the shares to existing shareholders.

There are at present no plans to exercise the above authorities other than in respect of shares which may be issued pursuant to the share option schemes.

Special resolution for the authority to buy back shares At the annual general meeting of the Company held on 30 April 2003, the Company was given authority to purchase up to a maximum of 10% of its own shares. This authority will expire at the annual general meeting to be held on 21 April 2004. Although no ordinary shares have been purchased by the Company during the period from 30 April 2003 to the date of this report, the Directors at the annual general meeting on 21 April 2004 will be seeking fresh authority from the Company to purchase its own shares. The resolution stipulates the minimum and maximum prices at which the ordinary shares can be bought reflecting Companies Act requirements. The authority will expire at the next annual general meeting of the Company but the directors intend to seek to renew this authority annually. The directors have no immediate intention to exercise an authority to purchase the Company's own shares, but will keep the possibility under review. If the authority is given, purchases would only be made where the Directors believed that they were in the best interests of the Company, taking into account other available investment opportunities and the overall financial position of the Group. Purchases would only be made where earnings per share would be increased.

Remuneration Report The Remuneration Report prepared in accordance with the Directors' Remuneration Report Regulations 2002 can be found on pages 26 to 31. An ordinary resolution will be proposed to shareholders to approve the Remuneration Report of the Directors. It should be noted that the result of this resolution is advisory only.

Going concern Having reviewed the medium-term forecasts and compared the cash flow with the available bank facilities, the directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

Employment of disabled persons It is the policy of the Group to give full and fair consideration to applications for employment by Group companies received from disabled persons, having regard to their particular aptitudes and abilities; and wherever possible to continue the employment of, and to arrange appropriate training for, employees who have become disabled persons during the period of their employment by a Group company. Group companies provide the same opportunities for training, career development and promotion for disabled as for other employees.

Report of the directors continued

Employee involvement The Group's overall policy is to keep employees informed on matters of concern to them and to encourage employee involvement. This policy is implemented in a wide variety of ways, which are reported on by the Group's businesses. These include the publication of an annual European Employee Communications report and regular meetings with employees' representatives.

Payment of suppliers The Company's policy and practice is to pay agreed invoices in accordance with the terms of payment agreed with suppliers at the time orders are placed. As the Company is a holding company it has no trade creditors.

Charitable and political contributions The Company has made a donation of £12,500 to the Low & Bonar Charitable Trust (2002: £12,500). The Trust is independent from the Company. The directors adhered to their policy of making no contributions to any political party.

Auditor KPMG Audit Plc have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the Board
Amanda Whalley *Secretary*

18 February 2004
