CHAPELTHORPE
plc

Report & Accounts 2001

contents

Chapelthorpe plc is a leading manufacturer of industrial products which are supplied to carefully chosen niche markets worldwide. The business is organised into three divisions, namely Fibres, Specialist Coatings and Umbrella Frames. The Fibres division supplies polypropylene fibre to the automotive, floorcoverings, technical textiles, geotextiles and home furnishings markets. The Specialist Coatings division supplies vinyl coated paper to the wallcoverings industry. The Umbrella Frames division is the largest supplier of frames to the sun and sports umbrella markets.

Management is committed to enhancing shareholder value through the long-term organic development of the Group and by optimising the opportunities afforded by the key positions it has developed in its international markets.

highlights

- Turnover from continuing operations increased by 11.1% to £139.4m (2000: £125.5m)
- 70% of the Group's net operating assets employed outside the UK and 72% of turnover achieved in non UK markets
- Major capital expenditure programme largely completed
- Strategic acquisition of American Fibers and Yarns positions Chapelthorpe as the leading supplier of coloured polypropylene fibre, used by every US automotive manufacturer

chairman's statement

During the first half of our financial year we experienced difficult trading conditions, as I reported to shareholders in my Interim Statement. We had expected some easing of the pressure during the second half, but in the event conditions worsened, and, as a consequence, the results for the full year are disappointing.

For some time now your Group's performance has suffered as the twin effects of the strength of sterling against the European currencies and the increase in raw material costs have shown no signs of abating. As indicated in my Interim Statement, we, in common with industry analysts, anticipated a reduction in oil derived raw material costs in the second half. Even though the price of crude oil fell in this period there was conversely a further increase in the cost of polymer supplied to our fibres companies in Europe. In addition, the well documented sharp erosion of consumer confidence in the US has had a detrimental knock-on effect on our North American businesses, particularly in the final quarter which is, historically, the most important trading period for us.

Full details of the financial results and a discussion of key balance sheet ratios are contained in the Financial Review on pages 7 to 9.

RESULTS IN BRIEF

Turnover from continuing operations increased by 11.1% to £139.4m (2000: £125.5m). Pre-tax profits before exceptional items fell by 48.5% to £5.2m (2000: £10.1m) which included a net credit of £1.7m, as a result of a reduced depreciation charge, arising from the harmonisation of the useful economic lives of certain assets. The pre-exceptional taxation charge for the year is £2.5m (2000: £2.1m), leaving an amount attributable to shareholders pre-exceptionals of £2.7m (2000: £8.0m). Earnings per share, pre-exceptional items, are 1.3p (2000: 3.8p).

DIVIDENDS

In the light of the disappointing financial results, your Board considers a reduction in the final dividend to be appropriate. Following an unchanged interim dividend of 0.63p per share, which was paid in February 2001, the Board's proposal is for a final dividend of 1.00p per share (2000: 1.95p per share). Such action, if ratified at the AGM, would produce a total dividend for the year of 1.63p (2000: 2.58p). The final dividend is payable on 13 August 2001 to those shareholders on the register at 22 June 2001. Shareholders will once again have the opportunity to reinvest the whole of their cash dividends in the purchase of additional shares in the Company, in the open market, at competitive dealing rates, pursuant to the dividend reinvestment plan introduced in July 2000.

EXCEPTIONAL ITEMS

Included in the results for the year under review are pre-tax exceptional items of £13.3m. These relate mainly to the costs arising from the cessation of operations at our Bishop Auckland coatings facility, already provided in the accounts for the first half and referred to in the Interim Statement, and the reorganisation and relocation of the staple fibre business acquired from American Fibers and Yarns Company on 31 July 2000.

BUSINESS PROGRESS

The past few years have been extremely difficult for our UK based manufacturing businesses which have previously enjoyed high levels of exports to continental Europe. The cries of anguish from UK manufacturers regarding the strength of sterling may now be all too familiar, but that does not reduce their validity.

We have worked extremely hard to build businesses outside the UK to reduce our exposure to sterling. In fact, for the first time in the Group's history, and as a direct result of our strategic reshaping of the Group, the level of sales in both continental European and North American markets exceeded that achieved in the UK. It is worthy of note that 70% of the Group's net operating assets are now employed outside the UK.

PREVIOUS OFFER TALKS

In the Summer of 2000, my colleagues and I, concerned by the Company's share price, approached the Chief Executive, Brian Leckie, to ascertain his interest in leading a Management Buy Out of the business. Our view was that, if successful, a cash offer would be attractive to shareholders at that time. The initial response to this approach to the Chief Executive was favourable, and informal discussions followed. On 21 November 2000, it was announced that Brian Leckie had been given permission by the Board to approach funders with a view to making an offer for the Company, and a Committee, comprising the Non-executive Directors, was formed to consider proposals. Financial advisers were also appointed.

On 9 February 2001 it was announced that an approach had been received at an indicative offer price of 32.5p per share, and discussions continued. Ultimately, on 16 March 2001, it was announced that, whilst the longer term outlook for the business and the markets in which it operates remained promising, the impact of shorter term factors, to which I have referred earlier, meant that funding was no longer available to support the indicative offer price. Accordingly the discussions ceased.

STRATEGY

Over the past few years the Group has been repositioned as a leading supplier of products to niche markets worldwide, with operations based in Europe and North America. We believe these markets offer major growth potential, and we will accordingly continue to position ourselves to ensure that we maximise the opportunities that lie ahead.

BOARD

Michael Swingler has decided to retire and will not be standing for re-election at the forthcoming AGM. I would like to thank him for his wise counsel over the past three years and to wish him well in his retirement.

PERSONNEL

Yet again our people have proved through their commitment and hard work that they perform to the highest standards in very demanding times. Your Board would like to record our thanks to all personnel for their continued dedication.

OUTLOOK

The results for the past year are clearly disappointing, but the problems we have had to face and overcome have also served to underline the inherent quality and strength of the various businesses in the Group.

Fundamentally, your Group is strong. In particular, we have now largely completed our major capital expenditure programme and we plan to be cash generative in the coming year, thus enabling us to reduce borrowings and gearing. Our businesses are capital and not labour intensive giving us the capability to exploit rapidly any increase in demand. However, a number of the markets we serve remain under pressure and, of course, there is continued concern regarding currency levels and raw material prices. We remain confident of the Group's ability to withstand these external pressures and to achieve a more acceptable level of return on capital.

Charles Godwin.

Charles Godwin
Chairman
12 June 2001

review of operations

In last year's Annual Report the term "unrelenting pressure" was used to describe the conditions facing our UK based companies, and the sad fact of the matter is that this term continues to describe accurately the conditions we have faced in the year under review. In addition, our North American businesses also suffered in the second half, primarily due to the crisis of confidence that has beset US consumers.

Nevertheless, the business overall is sound and actions taken in the past year will enable us to achieve improved returns in future periods.

This division is involved in the manufacture of coloured polypropylene fibres and filament yarns which are supplied to the automotive, floorcoverings, technical textiles, geotextiles and home furnishings markets worldwide. Turnover for the year ended 31 March 2001 increased by 33.9% to £82.1m (2000: £61.3m) and pre-exceptional operating profit before goodwill amortisation fell by 13.6% to £3.8m (2000: £4.4m).

FIBRES

UK and continental Europe

To say that difficult trading conditions prevailed in the year is an understatement. A continuing squeeze on margins due to the impact of a stubbornly high exchange rate and raw material cost pressure resulted in our UK operation recording a loss for the first time. The reorganisation of our production facilities in the UK, with the majority of production now being concentrated at one site, produced significant savings, but these were not sufficient to offset cost pressures outside our control.

In fact, such is the severity of domestic conditions that our two UK based competitors in the supply of coloured polypropylene fibre have ceased trading and we are now the sole remaining UK supplier of this product.

Our Austrian company, Asota, has continued to perform very well, making a significant contribution to the division's profitability, in line with internal targets, thus justifying our decision in 1999 to acquire the company. Most of Asota's business is generated within the Euro-zone and not, therefore, negatively impacted by the strength of sterling.

North America

Our fibres operation based in Martinsville, Virginia has been one of our major success stories over the past five years as it has developed, from a standing start, into the number one supplier of coloured polypropylene staple fibre in the US.

We have built on our success by acquiring the staple fibre business of American Fibers and Yarns Company in July 2000, and this business has now been fully integrated into our Martinsville facility. This strategic acquisition positions us as the leading supplier of coloured polypropylene fibre, used by every US automotive manufacturer and we remain excited about the opportunities that this brings. Operating in a highly technical, demanding market and with a strong order book, we expect to see further significant growth in turnover in the current year.

Our plans to develop new business for our two new bulked continuous filament lines did not proceed as anticipated. Despite agreeing a contract to supply yarn to a major customer in the rugs business, that company subsequently withdrew abruptly and totally from the sector, and as a result, we were unable to generate sufficient alternative business during the year to cover the revenue shortfall. We remain confident that the investment in these two lines, together with a wider customer and product base, will prove to be very beneficial.

This division is primarily involved in the manufacture of coated base paper and plastisol, for the wallcoverings industry worldwide. Turnover for the year ended 31 March 2001 fell by 10.4% to £44.1m (2000: £49.2m), and pre-exceptional operating profit before goodwill amortisation fell by 52.0% to £2.4m (2000: £5.0m).

SPECIALIST COATINGS

UK and continental Europe

Industry figures confirm that total UK sales of wallcoverings declined further in 2000, resulting in a material reduction for the fourth year in succession. What is encouraging is that sales of vinyl wallcoverings have declined less than those of non-vinyl and, therefore, our products have continued to grow market share, albeit in a deteriorating market in the UK. Vinyl products, particularly heavier weight vinyls, continue to grow in popularity and this augurs well for our longer term prospects, especially if there is a fashion driven, cyclical return to wallcoverings.

The closure of the Bishop Auckland plant has achieved the desired effect of reducing operating costs within the division and has helped to improve gross margins. The challenge before us is to improve our volumes and we are working closely with our customers to develop new decorative effects in order to rekindle consumer enthusiasm for wallcovering products.

The Bishop Auckland closure and the decline in the UK market has resulted in our having surplus equipment in the UK. The Board continually assesses any opportunities for exploiting this surplus machine capacity and, to this end, has recently entered into an agreement with a major importer and manufacturer of wallcoverings in Russia. This new venture involves us in transferring some coating machinery from Bishop Auckland to the customer's premises in Moscow. The machinery will be operated in these premises by the customer and the arrangement provides a low risk opportunity to become a major supplier to the important Russian wallcoverings industry.

North America

The business in Canada performed satisfactorily in the first half of the year, but sales fell sharply in the second half due to the loss of consumer confidence in the US, our principal market. The situation was not helped by the fact that the largest wallpaper manufacturer in North America was in Chapter 11 administration for the entire year. Fortunately this position has now been resolved and the company has emerged from Chapter 11.

We have also had a disappointing year at our US plant in Martinsville, Virginia. We had planned to produce high added value specialist product from our second coating line which was due to come on stream early in 2001. Unfortunately this timing coincided with the downturn in the market and as a consequence we have gained no benefit from that coating line. With improved market conditions we are confident of a significant contribution from this new investment.

UMBRELLA FRAMES

Turnover and profitability declined from the previous year, due in the main to the high level of sterling against the Euro. Shareholders will be aware that this business is a significant exporter, with over 80% of production being sold overseas, almost all of which is to continental Europe. Consequently, it cannot be immune from the currency factor, which continues to have a significant negative effect on the business.

review of operations

This division is involved in the manufacture of specialist frames for sun and sports umbrellas. Turnover on continuing operations for the year ended 31 March 2001 fell by 0.8% to £13.2m (2000: £13.3m, excluding Shaw Export Services Limited), and pre-exceptional operating profit before goodwill amortisation declined by 16.7% to £2.5m (2000: £3.0m, excluding Shaw Export Services Limited).

During the year we successfully completed the installation of the first phase of a new heat treatment furnace which has been a significant investment for this business. This investment gives us the ability to increase capacity substantially. We are now targeting new geographical markets, in particular North and South America and Eastern Europe, which have previously been closed to us due to capacity constraints.

Given that we are able to make some solid progress in these new markets, and that sterling does not strengthen further, we remain confident that this division will be able to report an increase in both turnover and profits going forward.

SUMMARY

The past year's performance has been disappointing, but this has been mainly due to factors outside our immediate control. We have promptly taken a number of positive steps throughout the year to mitigate the problems brought about by currency and raw material price increases. In the main, these have served to lessen the impact of what can only be described as a dreadful trading climate. However, we are encouraged by the overall resilience of the business and the performance of some of its key constituent parts.

In the US, we have carefully invested in and developed our fibres operation in Martinsville, Virginia, where we now have a business which has the capacity to produce efficiently and profitably over 100 million lbs of coloured polypropylene fibre per year. Our key market for this product is the US automotive sector, where the use of polypropylene is set to increase as a substitute for other synthetic fibres.

