

## Report of the directors

The directors present their report and the accounts of the Company and the Group for the year ended 30 November 2004.

### Principal activities

The report of the directors should be read in conjunction with the Chairman's statement, the Chief Executive's review, the Divisional reviews 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 and minority interest was £7.4m (2003: £6.0m).

The directors recommend that a final dividend of 2.90p per share (2003: 2.70p), amounting to £2.9m (2003: £2.7m), be paid on 27 April 2005 to ordinary shareholders whose names appear in the register at close of business on 1 April 2005.

The final dividend together with the interim dividend of 1.60p per share (2003: 1.50p) already paid, will make a total dividend on the ordinary shares of 4.50p (2003: 4.20p) amounting to £4.5m (2003: £4.2m), which, with the dividends paid on the first, second and third cumulative preference stocks of £23,000 (2003: £23,000) leaves a profit for the year of £2.9m (2003: £1.8m).

### Post-balance sheet event

On 7 December 2004, the Company acquired the entire issued share capital of LCM Construction Products Ltd (trading as ADFIL) for a consideration of up to £12.8m in cash of which up to £2.8m will be deferred and contingent. ADFIL is a specialist polypropylene fibre manufacturer whose principal activity is the production and supply of fibres for use as an additive to concrete in order to provide strength and enhanced resistance to surface cracking. The previous owners of the business were private equity house Lloyds TSB Development Capital and the existing management team who have remained with the business.

### Directors

The present directors of the Company, who all held office throughout the financial year under review, are shown on pages 16 and 17. Mr A J Cole retired as a non-executive director of the Company on 21 April 2004.

### Re-election of directors

Mr J Kempster 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 20 April 2005 and, being eligible, will offer himself for re-appointment.

Mr Kempster was appointed as the Group Finance Director in April 2001. He has a service contract with the Company that is terminable by the Company giving 12 months' written notice or by Mr Kempster giving the Company three months' notice in writing. Mr Kempster has entered into an arrangement with the Company under which the Company may reduce his notice to six months if he fails to achieve certain performance targets. Further details of this arrangement are given in the directors' report on remuneration on page 28.

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	22,474,517	22.52
AFL Fjarfestingarfelag	18,082,500	18.12
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 2004 and of options granted and shares issued pursuant to the Company's employee share option schemes and long-term incentive plans are shown in note 18 to the accounts.

### Annual general meeting

The annual general meeting will be held at the offices of ABN Amro, 250 Bishopsgate, London EC2M 4AA on 20 April 2005 commencing at 1 pm.

The notice of the annual general meeting is set out on pages 57 and 58.

## 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 £16,450,000 representing 32,900,000 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 £2,494,500 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 and the Long-Term Incentive Plan.

**Special resolution for the authority to buy back shares** At the annual general meeting of the Company held on 21 April 2004, 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 20 April 2005. Although no ordinary shares have been purchased by the Company during the period from 21 April 2004 to the date of this report, the directors at the annual general meeting on 20 April 2005 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 directors' report on remuneration 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 directors' report on remuneration. 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.

## 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 £15,000 to the Low & Bonar Charitable Trust (2003: £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** Company Secretary

17 February 2005