The wallpaper market in the UK and North America is at a very low point, perhaps the lowest in living memory, and consequently it is extremely difficult to predict future trends with any confidence. However, the growth in market share of vinyl products will provide us with opportunities in the future and will place us in an enviable position when better market conditions return.

Overall, despite the poor financial results, it is evident that the business is fundamentally sound with established positions of market leadership in its three fields of operation. Our significant strategic acquisitions and investments, the skill and expertise of our operating company teams and the beneficial effects of recent closures will allow us to drive the business forward and deliver enhanced shareholder value in the future.

Brian Leckie
Chief Executive
12 June 2001

The following financial review is based on the Group's consolidated accounts and should be read in conjunction with the Chairman's Statement on pages 2 and 3 and the Review of Operations on pages 4 to 6. The financial statements have been prepared in accordance with UK GAAP and cover the results of the Group for the year ended 31 March 2001 and its consolidated Balance Sheet as at that date, compared to the year ended 31 March 2000.

TURNOVER AND OPERATING PROFIT

Total turnover was £139.4m (2000: £125.5m) and included a contribution for the full year from Asota GmbH and a first time contribution from the staple fibre business acquired from American Fibers and Yarns Company on 31 July 2000, and integrated within the existing US fibre operations.

Sales in the UK at £39.2m declined by £3.8m on the previous year and now represent only 28.1% of total turnover (2000: 34.3%). Sales in North America, at £53.7m, have continued to grow strongly, despite the sharp downturn in the US economy in the last quarter and recorded an increase of £14.1m when compared to last year. At 38.6% of total sales (2000: 31.5%) North America has now taken over from the UK as the leading geographical market for sales. Sales in continental Europe, at £43.1m, assisted by the full year's contribution from Asota GmbH, were £2.5m higher than the previous year but fell as a percentage of total sales from 32.3% to 30.9%, as a consequence of the strong sales performance in North America. Sales in the rest of the world recorded an increase of £1.0m on last year to £3.4m, mainly attributable to better results in Australasia and the Far East, and improved as a percentage of total sales from 1.9% to 2.4%.

The impact on our operating margins of the adverse factors, previously documented, resulted in operating profit from continuing operations being recorded at £7.0m, before the depreciation adjustment referred to below. This is prior to the amortisation of goodwill of £0.8m and operating exceptional charges of £13.4m and represents a £5.5m decline on the previous year.

Following our recent acquisitions in Europe and North America, it was noted that the estimated useful economic lives of significant items of plant and equipment, used in calculating the depreciation charge, were substantially different to those adopted by the Group in respect of similar assets. As a consequence, a detailed review of the remaining useful economic lives was carried out in respect of all the major items of plant and equipment deployed within the Group. With effect from 1 April 2000 certain of these items, where appropriate, have now been depreciated based on a useful economic life of fifteen years, thereby ensuring a uniform approach throughout the whole of the Group. The effect of this change in accounting estimate is a net credit of £1.7m to operating profit for the current year. This credit is shown as a separate line in the consolidated profit and loss account and is not reflected in the £7.0m operating profit referred to in the previous paragraph.

EXCEPTIONAL ITEMS

Full details of all exceptional items, which resulted in a net pre-tax charge of £13.3m (2000: £0.4m) being recorded in the consolidated profit and loss account, are shown in Notes 7 and 8 to these accounts. They relate mainly to the cessation of operations at the coatings facility at Bishop Auckland (£10.0m), already provided in the Interim Accounts, and the reorganisation of the staple fibre business acquired from American Fibers and Yarns Company (£2.6m).

INTEREST

Interest charged at £2.7m was £1.0m higher than the previous year, principally attributable to the increase in borrowings relating to the acquisition of the staple fibre business of American Fibers and Yarns and the share buy backs. Interest cover, before exceptional items and goodwill amortised, is calculated at 3.2 times.

financial review

TAXATION

An analysis of the tax charge of £0.4m, comprising taxation on pre-exceptional profit on ordinary activities of £2.5m, offset by a taxation credit relating to exceptional items of £2.1m levied in the year, is shown in Note 5 to the accounts. The underlying effective tax rate for the year is calculated at 36.3% (2000: 33.4%).

EARNINGS AND DIVIDENDS PER SHARE

Earnings per share, calculated before taking the exceptional items into account, were 1.30p (2000: 3.80p). As a consequence of the reduced profitability, an ordinary dividend for the year of 1.63p per share has been proposed.

FUNDING AND LIQUIDITY

Net borrowings increased in the year from £33.0m to £41.6m as a direct consequence of the US acquisition and the share buy backs. This increase in borrowings, coupled with a reduction in shareholders' funds, to which subsequent reference is made, has resulted in an increase in gearing from an opening position of 52.4% to 78.5% at 31 March 2001. This level of borrowings is well within our agreed facilities but a significant reduction in the current level remains a planned objective for the year ending 31 March 2002.

CASH FLOW AND INVESTMENT

Net cash inflow from operating activities at £8.1m (2000: £10.7m) was significantly affected by the cash cost of exceptional items. With exceptional items excluded, net cash inflow for the year was £12.9m compared with £11.9m for the previous year. Tighter working capital control offsetting the shortfall in operating profit was principally responsible.

The proceeds from the sale of the surplus properties, announced in last year's review, amounted to £6.4m and were received in the early part of the financial year. Capital expenditure, in the sum of £4.2m, was considerably less than the £13.8m spent in the previous year and related primarily to the completion of the North American strategic investments in fibres and coatings and the capacity related investment in umbrella frames.

The Group is now focused on optimising the capital employed in its operations and improving the return on the substantial strategic investments made in prior years. For the year ending 31 March 2002, it is planned that the capital expenditure level will be comfortably below the projected depreciation charge. This action alone will provide major support to the generation of positive cash flow over this designated period.

SHAREHOLDERS' FUNDS

The main contributory factors in the reduction of shareholders' funds from £63.0m to £53.0m have been the exceptional reorganisation costs and impairment provisions made, necessary to safeguard future operational performance, and the share buy backs in June and July 2000.

ASSETS EMPLOYED

There was an increase in net operating assets employed in the Group during the year of £3.8m, the bulk of which related to the US acquisition. £60.8m, 70% of the overall total of £86.7m, is now employed outside the UK.

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group holds or issues financial instruments for two main purposes:

- to finance its operations; and
- to manage the interest rate and currency risks arising from its operations and from its sources of finance.

In addition, various financial instruments – for example trade debtors, trade creditors, accruals and prepayments – arise directly from the Group's operations.

In order to manage both interest rate and currency risks arising from its operations and its sources of finance, the Group enters into derivatives transactions, principally interest rate swaps and forward foreign currency contracts. It is not Group policy to trade in derivatives or financial instruments, but to hedge against perceived exposures where appropriate. Further details are provided in Note 34 on pages 42 to 45.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. All are managed centrally by the Group treasury function in accordance with policies agreed and reviewed by the Board of Directors.

INTEREST RATE RISK

The Group finances its operations through a mixture of retained profits, bank overdrafts and term loans. The Group borrows in appropriate currencies, normally at both fixed and floating rates of interest and then uses interest rate swaps to manage the exposure to interest rate fluctuations. Whilst keeping an appropriate proportion of its borrowings at fixed rates of interest, it is also Group policy to provide a framework for flexibility in a changing environment. At 31 March 2001 55% of the Group's borrowings were at fixed rates after taking account of interest rate swaps.

LIQUIDITY RISK

Revised banking facilities were put in place in November 2000 which provided not only longer term funding, but which created a debt profile maturing over a period of years which was more appropriate to the Group's ongoing requirements. In accordance with Group policy, adequate headroom exists for the foreseeable future between facilities and anticipated peak borrowings. Short-term flexibility is achieved by overdraft facilities.

FOREIGN CURRENCY RISK

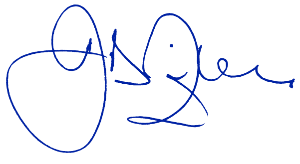
The Group publishes its financial statements in sterling but holds assets and conducts business in different currencies. As a result, it is exposed to foreign currency risk as follows:

- currency exposures on the translation of profits earned in overseas subsidiaries;
- currency exposures on trading transactions undertaken by its subsidiaries in foreign currencies; and
- currency exposures on the translation of the net assets of its overseas subsidiaries.

In order to mitigate its exposure to fluctuations on translation, the Group seeks to borrow in local currency and to mitigate its exposure to trading transactions at the operational level by entering into forward currency contracts.

RISK MANAGEMENT AND INTERNAL CONTROLS

With effect from 1 April 2000, the Group instituted procedures which provide for a regular review of all controls, including financial, operational and compliance controls and risk management affecting its businesses. Further details are provided in the Corporate Governance Statement on pages 14 to 16.



David Riley
Finance Director
12 June 2001

directors

CHARLES GODWIN*

Non-executive Chairman. Charles Godwin, aged 67, was appointed a Director in 1989. He is a Chartered Accountant and has extensive experience in corporate finance.

BRIAN LECKIE†

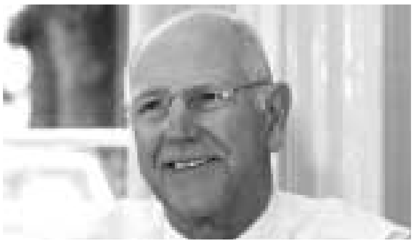
Chief Executive. Brian Leckie, aged 54, joined the Company in 1990 after gaining extensive experience with Coats Viyella plc. He was appointed a Director in 1996 when he was responsible for the Fibres division and was appointed to his present position in 1997.

ALLAN THOMPSON

Executive Director. Allan Thompson, aged 52, is a Chartered Management Accountant. He joined the Group in 1995 after gaining extensive experience in the carpet and printing industries and as a managing director within Waddington PLC. He was appointed to the Board in 1997 and is responsible for the Fibres division.

DAVID RILEY

Finance Director. David Riley, aged 55, is a Chartered Accountant. He joined the Group in 1995 and has since held a number of senior financial positions in the Group. Prior to that he held senior management positions in Symphony Group plc and Hanson plc. He was appointed to the Board in 1999.



MICHAEL SWINGLER*

Non-executive Director. Michael Swingler MBE, aged 61, was appointed a Director in 1998. He was formerly an executive director of Whitecroft plc and non-executive chairman of Churchill China PLC. He is currently non-executive chairman of Luxonic Lighting plc.

ALAN REEVE*

Non-executive Director. Alan Reeve, aged 63, was appointed to the Board in 1997. Formerly he was an executive director of Waddington PLC.

* Member of Nomination, Remuneration and Audit Committees.
† Member of Nomination Committee.

The Directors present their Annual Report together with the accounts of the Company for the year ended 31 March 2001.

PROFITS AND DIVIDENDS

The loss after taxation for the year ended 31 March 2001 was £8,582,000 (2000: profit of £7,626,000). Preference and ordinary dividends totalling £3,250,000 (2000: £5,511,000) have been or are proposed to be paid. The retained deficit for the year amounted to £11,832,000 (2000: profit of £2,115,000).

The proposed final ordinary dividend, if approved, will be payable on 13 August 2001 to shareholders on the register of members at 22 June 2001. It is again intended to offer shareholders the opportunity to receive ordinary shares instead of cash in respect of the final dividend pursuant to the dividend reinvestment plan previously established.

PRINCIPAL ACTIVITIES

The Group concentrates its activities on the manufacture of coloured polypropylene fibre, the production of vinyl-base and the manufacture of PVC plastisol for the wallcoverings industry, and, the manufacture of umbrella frames. A review of operations of the Group is included on pages 4 to 6.

Details of the acquisition of a business, completed in the year under review, are provided in Note 30 on page 39.

DIRECTORS

The Board of Directors is listed on page 10. These Directors have served throughout the year.

In accordance with the Articles of Association of the Company, Mr M Swingler, Mr A B Reeve and Mr J D Riley retire by rotation. Mr Swingler, although eligible, will not offer himself for re-election. Mr Swingler does not have a service contract. Mr Reeve and Mr Riley, being eligible, offer themselves for re-election. Mr Reeve does not have a service contract. Mr Riley has a service contract which requires one year's notice.

DIRECTORS' INTERESTS

The interests of the Directors, who held office at 31 March 2001 and at 12 June 2001, and of their families, in the ordinary shares of the Company, are disclosed in Note 31 to the accounts on page 40.

SHARE CAPITAL

Note 19 on page 35 provides information on the movements in share capital for the year ended 31 March 2001, including details of the share buy backs during the year.

At 12 June 2001 the Company had been notified that the following were interested in 3% or more of the ordinary share capital:

	Number of shares	%
Schroder Investment Management Limited	28,203,575	13.82
Britannic Assurance plc	9,005,000	4.41
Diageo Pension Trust Limited	8,850,000	4.34
Electra Active Management PLC	7,829,864	3.84
Prudential plc	7,647,092	3.75
The Knox D'Arcy Trust Plc	6,921,555	3.39
Ian Knighton	6,589,664	3.23

DIRECTORS' AUTHORITIES TO ALLOT

The Notice of Annual General Meeting on pages 50 and 51 includes two Resolutions relating to the Company's share capital. They are similar to Resolutions passed at previous shareholders' meetings.

Under Section 80 of the Companies Act 1985 (the "Act") the Directors are not allowed to allot shares unless they are authorised to do so by shareholders. Resolution Number 7 gives the Directors authority, until the earlier of the date of the next Annual General Meeting and 27 October 2002, to allot shares under Section 80 of the Act. If the Resolution is passed, the amount of the authorised ordinary share capital remaining unissued and available for issue generally would be £2,697,000, representing approximately 26% of the present issued and allotted ordinary share capital. The Directors consider that this level of authority to allot shares, which equates broadly to that granted by shareholders in previous years, should be maintained in order to preserve maximum flexibility for the future. Whilst there are no present commitments, the Directors continue to review opportunities and may, if they consider it to be in the best interests of shareholders, seek to issue further shares in connection with any expansion. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders.

Section 89 of the Act gives all shareholders the right to participate on a pro-rata basis in all issues of equity shares for cash unless they agree that this right should be excluded. The effect of Resolution Number 8 is to give the Directors authority until the earlier of the date of the next Annual General Meeting and 27 October 2002, first to make a rights issue without having to comply with the detailed requirements of Sections 89 and 90 of the Act and, secondly, to allot equity shares for cash otherwise than by an issue pro-rata to existing shareholders, up to an aggregate nominal value of £510,000, representing 5% of the present issued and allotted ordinary share capital.

The Directors consider that it is appropriate for these authorities to be granted and recommend shareholders to vote in favour of these Resolutions as they unanimously intend to do in respect of their own beneficial shareholdings.

AUTHORITY TO PURCHASE OWN SHARES

By virtue of Resolution Number 9, the Directors are seeking authority to enable the Company to make market purchases of up to a maximum of 30,600,000 of its own ordinary shares, representing less than 15% of the existing issued ordinary share capital. This is a renewal of the authority granted at the Annual General Meeting of the Company held on 21 July 2000. Before exercising such authority, the Directors would ensure that the Company complied with all relevant United Kingdom Listing Authority rules and Association of British Insurers' guidelines. No purchases would be made unless the effect would be to increase the earnings per share of the remaining shareholders and unless the Directors consider the purchases to be in the best interests of shareholders generally. Any shares which are purchased under the authority will be cancelled.

The maximum price per share for any purchase would not be in excess of 5% above the average of the market values for an ordinary share of the Company derived from the London Stock Exchange Daily Official List for each of the five business days immediately preceding the day on which the ordinary shares are purchased. The minimum price payable would be 5 pence, being the nominal value of each ordinary share. The authority would be valid until the conclusion of the next Annual General Meeting of the Company, or the date being 12 months after the passing of the Resolution if earlier.

FIXED ASSETS

Details of the changes in the fixed assets of the Group are shown in Note 10 to the accounts on page 31.

The aggregate present value of the Group's properties is in excess of the book value at 31 March 2001. In the opinion of the Directors the amount of this excess has no significance as these properties are being retained for normal trading activities.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations to UK charitable organisations amounted to £8,000 (2000: £5,000). There were no political contributions (2000: £Nil).

SUPPLIER PAYMENT POLICY

The policy of the Group is to agree the terms of payment with suppliers when negotiating the conditions of supply of goods and services. Suppliers are made aware of the terms of payment and are paid in accordance with terms agreed between the two parties. The policy developed is specific to the Group's businesses and, consequently, adoption of an external code of payment of suppliers is considered unnecessary. The Group has complied with this policy during the year. Group trade creditor days at the year end were 73 days (2000: 76 days). The Company does not have significant trade creditors.

EMPLOYEES

The Group has always recognised the importance of communicating and fostering good industrial relations. The divisional structure of the Group ensures a standard and uniform approach to the dissemination of essential information on matters of concern to employees.

The Group encourages the involvement and commitment of employees in its performance through its share option schemes. Employees' financial rewards reflect each individual's contribution and development.

It is the policy of the Group to give full and fair consideration to the employment of disabled persons, whether registered or not, and their training and career development, bearing in mind the constraints of their disabilities, and to make every effort to retain and assist employees who become disabled in the course of their employment.

The employment policies of the Group are designed to attract, retain and motivate the highest quality personnel, recognising that this can only be achieved through offering equal opportunities. Recruitment and promotion are, therefore, solely dependent upon the suitability of an applicant for the job.

The Group recognises its responsibility to ensure that all reasonable precautions are taken to provide and maintain safe working conditions for all employees and visitors.

AUDITORS

PricewaterhouseCoopers are willing to continue as auditors and a resolution for their re-appointment will be proposed at the Annual General Meeting, together with a resolution to authorise the Directors to fix the remuneration of the auditors.

COMPANY STATUS

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

On behalf of the Board,

R J Thornton

R J Thornton
Secretary
12 June 2001

corporate governance

The Company is committed to high standards of corporate governance throughout the Group. It is required to comply with the Principles of Good Governance and Code of Best Practice (the "Combined Code"), which are incorporated into the United Kingdom Listing Authority Listing Rules.

There are 14 Principles in the Combined Code, covering the Board, Directors' Remuneration, Relations with Shareholders and Accountability and Audit. The paragraphs below, together with the Board Report on Remuneration on pages 17 and 18, disclose how these Principles are applied within the Company. The only requirements of the Combined Code with which the Company has not complied during the year ended 31 March 2001 were directors' notice periods (B.1.7) and period of notice for the Annual General Meeting 2000 (C.2.4).

THE BOARD

The Board of Directors currently comprises three Executive and three Non-executive Directors and, as is evident from page 10, each has considerable knowledge and experience from both within and outside the Group's spheres of business. All the Non-executive Directors are independent of management and are initially appointed for a three year term. In accordance with the Articles of Association of the Company, all Directors are subject to election by the shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.

Mr A B Reeve is the senior independent Non-executive Director.

The Board has a schedule of reserve powers including corporate strategy, financial results, budgeting, dividend payments and Board appointments. The Board meets on a regular basis and at least twelve times per year. The Board is supplied with financial and other information in a timely manner. The form and content of this information is constantly reviewed.

Responsibility for implementing the Group's strategy is delegated to the Executive Committee, which meets monthly, and comprises the Executive Directors and a senior Group executive. The Board discharges a number of its other duties through its Audit, Remuneration and Nomination Committees, each of which has clear terms of reference, and is referred to elsewhere within this report on corporate governance.

There is an agreed procedure whereby any of the Directors may take independent professional advice in the furtherance of their duties, at the Company's expense. All Directors also have access to the advice and services of the Company Secretary.

The Nomination Committee

The Nomination Committee was established in 1994. It comprises the Non-executive Directors and the Chief Executive and is chaired by Mr C R Godwin. It is responsible for nominating candidates, for the approval of the Board, to fill vacancies on the Board of Directors.

RELATIONS WITH SHAREHOLDERS

The Company complied with all the provisions of this section of the Combined Code throughout the year.

The Company has regular dialogue with institutional shareholders on a range of subjects, including directors' remuneration, where it believes this to be in the interests of shareholders generally.

ACCOUNTABILITY AND AUDIT

Directors' responsibilities

The Directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy the financial position of the Group. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

After making enquiries, the Directors consider the Company and the Group to have adequate resources to continue operations for the foreseeable future and have therefore continued to adopt a going concern basis in the preparation of the accounts.

The Audit Committee

The Audit Committee was established in 1994. It comprises the Non-executive Directors, under the chairmanship of Mr A B Reeve. The Committee meets as and when required, and at least three times per year. The Chief Executive, Finance Director and Internal Control Manager may be invited to attend meetings of the Committee. The Company's auditors report to the Committee and have direct access to the chairman of the Committee without the presence of the Executive Directors.

The minutes of the Committee are reported by the chairman of the Committee to the full Board and are formally recorded.

The Committee may examine any matters relating to the financial affairs of the Group and to the Group's internal controls and external audit. The Committee reviews the Report and Accounts and announcements, internal control procedures, accounting policies, compliance with accounting standards, the appointment and fees of the Company's auditors and such other related functions as the Board may require.

Internal control

The Board of Directors has responsibility for the system of internal control. Such a system can provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors, in part through the Audit Committee, have reviewed the effectiveness of the Group's internal controls.

Formal guidance for directors as to the review of non-financial internal controls, as required by the Combined Code, was published in September 1999 by the "Turnbull Committee" of the Institute of Chartered Accountants in England and Wales. The Board confirms that it has operated the procedures necessary to identify, evaluate and manage the significant risks to the achievement of the Group's strategic objectives and thereby implement the Turnbull guidance throughout the year ended 31 March 2001 and up to the date of approval of this Annual Report and Accounts.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Internal control (continued)

The processes used by the Board to review the effectiveness of the system of internal control include:

- the Board's own twice-yearly review of risks and controls;
- formal quarterly reviews of risks and controls by subsidiaries;
- discussion of risk areas with subsidiary management during the process of reviewing and approving three year strategic plans and annual budgets;
- the review of internal and external audit plans; and
- the review of significant issues arising from internal and external audits.

A formal programme of subsidiary visits has been established whereby the chairman of the Audit Committee will personally review progress with Combined Code compliance around the Group during 2001/2002.

Financial reporting and monitoring of operations

Members of the Board have responsibility for monitoring the conduct and the operations of businesses within the Group.

There is a comprehensive system of financial reporting to the Board based on three year strategic plans and an annual budget, which are agreed by the Board and supported by a detailed analysis of the related risks. Actual results for the Group as a whole and the individual businesses are reviewed monthly against the budget together with key ratio analyses. Subsidiary and Group profit and cash flow forecasts are revised and reviewed on a monthly basis.

Policies and procedures

The Group's detailed procedures manual documents the Group's operational and financial principles, the minimum standards for effective control and the financial and accounting policies to be applied. The procedures manual is applied by all subsidiaries and any significant departures therefrom are considered by the Audit Committee.

The manual also details the Group's clearly defined and formalised requirements for control and approval of expenditure involving capital or revenue.

In order to supplement the existing financial control mechanisms, the Group utilises a formal self-assessment procedure for measuring financial risk. Operating units also complete self-certification reports confirming compliance with established financial control procedures and the Group's procedures manual.

Internal audit

The Internal Control Manager operates to a work programme agreed with the Audit Committee, in liaison with the external auditors. The programme includes monitoring of the Group's system of internal control and compliance with the procedures manual. Results of the work are reported directly to the Audit Committee.

The Internal Control Manager consolidates and prioritises for the Board the updated financial and non-financial risk analyses received from subsidiary management on a regular basis.

board report on remuneration

COMPOSITION

The Remuneration Committee, established in 1994, comprises the Non-executive Directors and is chaired by Mr C R Godwin.

TERMS OF REFERENCE

The terms of reference of the Committee require and empower it to determine the total remuneration package of each of the Executive Directors and also, after discussion with the Chief Executive, to agree with him the total remuneration package of each of the senior executives in the Group.

POLICY

The Committee's policy and objective are to contribute to the management of the Company in the best interests of shareholders by encouraging senior executives to identify themselves with the business and to share in its growth in value.

The constitution and operation of the Committee complied throughout the year with Section 1B of the Combined Code incorporated into the United Kingdom Listing Authority Listing Rules.

The remuneration of the Non-executive Directors is set by the Executive Committee after taking advice from specialist remuneration consultants.

SERVICE CONTRACTS

Mr B Leckie, the Chief Executive, is entitled to two years' notice. His contract provides for a predetermined or liquidated sum by way of damages (broadly speaking, the remuneration which would have been payable during his contractual notice period less a suitable discount) if it is terminated following a successful bid for the Company.

Mr A L Thompson has a written contract entitling him to two years' notice but does not give any right to a predetermined or liquidated sum by way of damages.

The Committee has taken the view that two year rolling contracts for such senior positions are reasonable having regard to the age of each Director and to prevailing current practice for a company of this market capitalisation. However, the Combined Code has proposed that boards should set one year notice periods for directors as an objective. In accordance with this objective, the contract agreed with Mr J D Riley, upon his appointment as Finance Director on 1 April 1999, provides for a one year notice period. This contract does not give any right to a predetermined or liquidated sum by way of damages.

BASIC SALARIES

Particulars of Directors' total emoluments are disclosed in Note 31 to the accounts on pages 40 and 41. Basic salaries are established by reference to the competitive market place and are reviewed annually on 1 April or when a change in responsibilities occurs.

ANNUAL PERFORMANCE AND OTHER BONUSES IN CASH

Executive Directors participate in an annual cash bonus scheme, providing a percentage of basic salary related to growth in profit before tax above a base figure set by the Committee, with a cap of 50% of basic salary.

BENEFITS IN KIND

The main elements, which are common within the industry, are the provision of a fully expensed motor car for business and private use and medical insurance. The benefits are valued in accordance with Inland Revenue rules.

PENSIONS

Executive Directors are members of the Chapelthorpe plc Pension Fund, which is a defined benefit scheme with a maximum pension of two thirds of final pensionable salary payable not earlier than age 62 and subject to satisfying service requirements. Basic salary only is taken into account in calculating final pensionable salary under the rules of the scheme. However, each Executive Director is subject to the Inland Revenue earnings cap.

Accordingly, the Company set up the Chapelthorpe plc Funded Unapproved Retirement Benefit Scheme ("FURBS") for the benefit of Mr B Leckie and Mr A L Thompson. The FURBS seeks to provide each of its members with the contractual entitlement to the pension to which they would have been entitled but for the Inland Revenue earnings cap. The pension bonuses shown in Note 31 were paid to cover the members' income tax liabilities in respect of the Company's contributions to the FURBS.

Mr J D Riley receives the fixed sum of £15,000 per annum in recognition of the pension benefits foregone as a result of the Inland Revenue earnings cap.

OPTIONS AND AWARDS

Details of outstanding options and awards are shown in Notes 19 and 31 to the accounts on pages 36, 40 and 41.

The exercise of options granted under the Chapelthorpe plc Executive Share Option Scheme 1984 and the Chapelthorpe plc Savings Related Share Option Scheme 1994 and the award of shares under the Chapelthorpe plc Invested Bonus Share Plan 1997, are not conditional on any performance criteria.

Options granted under the Chapelthorpe plc Executive Share Option Scheme 1994 and the Chapelthorpe plc 1996 Parallel Executive Share Option Scheme are exercisable in the event that the percentage increase in normalised earnings per share, over a relevant three year period exceeds the percentage increase in the Retail Prices Index over the same period plus 6% and 12%, respectively.

Under the Chapelthorpe plc 1998 Performance Related Share Plan, specific performance conditions are set, the attainment of which will determine whether, and to what extent, the award will vest. The performance criteria are based on the Company's Total Shareholder Return ("TSR") over a three year period (the "Performance Period") beginning at the commencement of the financial year in which the award is made.

Such awards will not vest unless:

i) there has been an increase in normalised earnings per share of the Company during the Performance Period equal to or greater than the increase in the Retail Prices Index over the same period; and
ii) the Company's TSR in the Performance Period relative to the average of that of a group of other comparable companies listed on the London Stock Exchange (the "Comparator Group"), having similarities to the Company in terms of market sector or market capitalisation or turnover at the beginning of the Performance Period as determined by the Remuneration Committee, is ranked at least at the median of the Comparator Group.

TSR is the annual compound return received on a share measured by reference to the increase in the price of a share over the Performance Period and the gross value of dividends and other benefits received on the share and reinvested on the day that share was declared ex-dividend. An award will vest in full if the Company is ranked in the top quartile of the Comparator Group; 30% of an award will vest if the Company is ranked at the median and pro-rata between these two points.

The initial awards made under the 1998 Performance Related Share Plan matured on 31 March 2001. The Remuneration Committee has determined that the performance conditions have not been met and that the awards will not vest.

In August 1996, the Company established The Chapelthorpe plc 1996 Employee Benefit Trust (the "Trust"). Since August 1996, the trustees of the Trust have been put in funds by the Company to enable them to buy, in the market, 3,562,738 ordinary shares in the Company, at an aggregate cost of £1,543,000. These shares have been used to make awards under the Invested Bonus Share Plan and the 1998 Performance Related Share Plan.

At the year end the market value of all ordinary shares held by the Trust was £389,000.

The Company has taken advantage of the exemption in UITF Abstract 17 (Revised) for Inland Revenue approved SAYE schemes from the need to apply a charge in the profit and loss account based on the difference between the fair value of the shares and the exercise price at the date an award is granted.

On behalf of the Board,

Charles Godwin

Charles Godwin
Chairman, Remuneration Committee
12 June 2001

independent auditors' report

to the members of Chapelthorpe plc

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the parent company balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses, the movement in shareholders' funds and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Review of Operations, the Financial Review, the Corporate Governance Statement and the Board Report on Remuneration.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2001 and the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

101 Barbirolli Square
Lower Mosley Street
Manchester

12 June 2001

consolidated profit and loss account

year ended 31 March 2001

	Notes	Operating activities 2001 £000	Exceptional items 2001 £000	2001 £000	2000 £000
Turnover – continuing operations	2	**139,417**	**–**	**139,417**	125,545
Cost of sales		**110,557**	**3,843**	**114,400**	96,531
Gross profit		**28,860**	**(3,843)**	**25,017**	29,014
Net operating expenses	3	**20,989**	**9,577**	**30,566**	18,953
Operating (loss) profit – continuing operations					
Operating profit before undernoted items		**7,015**	**–**	**7,015**	12,528
Impact of change of accounting estimate		**1,686**	**–**	**1,686**	–
Exceptional items		**–**	**(10,418)**	**(10,418)**	(1,742)
Amortisation/impairment of goodwill		**(830)**	**(3,002)**	**(3,832)**	(725)
Total operating (loss) profit	2, 7	**7,871**	**(13,420)**	**(5,549)**	10,061
Exceptional items relating to disposals of businesses	8	**–**	**90**	**90**	(386)
Profit on sale of property	8	**–**	**–**	**–**	1,740
Interest	4	**2,707**	**–**	**2,707**	1,698
(Loss) profit on ordinary activities before taxation					
Profit before taxation and exceptional items		**5,164**	**–**	**5,164**	10,105
Exceptional items		**–**	**(13,330)**	**(13,330)**	(388)
(Loss) profit on ordinary activities before taxation		**5,164**	**(13,330)**	**(8,166)**	9,717
Taxation on (loss) profit on ordinary activities	5			**416**	2,091
(Loss) profit for the financial year				**(8,582)**	7,626
Dividends (including non-equity)	6			**3,250**	5,511
Retained (deficit) profit	25			**(11,832)**	2,115

		Notes	Operating activities	Exceptional items	Total
(Loss) earnings per ordinary share (pence)					
Year ended 31 March 2001	– basic	20	**1.30**	**(5.53)**	**(4.23)**
	– diluted	20	**1.30**	**(5.53)**	**(4.23)**
Year ended 31 March 2000	– basic	20	3.80	(0.18)	3.62
	– diluted	20	3.80	(0.19)	3.61

consolidated balance sheet

31 March 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Intangible assets	9	**14,135**	16,384
Tangible assets	10	**66,707**	64,304
		80,842	80,688
Current assets			
Stocks	11	**16,991**	12,634
Debtors	12	**38,744**	40,080
Cash at bank and in hand		**6,572**	8,637
		62,307	61,351
Creditors			
Amounts falling due within one year	13	**47,575**	69,531
Net current assets (liabilities)		**14,732**	(8,180)
Total assets less current liabilities		**95,574**	72,508
Creditors			
Amounts falling due after more than one year	13	**30,776**	3,503
Provisions for liabilities and charges	15	**11,793**	5,949
Deferred income	16	**–**	35
Net assets		**53,005**	63,021
Capital and reserves			
Called up share capital (including non-equity interests)	19	**11,002**	11,489
Share premium account	21	**1,251**	1,251
Capital redemption reserve	22	**487**	–
Profit and loss account	25	**40,265**	50,281
Total shareholders' funds (including non-equity interests)		**53,005**	63,021

Approved by the Directors on 12 June 2001

C R Godwin
Chairman

B Leckie
Director

parent company balance sheet

31 March 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	10	**1,467**	1,614
Investments	29	**108,475**	107,860
		109,942	109,474
Current assets			
Debtors	12	**4,498**	19,185
Cash at bank and in hand		**1,077**	9,686
		5,575	28,871
Creditors			
Amounts falling due within one year	13	**17,005**	46,228
Net current (liabilities)		**(11,430)**	(17,357)
Total assets less current liabilities		**98,512**	92,117
Creditors			
Amounts falling due after more than one year	13	**23,531**	–
Provisions for liabilities and charges	15	**40**	–
Net assets		**74,941**	92,117
Capital and reserves			
Called up share capital (including non-equity interests)	19	**11,002**	11,489
Share premium account	21	**1,251**	1,251
Capital redemption reserve	22	**487**	–
Capital reserve	23	**9,204**	9,204
Merger reserve	24	**41,723**	41,723
Profit and loss account	25	**11,274**	28,450
Total shareholders' funds (including non-equity interests)		**74,941**	92,117

Approved by the Directors on 12 June 2001

C R Godwin
Chairman

B Leckie
Director

consolidated cash flow statement

year ended 31 March 2001

	Notes	2001 £000	2000 £000
Net cash inflow from operating activities	26	**8,059**	10,664
Returns on investments and servicing of finance			
Interest received		**246**	345
Interest paid		**(2,533)**	(2,124)
Interest element of finance lease rental payments		**(6)**	(9)
Dividends paid on non-equity shares		**(46)**	(46)
Net cash (outflow) from returns on investments and servicing of finance		**(2,339)**	(1,834)
Taxation		**(1,478)**	(4,086)
Capital expenditure			
Purchases of tangible fixed assets		**(4,154)**	(13,816)
Sales of tangible fixed assets		**172**	76
Sales of properties held for resale		**6,357**	–
		2,375	(13,740)
Acquisitions and disposals			
Disposals of businesses		**460**	3,939
Purchases of businesses	30	**(7,167)**	(10,370)
		(6,707)	(6,431)
Equity dividends paid		**(5,333)**	(3,414)
Financing			
Purchase of own shares	19	**(2,956)**	–
Issue of ordinary share capital	19	**–**	7
Costs of share issues		**(12)**	(15)
Loans advanced	28	**27,018**	–
Repayment of amounts borrowed	28	**(5,595)**	(12,744)
Capital element of finance lease rental payments	28	**(77)**	(129)
Net cash inflow (outflow) from financing		**18,378**	(12,881)
Increase (decrease) in cash	27	**12,955**	(31,722)

total recognised gains and losses

year ended 31 March 2001

	2001 £000	2000 £000
(Loss) profit for the financial year	**(8,582)**	7,626
Exchange translation adjustments on foreign currency net investments	**4,772**	338
Total recognised gains and losses for the year	**(3,810)**	7,964

movement in shareholders' funds

year ended 31 March 2001

	2001 £000	2000 £000
(Loss) profit for the financial year	**(8,582)**	7,626
Dividends	**(3,250)**	(5,511)
Purchase of own shares	**(2,956)**	–
Scrip dividend adjustments	**–**	1,941
	(14,788)	4,056
Issue of ordinary share capital	**–**	7
Costs of share issues	**–**	(15)
Goodwill reinstated on disposal of business	**–**	1,428
Exchange translation adjustments on foreign currency net investments	**4,772**	338
(Decrease) increase in shareholders' funds	**(10,016)**	5,814
Shareholders' funds at 1 April 2000	**63,021**	57,207
Shareholders' funds at 31 March 2001	**53,005**	63,021
Attributable to:		
Equity interests	**52,205**	62,221
Non-equity interests:		
First cumulative preference shares of 50 pence	**50**	50
Second cumulative preference shares of £1	**750**	750
	800	800
	53,005	63,021

1. ACCOUNTING POLICIES

Basis of consolidation

The consolidated accounts incorporate the accounts of the Parent Company and subsidiaries prepared in accordance with applicable Accounting Standards using the historical cost convention. The acquisition method of accounting has been adopted. Under this method the results of subsidiaries acquired are included in the accounts from the effective date of acquisition; the results of subsidiaries disposed of are included up to the effective date of disposal.

Goodwill

Goodwill arising on consolidation, being the excess of cost of acquisition over the fair value of net assets of subsidiaries at the date of acquisition, and purchased goodwill is amortised through the profit and loss account over its estimated useful life in accordance with Financial Reporting Standard 10. Goodwill arising prior to 1998/99 was charged directly to reserves and is included in the calculation of profit or loss on disposal.

Foreign currencies

Trading results of overseas subsidiaries are translated into sterling at the average rates of exchange for the accounting period. Differences arising from the retranslation of net assets at the beginning of the year are dealt with through reserves. Assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the year end. Gains and losses from trading operations are included in operating profit.

Turnover

Turnover is based on invoice values to external customers for goods and services, excluding value added tax and overseas sales taxes.

Stocks

Stocks and work in progress are valued at the lower of cost or estimated net realisable value, and cost where appropriate includes a proportion of overhead expenses.

Research and development

Research and development expenditure is charged against profits in the year in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation on tangible fixed assets is provided on a straight line basis over the estimated lives of assets as follows:

Freehold buildings	50 years
Plant and equipment	3 to 20 years
Motor vehicles	2 to 4 years
Leasehold land and buildings	Over life of lease

Leased assets

Assets subject to finance leases are shown as fixed assets and depreciated over the asset life. The corresponding liability for the capital element is shown as a finance lease, and the interest element is charged against profits over the primary lease period. Rental costs relating to all other leases are charged against profits as incurred.

Capital grants

Capital grants are shown in the balance sheet less amounts transferred to revenue on the same basis as the relevant assets are depreciated.

Deferred taxation

Deferred taxation is provided on timing differences, where a liability is expected to arise in the foreseeable future.

notes to the accounts

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

Pension scheme contributions are charged against profits over the periods of service of employees.

Employee share ownership plans

The costs of awards made under the Company's employee share ownership plans are amortised over the periods of service to which the awards relate.

Derivative instruments

The Group uses forward foreign currency contracts to reduce exposure to fluctuations in foreign exchange rates. The Group also uses interest rate swaps to manage interest rate exposures.

Forward foreign currency contracts
The rates under contracts, which relate to a financial asset or liability, are used to record the hedged item.

Interest rate swaps
Where an interest rate swap converts a variable interest rate to a fixed rate, interest rate differentials are charged/credited to net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year end.

2. TURNOVER, OPERATING PROFIT AND SEGMENTAL ANALYSIS

Area of activity

	Turnover		Pre-exceptional operating profit		Net operating assets	
	2001 £000	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000
Continuing operations						
Fibres	**82,123**	61,359	**3,820**	4,395	**61,934**	52,908
Specialist Coatings	**44,072**	49,153	**2,428**	5,034	**16,119**	21,944
Umbrella Frames	**13,222**	15,033	**2,453**	3,099	**8,621**	8,015
	139,417	125,545	**8,701**	12,528	**86,674**	82,867
Goodwill amortised						
Fibres			**(366)**	(181)		
Specialist Coatings			**(464)**	(544)		
			(830)	(725)		
	139,417	125,545	**7,871**	11,803	**86,674**	82,867
Net operating assets					**86,674**	82,867
Unallocated net liabilities					**(33,669)**	(19,846)
Total net assets					**53,005**	63,021

Following recent acquisitions it was noted that the estimated useful economic lives of significant items of plant and equipment, used in calculating the depreciation charge, were substantially different to those adopted by the Group in respect of similar assets. As a consequence, during the year, the Group reviewed the remaining useful economic lives of its plant and equipment to ensure a uniform approach throughout the Group. Having identified certain items of plant and equipment with expected useful economic lives in excess of the 10 years currently being used for the depreciation charge, the asset lives were revised to a more appropriate 15 years and the depreciation thereon adjusted accordingly. The effect of this change in accounting estimate for the current year on the depreciation charge, net of overheads carried in stock, is a credit of £1,686,000.

Following the acquisition of the staple fibre business of the American Fibers and Yarns Company, the business, operational and management systems of this facility were totally integrated within an existing operation. Therefore, it has not been possible to separately identify the results of the acquired business. The results are combined within the continuing operations of the Fibres division.

The above figures for the year ended 31 March 2000 for Umbrella Frames include the results for Shaw Export Services Limited which was sold on 14 July 1999. In the year ended 31 March 2000 Shaw Export Services Limited contributed £1,732,000 turnover and £80,000 operating profit to the Group and had £Nil operating assets at 31 March 2000.

Unallocated net liabilities include taxation, deferred taxation, dividends, cash and borrowings, the debtor relating to the sale of the property disposal in 1999/2000 and capitalised goodwill.

2. TURNOVER, OPERATING PROFIT AND SEGMENTAL ANALYSIS (CONTINUED)

Geographical area

Region of origin	Turnover 2001 £000	Turnover 2000 £000	Pre-exceptional operating profit 2001 £000	Pre-exceptional operating profit 2000 £000	Net operating assets 2001 £000	Net operating assets 2000 £000
Continuing operations						
United Kingdom	**67,540**	76,107	**4,451**	7,892	**25,923**	33,108
Europe	**19,841**	10,590	**1,404**	721	**9,550**	9,355
North America	**52,036**	38,848	**2,846**	3,915	**51,201**	40,404
	139,417	125,545	**8,701**	12,528	**86,674**	82,867
Goodwill amortised						
United Kingdom			**(464)**	(544)		
Europe			**(315)**	(181)		
North America			**(51)**	–		
			(830)	(725)		
	139,417	125,545	**7,871**	11,803	**86,674**	82,867

Region of destination	2001 £000	2000 £000
Turnover – continuing operations		
United Kingdom	**39,183**	43,005
Europe	**43,133**	40,580
North America	**53,740**	39,576
Africa and Middle East	**588**	562
Australasia and Far East	**2,773**	1,822
	139,417	125,545

Operating profit is after charging and (crediting) the following items:

		2001 £000	2000 £000
Depreciation	– owned assets	**5,095**	6,003
	– leased assets	**59**	61
Amortisation of goodwill (excluding impairment)		**830**	725
Non-exceptional restructuring costs relating to acquisitions		**–**	309
Operating exceptional items (Note 7)		**13,420**	1,742
Operating leases	– hire of plant and equipment	**604**	722
	– other	**568**	458
Research and development costs		**519**	326
Auditors' remuneration		**168**	173
Capital grants transfer		**(5)**	(9)

Non-audit fees charged by PricewaterhouseCoopers, in the United Kingdom, amounted to £341,000 of which £163,000 relates to operating exceptional items (2000: £1,568,000 including £276,000 within the cost of the investment made during September 1999).

The audit fee relating to the Parent Company amounted to £33,000 (2000: £34,000).

3. ANALYSIS OF NET OPERATING EXPENSES

	Operating activities 2001 £000	Exceptional items 2001 £000	Total 2001 £000	Operating activities 2000 £000	Exceptional items 2000 £000	Total 2000 £000
Distribution costs	**11,771**	**109**	**11,880**	9,161	–	9,161
Administration expenses	**9,343**	**9,468**	**18,811**	8,667	1,742	10,409
Other operating (income)	**(125)**	**–**	**(125)**	(617)	–	(617)
Net operating expenses	**20,989**	**9,577**	**30,566**	17,211	1,742	18,953

4. INTEREST

	2001 £000	2000 £000
Payable:		
Bank loans, overdrafts and short-term facilities	**2,947**	1,908
Interest on finance leases	**6**	9
Other interest	**–**	126
	2,953	2,043
Receivable:		
Bank and other deposits	**168**	49
Other interest	**78**	296
	2,707	1,698

5. TAXATION ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
Corporation tax at 30% (2000: 30%)	**558**	1,289
Taxation underprovided (overprovided) in previous years (including deferred taxation)	**96**	(1,287)
Advance corporation tax written off	**500**	–
Overseas tax	**(254)**	1,631
Deferred taxation	**(484)**	458
	416	2,091

Corporation tax and overseas tax have been based on the profit for the year.

Included within tax underprovided in previous years for 2000/2001 is a charge of £102,000 relating to overseas operations (2000: credit of £1,604,000).

The tax effect in the profit and loss account relating to operating exceptional items is a credit of £2,057,000 (2000: £Nil).

The tax effect in the profit and loss account relating to non-operating exceptional items is £Nil (2000: £Nil).

The taxation charge for the year has been negatively impacted by the incidence of exceptional items for which no tax relief is available.

6. DIVIDENDS

	2001 £000	2000 £000
Ordinary shares (equity shares):		
Interim dividend of 0.63 pence (2000: 0.63 pence)	**1,287**	1,330
Final dividend of 1.00 pence recommended (2000: 1.95 pence)	**2,040**	4,169
Dividend adjustment to 2000 final dividend arising from the purchase of own shares	**(59)**	–
Dividends waived by the Chapelthorpe Trust	**(64)**	(34)
	3,204	5,465
Preference shares (non-equity shares)	**46**	46
	3,250	5,511

7. OPERATING EXCEPTIONAL ITEMS

During the year, the Group has incurred a number of exceptional costs. These costs are described in detail below but, in summary represent the following items:

	Notes	2001 £000	2000 £000
UK Specialist Coatings – restructuring costs	a)	**(9,976)**	–
Post acquisition reorganisation and excess running costs of staple fibre business	b)	**(2,648)**	–
Prior year aborted acquisition bid and current year potential offer for the Company	c)	**(450)**	(1,742)
Other restructuring costs	d)	**(346)**	–
Costs relating to operating exceptional items		**(13,420)**	(1,742)

The cash flow impact of operating exceptional items is as follows:

	2001 £000	2000 £000
UK Specialist Coatings – restructuring costs	**(1,217)**	–
Post acquisition reorganisation and excess running costs of staple fibre business	**(1,567)**	–
Prior year aborted acquisition bid and current year potential offer for the Company	**(1,454)**	(540)
Other restructuring costs	**(581)**	–
Net cash (outflow) relating to operating exceptional items	**(4,819)**	(540)

a) UK Specialist Coatings – restructuring costs

As part of a Group reorganisation during the year, the business of Chamberlain Coatings Limited was transferred to Speciality Coatings (Darwen) Limited, and production ceased at Chamberlain's premises in Bishop Auckland.

An analysis of the exceptional costs in relation to the closure of the Bishop Auckland facility is as follows:

	£000
Impairment provision relating to intangible fixed assets	**(3,002)**
Impairment provision relating to tangible fixed assets	**(2,359)**
Debtors	**(128)**
Provisions for termination costs, residual lease costs and other closure costs	**(4,297)**
Capital grants	**30**
Other costs paid	**(220)**
Costs relating to operating exceptional item	**(9,976)**

b) Post acquisition reorganisation and excess running costs of the staple fibre business purchased from American Fibers and Yarns

Following the acquisition of the staple fibre business of American Fibers and Yarns, as disclosed in Note 30, the business and operational systems of this facility were integrated into the existing US fibres operation. This involved both a reorganisation programme and a level of non-recurring cost as the excess capacity and related manning levels were reduced to those required for the ongoing business.

An analysis of the exceptional costs recorded as a result of this restructuring is as follows:

	£000
Costs of reorganisation	**(1,281)**
Non-recurring exceptional costs following the acquisition	**(1,367)**
Costs relating to operating exceptional item	**(2,648)**

c) Costs relating to prior year aborted acquisition bid and current year potential offer for the Company

During the year, the Group incurred costs relating to the prior year aborted acquisition bid for Allied Textile Companies PLC and also costs associated with the intended offer for the Company. These costs amounted to £450,000.

d) Other restructuring costs

The Group also incurred costs of £346,000 in relation to the restructuring of its UK fibres company and umbrella frames company.

8. NON-OPERATING EXCEPTIONAL ITEMS

	2001 £000	2000 £000
Exceptional items relating to disposals of businesses	**90**	(386)
Profit on sale of property	**–**	1,740

The exceptional items relating to the disposals of businesses arise from prior year disposals and include:

	2001 £000
Deferred consideration received relating to Whitley Willows Limited	**500**
Additional environmental provision relating to the disposal of Regal Rugs, Inc.	**(385)**
Other costs	**(25)**
Exceptional items relating to the disposals of businesses	**90**

The exceptional items relating to disposals of businesses in the year ended 31 March 2000 related to the sale of Shaw Export Services Limited and other costs relating to the strategic review, commenced in 1997/98.

The profit on sale of property relates to the disposal of Clifton Mills, Brighouse on 31 March 2000.

9. INTANGIBLE FIXED ASSETS

	Note	Consolidated Goodwill £000
Cost		
At 1 April 2000		17,224
Exchange adjustments		**294**
Increase during the year	30	**1,319**
Reduction during the year relating to prior year acquisition		**(30)**
At 31 March 2001		**18,807**
Amortisation		
At 1 April 2000		840
Provided during the year		**830**
At 31 March 2001		**1,670**
Impairment provision		
At 1 April 2000		–
Provided during the year		**3,002**
At 31 March 2001		**3,002**
Net book value		
At 31 March 2001		**14,135**
At 31 March 2000		16,384

Goodwill arising on the purchase of businesses after 31 March 1998 is being amortised over an estimated useful life of 20 years.

The reduction during the year relates to the prior year acquisition of Asota GmbH.

The impairment provision, made during the year, has been calculated by comparing the value in use (using a discount rate of 12%) of the investment in Chamberlain Coatings Limited with its carrying value.

10. TANGIBLE FIXED ASSETS

	Consolidated			Parent Company		
	Land and buildings £000	Plant and equipment £000	Total £000	Land and buildings £000	Plant and equipment £000	Total £000
Cost						
At 1 April 2000	20,929	79,785	100,714	1,398	494	1,892
Exchange adjustments	**949**	**4,373**	**5,322**	**–**	**–**	**–**
Additions	**77**	**3,695**	**3,772**	**2**	**2**	**4**
Acquisition of business	**–**	**2,001**	**2,001**	**–**	**–**	**–**
Disposals	**(67)**	**(989)**	**(1,056)**	**–**	**–**	**–**
At 31 March 2001	**21,888**	**88,865**	**110,753**	**1,400**	**496**	**1,896**
Depreciation						
At 1 April 2000	2,553	33,857	36,410	54	224	278
Exchange adjustments	**68**	**962**	**1,030**	**–**	**–**	**–**
Charge for the year	**523**	**4,631**	**5,154**	**62**	**89**	**151**
Disposals	**(67)**	**(840)**	**(907)**	**–**	**–**	**–**
At 31 March 2001	**3,077**	**38,610**	**41,687**	**116**	**313**	**429**
Impairment provision						
At 1 April 2000	–	–	–	–	–	–
Provided during the year	**–**	**2,359**	**2,359**	**–**	**–**	**–**
At 31 March 2001	**–**	**2,359**	**2,359**	**–**	**–**	**–**
Net book value						
At 31 March 2001	**18,811**	**47,896**	**66,707**	**1,284**	**183**	**1,467**
At 31 March 2000	18,376	45,928	64,304	1,344	270	1,614

The net book value of land and buildings comprises:

	Consolidated		Parent Company	
	2001 £000	2000 £000	**2001 £000**	2000 £000
Freeholds	**17,523**	17,020	**–**	–
Long leaseholds	**651**	663	**651**	663
Short leaseholds	**637**	693	**633**	681
	18,811	18,376	**1,284**	1,344

	Consolidated		Parent Company	
	2001 £000	2000 £000	**2001 £000**	2000 £000
Net book value of assets subject to finance leases	**107**	207	**104**	177
Capital expenditure commitments	**215**	1,493	**–**	–

During the year, the Group reviewed the remaining useful economic lives of its plant and equipment and revised the lives of certain assets from 10 to 15 years (see Note 2).

11. STOCKS

	Consolidated	
	2001 £000	2000 £000
Raw materials and consumable stores	**5,958**	4,533
Work in progress	**942**	860
Finished products	**10,091**	7,241
	16,991	12,634

12. DEBTORS

	Consolidated 2001 £000	Consolidated 2000 £000	Parent Company 2001 £000	Parent Company 2000 £000
Amounts falling due within one year				
Trade debtors	**32,381**	29,896	**–**	–
Other debtors	**2,060**	3,751	**1,551**	857
Own shares held by the Chapelthorpe Trust	**125**	370	**125**	370
Prepayments and accrued income	**1,375**	1,237	**303**	230
Property held for resale	**–**	3,527	**–**	–
Subsidiary companies			**1,540**	14,963
Taxation recoverable	**2,297**	480	**979**	741
Advance corporation tax recoverable	**–**	331	**–**	325
Amounts falling due after more than one year				
Term deposits	**506**	488	**–**	–
Advance corporation tax recoverable	**–**	–	**–**	1,699
	38,744	40,080	**4,498**	19,185

Shares held by the Chapelthorpe Trust represent 2,878,000 ordinary shares of Chapelthorpe plc held for the purposes of the 1998 Performance Related Share Plan and the Invested Bonus Share Plan 1997. This represents 1% of the Group's issued ordinary share capital. At 31 March 2001 these shares had a market value of £389,000.

13. CREDITORS

	Consolidated 2001 £000	Consolidated 2000 £000	Parent Company 2001 £000	Parent Company 2000 £000
Amounts falling due within one year				
Loans	**2,105**	7,584	**1,500**	7,000
Bank overdrafts and short-term facilities	**15,304**	30,515	**7,500**	26,085
Finance leases	**9**	79	**–**	65
Trade creditors	**19,894**	16,184	**–**	–
Ordinary dividend	**2,040**	4,169	**2,040**	4,169
Corporation tax	**1,034**	1,677	**–**	–
Other taxes and social security costs	**731**	886	**164**	99
Other creditors	**1,169**	1,513	**461**	581
Accruals and deferred income	**5,289**	6,924	**1,534**	1,870
Subsidiary companies			**3,806**	6,359
	47,575	69,531	**17,005**	46,228

	Consolidated 2001 £000	Consolidated 2000 £000	Parent Company 2001 £000	Parent Company 2000 £000
Amounts falling due after more than one year				
Loans falling due:				
within 1–2 years	**4,606**	584	**4,000**	–
within 2–5 years	**22,542**	1,752	**16,500**	–
after more than 5 years	**3,628**	1,160	**3,031**	–
Finance leases falling due:				
within 1–2 years	**–**	7	**–**	–
	30,776	3,503	**23,531**	–

14. LOANS

	Consolidated 2001 £000	Consolidated 2000 £000	Parent Company 2001 £000	Parent Company 2000 £000
Bank loans:				
UK bank loan repayable by an instalment of £1,500,000 on 30 November 2001 and a final instalment of £500,000 on 31 May 2002	**2,000**	7,000	**2,000**	7,000
UK bank loan repayable by an initial instalment of £1,000,000 on 31 May 2002, followed by four six monthly instalments of £2,500,000 commencing 29 November 2002, three six monthly instalments of £3,000,000 commencing 30 November 2004 and a final instalment of £1,000,000 on 31 May 2006	**21,000**	–	**21,000**	–
UK Euro denominated bank loan of €3,270,278 repayable on 31 May 2006	**2,031**	–	**2,031**	–
US Dollar denominated revolving bank loan repayable by 30 November 2005, and forming committed facilities from the same lender	**4,226**	–	**–**	–
Austrian bank loans repayable by semi-annual instalments of ATS 6,700,000 on 1 January and 1 July and a final instalment of ATS 6,500,000 on 1 January 2007	**3,624**	4,080	**–**	–
Total	**32,881**	11,080	**25,031**	7,000

	Consolidated 2001 £000	Consolidated 2000 £000	Parent Company 2001 £000	Parent Company 2000 £000
Repayment of loans				
Bank loans:				
in one year or less or on demand	**2,105**	7,584	**1,500**	7,000
in more than one year but not more than two years	**4,606**	584	**4,000**	–
in more than two years but not more than five years	**22,542**	1,752	**16,500**	–
in more than five years	**3,628**	1,160	**3,031**	–
Total	**32,881**	11,080	**25,031**	7,000

Interest and security

Bank loans

The UK loans carry interest based on LIBOR.

Chapelthorpe plc and certain subsidiary companies have given fixed and floating charges over their assets as security for these loans. The Group entered into an interest rate swap agreement covering £16,100,000 of the new UK loan, falling to £10,500,000 by 30 May 2003 (in line with the repayment profile), and terminating on 28 November 2003 at a rate of 6.755% per annum. The Group also entered into an interest rate swap agreement covering €2,300,000 of the UK Euro denominated loan to 28 November 2003 at a rate of 5.765% per annum.

The US loan carries interest based on the dollar deposit rate quoted in the London Interbank Market. This is a medium-term loan facility with maximum borrowings of $20,000,000 falling annually by $4,000,000 commencing 30 November 2001. The Group entered into an interest rate swap agreement covering $4,200,000 of the loan to 28 November 2003 at a rate of 7.015% per annum. The loan facility is secured by cross guarantees between certain of the North American subsidiaries.

The Austrian loans consist of two loan accounts, one of ATS 27,400,000 which carries interest based on 6 month VIBOR and is secured on the freehold property of Asota GmbH and the other of ATS 52,800,000 which carries a fixed rate of interest of 7.75% to December 2001 and is secured over certain plant and machinery and buildings of Asota GmbH.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year

	Consolidated					Parent Company
	Provisions for restructuring £000	Provision for environmental liabilities £000	Provision for onerous contracts £000	Deferred taxation £000	Total £000	Deferred taxation £000
At 1 April 2000	561	500	200	4,688	5,949	(131)
Exchange adjustments	**46**	**80**	**–**	**530**	**656**	**–**
Charged during the year	**5,834**	**385**	**9**	**942**	**7,170**	**171**
Utilised	**(1,773)**	**–**	**(209)**	**–**	**(1,982)**	**–**
At 31 March 2001	**4,668**	**965**	**–**	**6,160**	**11,793**	**40**

Provisions for restructuring include costs of the closure of the Specialist Coatings production facility at Bishop Auckland, the restructuring of the Fibres division and the post acquisition reorganisation of the staple fibre business of American Fibers and Yarns, purchased in the year. Provisions have been calculated using cash flows discounted on a pre-tax basis by rates appropriate to the Group's cost of borrowings.

The provision for environmental liabilities relates to the disposal of Regal Rugs, Inc. and is an estimate of potential ongoing environmental costs.

The provision for onerous contracts primarily related to the previous disposal of the business and assets of Plasticisers Engineering Limited.

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Potential liability **2001** **£000**	Amount provided **2001** **£000**	Potential liability 2000 £000	Amount provided 2000 £000
Consolidated				
Accelerated tax allowances on plant, equipment and buildings	**7,037**	**7,037**	6,214	5,874
Other timing differences	**(452)**	**(452)**	764	764
Losses	**(425)**	**(425)**	(241)	(241)
Advance corporation tax recoverable	**–**	**–**	(1,709)	(1,709)
	6,160	**6,160**	5,028	4,688
Parent Company				
Other timing differences	**171**	**171**	–	–
Losses	**(131)**	**(131)**	(131)	(131)
	40	**40**	(131)	(131)

The deferred tax asset of the Parent Company at 31 March 2000 is included within other debtors as disclosed in Note 12.

16. DEFERRED INCOME

	Consolidated **2001** **£000**	2000 £000
Capital grants	**–**	35

17. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2001 £000	Land and buildings 2000 £000	Other 2001 £000	Other 2000 £000
Leases which expire:				
within 1 year	**116**	79	**43**	147
within 2–5 years	**42**	59	**475**	558
after 5 years	**382**	352	**–**	–
	540	490	**518**	705

18. CONTINGENT LIABILITIES

At 31 March 2001 Group guarantees to third parties and other contingent liabilities amounted to £127,000 (2000: £623,000).

Chapelthorpe plc and certain subsidiary companies have given fixed and floating charges over their assets as security for the UK bank facilities. In addition, each of the companies is jointly and severally liable for the net indebtedness under these facilities. The net indebtedness at 31 March 2001 amounted to £31,015,000.

Certain of the Group's North American subsidiaries have entered into cross guarantees as security for the US facilities as disclosed in Note 14. In addition each of these companies is jointly and severally liable for the net indebtedness under these facilities. The net indebtedness at 31 March 2001 amounted to $11,316,000.

Asota GmbH has given fixed and floating charges over certain of its assets as security for its loans, as disclosed in Note 14.

19. CALLED UP SHARE CAPITAL

	Authorised Number	Authorised £000	Allotted and fully paid Number	Allotted and fully paid £000
Equity share capital:				
Ordinary shares of 5 pence	258,000,000	12,900	204,040,000	10,202
Non-equity share capital:				
First cumulative preference shares of 50 pence	100,000	50	100,000	50
Second cumulative preference shares of £1	750,000	750	750,000	750
		800		800
At 31 March 2001		**13,700**		**11,002**
At 31 March 2000		13,700		11,489

At 31 March 2000, the Group had in issue 213,787,000 ordinary shares of 5 pence which were allotted and fully paid.

During the year ended 31 March 2001, the Company, under the authority granted to it by shareholders, made market purchases of 9,747,000 of its own ordinary shares, as shown below. The purchases were made for the purpose of returning value to the shareholders, given that each transaction was earnings enhancing at that time. Shares purchased were subsequently cancelled.

Date	Number of shares purchased	Nominal value £000	Consideration (including costs) £000	Percentage of allotted and fully paid share capital %	Cost per share pence
9 June 2000	3,000,000	150	786	1.4	26
30 June 2000	500,000	25	156	0.2	31
12 July 2000	600,000	30	193	0.3	32
13 July 2000	5,647,000	282	1,821	2.7	32
	9,747,000	487	2,956		

19. CALLED UP SHARE CAPITAL (CONTINUED)

The following options and awards were outstanding at 31 March 2001:

Category (see Note 31)		Date of Grant	No. of Options/ Awards	Exercise price (pence)	Exercise period
Options					
A	1984 Executive Scheme	4/6/91	40,000	53.00	June 1994 – June 2001
B		2/6/92	25,000	83.25	June 1995 – June 2002
C	1994 Executive Scheme	6/6/95	15,000	64.50	June 1998 – June 2005
D		3/6/96	377,000	61.00	June 1999 – June 2006
E		21/6/99	525,000	34.50	June 2002 – June 2009
F		16/9/99	74,000	40.50	September 2002 – September 2009
G		26/6/00	409,000	30.75	June 2003 – June 2010
H	1994 Savings Related Scheme	30/6/95	45,000	51.75	August 2000 – February 2003
I		24/6/96	123,000	49.00	August 2001 – February 2004
J		14/7/97	320,000	31.00	August 2002 – February 2005
K		13/7/98	360,000	33.00	August 2003 – February 2004
L		12/7/99	482,000	27.75	August 2004 – February 2005
M		17/7/00	808,000	24.75	August 2005 – February 2006
N	Parallel Scheme	28/8/96	181,000	53.50	August 1999 – August 2003
O		22/6/98	685,000	41.25	June 2001 – June 2005
P		21/6/99	160,000	34.50	June 2002 – June 2006
Q		26/6/00	341,000	30.75	June 2003 – June 2007
Awards					
R	1998 Performance Related Share Plan		474,378		From April 2001
S			631,563		From April 2002
T			726,301		From April 2003
U	Invested Bonus Share Plan		112,145		From September 2000
V			208,111		From July 2001
W			525,448		From July 2002
X			114,613		From July 2003

Dividend rights

Profits of the Company to be distributed by way of dividend shall be applied, prior to any payment to holders of ordinary shares, first in payment of a fixed cumulative preferential dividend at a rate of 6.00% to the holders of the first cumulative preference shares of 50 pence each (the "First Preference Shares") and second in payment of a fixed cumulative preferential dividend at a rate of 5.75% to the holders of the second cumulative preference shares of £1 each (the "Second Preference Shares"). These fixed dividends are payable by equal half-yearly instalments on 31 March and 30 September in each year.

Redemption

Neither the First Preference Shares nor the Second Preference Shares are redeemable.

On a winding-up

In the event of a winding-up of the Company, the surplus assets shall be applied, prior to any payment to holders of ordinary shares, first in repaying the capital on the First Preference Shares together with a premium of 5 pence per share and a sum equal to any arrears of the fixed dividend and second in repaying the capital on the Second Preference Shares together with a premium of 5 pence per share and a sum equal to any arrears of the fixed dividend.

Voting rights

Holders of the First Preference Shares and holders of the Second Preference Shares are not entitled to receive notice of, or to attend or vote at, any general meeting of the Company by virtue of their holdings unless their fixed dividend is six months in arrears and remains unpaid at the date of the notice convening the meeting, or a resolution is to be proposed at the meeting altering the objects of the Company as set out in its Memorandum of Association, or varying or abrogating any of the special rights or privileges attached to the First Preference Shares or the Second Preference Shares, or for winding-up the Company, in which case holders of the First Preference Shares and holders of the Second Preference Shares shall have one vote on a show of hands and upon a poll, if present in person or by proxy, twenty votes for every First Preference Share or Second Preference Share held.

20. (LOSS) EARNINGS PER ORDINARY SHARE

	Basic earnings per share		Earnings per share before exceptional items		Diluted earnings per share	
	2001 £000	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000
(Loss) profit for the financial year	**(8,582)**	7,626	**(8,582)**	7,626	**(8,582)**	7,626
Dividends on preference shares	**(46)**	(46)	**(46)**	(46)	**(46)**	(46)
Exceptional items	**–**	–	**13,330**	388	**–**	–
Tax effect of exceptional items	**–**	–	**(2,057)**	–	**–**	–
(Loss) earnings attributable to ordinary shareholders	**(8,628)**	7,580	**2,645**	7,968	**(8,628)**	7,580
Weighted average number of ordinary shares in issue during the year (000's)	**203,737**	209,463	**203,737**	209,463	**203,737**	209,463
Dilutive effect of share options (000's)	**–**	–	**–**	–	**–**	224
Adjusted weighted average number of ordinary shares in issue during the year (000's)	**203,737**	209,463	**203,737**	209,463	**203,737**	209,687
(Loss) earnings per ordinary share (pence)	**(4.23)**	3.62	**1.30**	3.80	**(4.23)**	3.61

The effect of the exceptional items on the earnings per share for the current year is (5.53) pence (2000: (0.18) pence).

21. SHARE PREMIUM ACCOUNT

	Consolidated £000	Parent Company £000
At 1 April 2000 and at 31 March 2001	**1,251**	**1,251**

22. CAPITAL REDEMPTION RESERVE

	Consolidated £000	Parent Company £000
At 1 April 2000	–	–
Increase during year in connection with purchase of own shares	**487**	**487**
At 31 March 2001	**487**	**487**

23. CAPITAL RESERVE

	Parent Company £000
At 1 April 2000 and at 31 March 2001	**9,204**

24. MERGER RESERVE

	Parent Company £000
At 1 April 2000 and at 31 March 2001	**41,723**

25. PROFIT AND LOSS ACCOUNT

	Consolidated £000	Parent Company £000
At 1 April 2000	50,281	28,450
Exchange adjustments	**4,772**	**127**
Purchase of own shares	**(2,956)**	**(2,956)**
Retained (deficit)	**(11,832)**	**(14,347)**
At 31 March 2001	**40,265**	**11,274**

Goodwill, arising prior to 1998/99, of £40,400,000 in aggregate has been charged against Group reserves.

As permitted by Section 230 (1) of the Companies Act 1985, the Parent Company has not presented its own profit and loss account. The loss for the year of the Parent Company was £11,097,000 (2000: profit of £5,301,000).

26. RECONCILIATION OF OPERATING (LOSS) PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £000	2000 £000
Operating (loss) profit	(5,549)	10,061
Net cash (outflow) in respect of non-operating exceptional items	–	(743)
Depreciation	5,154	6,064
Impairment of tangible fixed assets	2,359	–
Amortisation of goodwill	830	725
Impairment of intangible fixed assets	3,002	–
Capital grants transfer	(35)	(9)
(Increase) in stocks	(2,070)	(1,405)
(Increase) in debtors	(266)	(662)
Increase (decrease) in creditors	4,634	(3,367)
Net cash inflow from operating activities	8,059	10,664

The cash flow impact of the operating exceptional items as disclosed in Note 7 is an outflow of £4,819,000 (2000: £540,000).

27. RECONCILIATION TO NET DEBT

	2001 £000	2000 £000
Increase (decrease) in cash in the year	12,955	(31,722)
(Increase) decrease in debt and finance leasing	(21,346)	12,873
Change in net debt from cash flows	(8,391)	(18,849)
Loans relating to business acquired	–	(4,713)
Exchange adjustments	(187)	469
Movement in net debt in the year	(8,578)	(23,093)
Net debt at 1 April	(33,044)	(9,951)
Net debt at 31 March	(41,622)	(33,044)

28. ANALYSIS OF NET DEBT

	1 April 2000 £000	Cash flow £000	Other non-cash £000	Exchange movement £000	31 March 2001 £000
Cash at bank and in hand	8,637	(2,418)		353	6,572
Overdrafts and short-term facilities	(30,515)	15,373		(162)	(15,304)
		12,955			
Debt due after 1 year	(3,496)	(27,018)	106	(368)	(30,776)
Debt due within 1 year	(7,584)	5,595	(106)	(10)	(2,105)
Finance leases	(86)	77			(9)
		(21,346)			
Total	(33,044)	(8,391)		(187)	(41,622)

29. INVESTMENTS

Subsidiary companies

	Parent Company		
	Shares £000	Loans £000	Total £000
Cost			
At 1 April 2000	58,884	56,167	115,051
Exchange adjustments	**213**	**51**	**264**
Additions (reductions) in investments	**(30)**	**13,789**	**13,759**
Liquidation	**(11)**	**3**	**(8)**
Repayments	**–**	**(7,151)**	**(7,151)**
At 31 March 2001	**59,056**	**62,859**	**121,915**
Amount provided			
At 1 April 2000	3,442	3,749	7,191
Exchange adjustments	**–**	**51**	**51**
Provided during the year	**792**	**5,414**	**6,206**
Liquidation	**(11)**	**3**	**(8)**
At 31 March 2001	**4,223**	**9,217**	**13,440**
Net book value			
At 31 March 2001	**54,833**	**53,642**	**108,475**
At 31 March 2000	55,442	52,418	107,860

The principal subsidiaries are listed on page 46.

30. ACQUISITION OF BUSINESS

On 31 July 2000 the Group acquired the staple fibre business and assets of American Fibers and Yarns Company, a producer of coloured polypropylene fibre for supply primarily to the automotive industry.

Goodwill arising on the acquisition of the staple fibre business of American Fibers and Yarns Company has been capitalised as an intangible asset in the balance sheet and is being amortised over a period of 20 years. In the opinion of the Directors the period of 20 years is a reasonable estimate of the useful economic life of the investment.

Analysis of the book values, adjustments to and provisional fair values of the net assets acquired

	Book value £000	Fair value adjustments £000	Provisional fair value to the Group £000
Tangible fixed assets	**4,010**	**(2,009)**	**2,001**
Stocks	**1,767**	**–**	**1,767**
Debtors	**2,441**	**–**	**2,441**
Creditors falling due within one year	**(24)**	**–**	**(24)**
Net assets	**8,194**	**(2,009)**	**6,185**
Consideration:			
Cash (including costs)			**7,504**
Goodwill arising on acquisition			**1,319**

The fair value adjustments reflect the reassessment of the realisable value of assets existing at the date of acquisition.

Cash flows relating to the acquisition

	£000
Cash (outflow) on acquisition of business:	
Cash consideration	**(7,504)**
Costs accrued	**307**
Consideration per cash flow statement relating to current year acquisition	**(7,197)**
Cash inflow relating to prior year acquisition	**30**
Consideration per cash flow statement	**(7,167)**

31. DIRECTORS' INTERESTS, EMOLUMENTS AND TRANSACTIONS WITH THE COMPANY

Interests

The Register of Directors' Interests is available for inspection by the public.

The interests (which are all beneficial) of the Directors, who held office at 31 March 2001 and at 12 June 2001, and of their families, in the ordinary shares of the Company were:

Holdings	12 June 2001	31 March 2001	1 April 2000
C R Godwin	**458,325**	**458,325**	307,509
B Leckie	**1,182,599**	**104,799**	64,799
A L Thompson	**199,954**	**126,969**	58,116
A B Reeve	**88,573**	**88,573**	63,573
M Swingler	**93,754**	**93,754**	53,754
J D Riley	**123,112**	**83,112**	39,108

Options and awards

	1 April 2000	Lapsed in year	Vested in year	Granted/ awarded in year	31 March 2001	Lapsed since 31 March 2001	12 June 2001	Category (see Note 19)
B Leckie	15,000				**15,000**		**15,000**	A
	36,100				**36,100**		**36,100**	D
	61,700				**61,700**		**61,700**	N
	32,941	32,941						J
	18,818	18,818						K
	293,686				**293,686**	293,686		R
	292,300				**292,300**		**292,300**	S
	82,700				**82,700**		**82,700**	W
				336,149	**336,149**		**336,149**	T
				54,818	**54,818**		**54,818**	M
A L Thompson	31,700				**31,700**		**31,700**	D
	35,500				**35,500**		**35,500**	N
	18,818				**18,818**		**18,818**	K
	180,692				**180,692**	180,692		R
	22,135				**22,135**		**22,135**	L
	179,843				**179,843**		**179,843**	S
	50,883				**50,883**		**50,883**	W
				206,819	**206,819**		**206,819**	T
				15,545	**15,545**		**15,545**	M
J D Riley	15,000				**15,000**		**15,000**	C
	20,900				**20,900**		**20,900**	D
	40,000				**40,000**		**40,000**	O
	7,296	7,296						J
	13,172	13,172						K
	20,303		10,152		**10,151**		**10,151**	U
	14,892				**14,892**		**14,892**	V
	26,754				**26,754**		**26,754**	W
	20,675	20,675			**20,675**		**20,675**	L
	159,420				**159,420**		**159,420**	S
				183,333	**183,333**		**183,333**	T
				54,818	**54,818**		**54,818**	M

No other Director, who held office at 31 March 2001, had any interest in options over, or awards of, ordinary shares of the Company.

The performance criteria attaching to the above options and awards are described in the Board Report on Remuneration on page 18.

The market price per ordinary share of the Company at 31 March 2001 was 13.50 pence (2000: 25.00 pence). The market price during the year ended 31 March 2001 varied between 13.50 pence and 31.50 pence.

31. DIRECTORS' INTERESTS, EMOLUMENTS AND TRANSACTIONS WITH THE COMPANY (CONTINUED)

No Directors had holdings of preference shares of the Company at any time during the year.

At no time during the year had any Director a material interest in any contract which was of significance to the Company's business.

No Directors exercised any options at any time during the year (2000: Nil). Under the rules of the Invested Bonus Share Plan 1997, Mr Riley's award of 20,303 shares vested as to 50% (being 10,152 shares, valued at £2,015), as a result of fulfilling the initial service period condition of 3 years.

Emoluments

The emoluments of the Directors who served during the year are shown below.

	Basic salary and fees £000	Taxable benefits £000	Cash bonus £000	Fixed sum £000	Pension bonus £000	**Total 2001 £000**	Total 2000 £000
C R Godwin	**75**	**–**	**–**	**–**	**–**	**75**	74
* B Leckie	**207**	**16**	**–**	**–**	**89**	**312**	306
* A L Thompson	**127**	**16**	**–**	**–**	**18**	**161**	173
A B Reeve	**27**	**–**	**–**	**–**	**–**	**27**	26
M Swingler	**21**	**–**	**–**	**–**	**–**	**21**	20
* J D Riley	**113**	**16**	**–**	**15**	**–**	**144**	137
D F L Sykes (resigned 23 July 1999)							12
Aggregate total emoluments	**570**	**48**	**–**	**15**	**107**	**740**	748
Emoluments of highest paid Director						**312**	306

* Members of the Chapelthorpe plc Pension Fund, a defined benefit pension scheme.

The value of contributions paid or provided by the Company in respect of the year ended 31 March 2001, to the Chapelthorpe plc Funded Unapproved Retirement Benefit Scheme, was £147,000 (2000: £152,000) in respect of Mr B Leckie and £31,000 (2000: £57,000) in respect of Mr A L Thompson.

No pension contributions are made on behalf of the Non-executive Directors.

The benefits available to Executive Directors as members of the Chapelthorpe plc Pension Fund were:

	B Leckie £000	A L Thompson £000	J D Riley £000
Total accrued pension at 31 March 2001	22	50	19
Increase in accrued pension (net of deferred pension revaluation)	2	–	2
Transfer value of increase	19	3	23
Member contributions	6	6	6
Notional cost of life assurance benefits	2	2	3

32. EMPLOYEES

	2001 £000	2000 £000
Employee costs (including Directors):		
Wages and salaries	**19,841**	17,819
Social security costs	**2,989**	2,129
Other pension costs	**1,573**	1,490
	24,403	21,438

The average number of employees during the year was:

	2001 Number	2000 Number
Fibres	**496**	383
Specialist Coatings	**190**	216
Umbrella Frames	**301**	333
	987	932

33. PENSIONS

A number of pension schemes are operated by the Company and certain subsidiaries. The major scheme is of the defined benefit type. The assets of the schemes are held in separate trustee-administered funds.

The total pension cost for the Group was £1,573,000 (2000: £1,490,000), of which £405,000 (2000: £242,000) related to overseas schemes. The pension cost relating to the major UK scheme, the Chapelthorpe plc Pension Fund, is assessed in accordance with the advice of a professionally qualified actuary, using the projected unit method. The latest actuarial assessment of the Chapelthorpe plc Pension Fund used in determining pension cost was at 5 April 1999.

The principal assumptions used in the valuation were set with reference to bond yields at the valuation date and are as follows:

	% per annum
Post-retirement discount rate	4.7
Pre-retirement discount rate	6.7
Increase in earnings	4.3
Pension increases	
– Pre-April 1997 pensions	0.8
– Post-April 1997 pensions	2.7

The market value of the Fund's assets at 5 April 1999 was £49,510,000, sufficient to cover 103% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

34. DERIVATIVES AND FINANCIAL INSTRUMENTS

The Group does not trade in financial instruments.

Further details of the Group's policies and procedures relating to derivatives and other financial instruments are included in the Financial Review on pages 8 and 9, included in the paragraphs under the heading "Derivatives and other financial instruments".

Short-term debtors, other than the debtor arising from the sale of a property during the previous year, and short-term creditors have been excluded from all of the following disclosures, other than the currency risk disclosures.

Interest rate risk profile of financial assets and financial liabilities

Financial assets

The Group held the following financial assets at 31 March 2001:

	Total		Property debtor		Cash and term deposits	
	2001 £000	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000
Currency						
Sterling	**2,072**	5,400	**–**	2,527	**2,072**	2,873
US dollar	**2,981**	2,405	**–**	–	**2,981**	2,405
Canadian dollar	**1,030**	1,488	**–**	–	**1,030**	1,488
Austrian schilling	**833**	655	**–**	–	**833**	655
Other European currencies	**162**	1,704	**–**	–	**162**	1,704
	7,078	11,652	**–**	2,527	**7,078**	9,125

The above assets comprise:

a) sterling denominated balances that receive interest based on the United Kingdom base rate;
b) US dollar denominated balances that receive interest based on the US base rate;
c) Canadian dollar denominated balances that receive interest based on the Canadian base rate;
d) Austrian schilling denominated balances that receive interest based on the Austrian base rate;
e) Austrian schilling denominated term deposits that receive interest based on the Austrian base rate;
f) at 31 March 2000, a sterling denominated debtor relating to a property sold during the year; and
g) cash held in Euro, French franc, Dutch guilder and German mark denominated bank accounts.

34. DERIVATIVES AND FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

The Group held the following financial liabilities at 31 March 2001:

	Total		Floating rate financial liabilities		Fixed rate financial liabilities		Financial liabilities on which no interest is paid	
	2001 £000	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000
Currency								
Sterling – preference shares	**800**	800	**–**	–	**800**	800	**–**	–
– other financial liabilities	**33,439**	27,280	**14,401**	27,200	**16,107**	80	**2,931**	–
US dollar	**8,937**	20	**5,012**	14	**2,960**	6	**965**	–
Canadian dollar	**–**	6	**–**	6	**–**	–	**–**	–
Euro related	**9,714**	14,375	**5,899**	11,690	**3,815**	2,685	**–**	–
	52,890	42,481	**25,312**	38,910	**23,682**	3,571	**3,896**	–

The above floating rate liabilities comprise:

a) sterling denominated overdrafts that bear interest based on the United Kingdom base lending rate;
b) sterling denominated bank borrowings that bear interest based on the relevant LIBOR for each interest rollover period;
c) Austrian schilling denominated overdrafts that bear interest based on the Austrian lending rate;
d) Austrian schilling denominated borrowings that bear interest based on the relevant VIBOR for each interest rollover period;
e) US dollar denominated overdrafts that bear interest based on the 3 month LIBOR;
f) US dollar denominated bank borrowings that bear interest based on the dollar deposit rate quoted on the London Interbank Market; and
g) Euro denominated bank borrowings that bear interest based on the United Kingdom base lending rate.

The fixed rate liabilities comprise:

a) 6.00% first cumulative preference shares of 50 pence;
b) 5.75% second cumulative preference shares of £1;
c) an Austrian schilling loan which carries a fixed interest rate of 7.75% to December 2001;
d) sterling denominated bank borrowings subject to an interest rate swap agreement as disclosed in Note 14;
e) US dollar denominated bank borrowings subject to an interest rate swap agreement as disclosed in Note 14;
f) Euro denominated bank borrowings subject to an interest rate swap agreement as disclosed in Note 14; and
g) finance leases consisting of one sterling denominated lease of £7,000 with a fixed interest rate of 6.5%, and one US dollar lease of $3,000 with a fixed interest rate of 7.0%.

The financial liabilities on which no interest is paid comprise Group provisions relating to a vacant leasehold property denominated in sterling, and long-term environmental liabilities denominated in US dollars.

The preference shares have no fixed repayment date.

Information relating to the weighted average interest rate of the fixed rate financial liabilities has not been separately disclosed as full details of interest rates and maturity periods have been disclosed for each liability in Notes 14 and this Note 34.

Maturity of financial assets

The maturity profile of the Group's financial assets at 31 March 2001 was as follows:

	Total		Property debtor		Cash and term deposits	
	2001 £000	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000
In one year or less, or on demand	**6,572**	11,164	**–**	2,527	**6,572**	8,637
In more than five years	**506**	488	**–**	–	**506**	488
	7,078	11,652	**–**	2,527	**7,078**	9,125

34. DERIVATIVES AND FINANCIAL INSTRUMENTS (CONTINUED)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2001 was as follows:

	Total		Debt		Finance leases		Other financial liabilities	
	2001 £000	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000
In one year or less, or on demand	**18,103**	38,178	**17,409**	38,099	**9**	79	**685**	–
In more than one year but not more than two years	**5,248**	591	**4,606**	584	**–**	7	**642**	–
In more than two years but not more than five years	**23,714**	1,752	**22,542**	1,752	**–**	–	**1,172**	–
In more than five years	**5,825**	1,960	**4,428**	1,960	**–**	–	**1,397**	–
	52,890	42,481	**48,985**	42,395	**9**	86	**3,896**	–

Debt due in more than five years includes £800,000 of Chapelthorpe plc preference shares.

Borrowing facilities

The Group has various undrawn committed borrowing facilities, which are at floating rates of interest. The facilities available at 31 March 2001 in respect of which all conditions precedent had been met were as follows:

	2001 £000	2000 £000
Expiring in one year or less	**15,974**	10,935
Expiring in more than one year but not more than two years	**2,817**	6,564
Expiring in more than two years	**4,225**	–
	23,016	17,499

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 March 2001:

	Book value **2001 £000**	Fair value **2001 £000**	Book value 2000 £000	Fair value 2000 £000
Primary financial instruments held or issued to finance the Group's operations:				
Short-term financial liabilities and current portion of long-term borrowings	**(17,409)**	**(17,527)**	(38,099)	(37,792)
Long-term borrowings	**(30,776)**	**(30,801)**	(3,496)	(2,747)
Financial assets	**7,078**	**7,078**	11,652	11,652
Preference shares	**(800)**	**(800)**	(800)	(800)
Finance leases	**(9)**	**(9)**	(86)	(86)
Other financial liabilities	**(3,896)**	**(3,896)**	–	–
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	**–**	**(429)**	–	–
Forward foreign exchange contracts	**–**	**163**	–	–

The fair values of the forward foreign exchange contracts have been determined by reference to market values. The fair value of the interest rate swaps is based on the market prices of comparable instruments at the balance sheet date. The fair value of short-term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of the instruments.

All other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

34. DERIVATIVES AND FINANCIAL INSTRUMENTS (CONTINUED)

Currency exposures

The analysis below shows the net monetary assets of companies in the Group which are subject to currency fluctuations that are not denominated in their functional currency at 31 March 2001. These assets give rise to the net currency gains and losses recognised in the profit and loss account. Exchange differences on these exposures are eliminated by the placing of forward currency contracts prior to maturity.

	Total		Euro		Other	
	2001 £000	2000 £000	**2001 £000**	2000 £000	**2001 £000**	2000 £000
Functional currency of companies						
Sterling	**1,237**	3,970	**1,103**	3,871	**134**	99
Canadian dollar	**83**	4	**–**	–	**83**	4
Euro	**130**	393	**–**	–	**130**	393
	1,450	4,367	**1,103**	3,871	**347**	496

Gains and losses on instruments used for hedging

There were no significant unrecognised or deferred gains and losses on hedges at 31 March 2001 or 31 March 2000, other than those disclosed in the fair value table on page 44.

principal group companies

Chapelthorpe plc	Holding and management company.
Fibres	
* Asota GmbH (Austria)	)
* Drake Extrusion, Inc. (USA)	) Producers of polypropylene staple fibre and filament.
Drake Extrusion Limited	)
Specialist Coatings	
* Blackburn Gravure Limited	Fine quality photogravure printers.
* Darwen Coatings and Adhesives Limited	Manufacturers of pre-paste and acrylic coatings.
* Speciality Coatings (Brantford) Limited (Canada)	) Manufacturers of vinyl-base and plastisols
* Speciality Coatings (Darwen) Limited	) for the wallcoverings industry.
* Speciality Coatings (Virginia) Limited (USA)	)
Umbrella Frames	
Hoyland Fox Limited	Manufacturers of sun, sports and rain umbrella frames.

Chapelthorpe plc holds the whole of the equity share capital of the companies either in its own name or, where marked *, in the names of subsidiaries. Unless otherwise indicated, the companies are incorporated and operate in Great Britain.

A full list of subsidiaries is attached to the annual return of the Company.

PROFIT AND LOSS ACCOUNT

Year ended 31 March	**2001 £000**	2000 £000	1999 £000	1998 £000	1997 £000
Turnover	**139,417**	125,545	139,548	258,344	285,835
Operating (loss) profit	**(5,549)**	10,061	10,975	13,480	13,611
Exceptional items relating to disposals of businesses	**90**	(386)	(633)	(38,492)	–
Profit on sale of property	**–**	1,740	2,831	573	–
Interest	**2,707**	1,698	1,192	3,935	3,599
(Loss) profit on ordinary activities before taxation	**(8,166)**	9,717	11,981	(28,374)	10,012
Taxation on (loss) profit on ordinary activities	**416**	2,091	3,166	1,554	3,322
(Loss) profit for the financial year	**(8,582)**	7,626	8,815	(29,928)	6,690
Dividends	**3,250**	5,511	5,343	5,352	5,353
Retained (deficit) profit	**(11,832)**	2,115	3,472	(35,280)	1,337
(Loss) earnings per ordinary share (pence)	**(4.2)**	3.6	4.3	(14.6)	3.3
Diluted (loss) earnings per ordinary share (pence)	**(4.2)**	3.6	4.3	(14.6)	3.3
Adjusted earnings per ordinary share (pence)	**1.3**	3.8	4.1	3.3	3.3
Dividends per ordinary share (pence)	**1.6**	2.6	2.6	2.6	2.6

BALANCE SHEET

31 March	**2001 £000**	2000 £000	1999 £000	1998 £000	1997 £000
Fixed assets	**80,842**	80,688	62,970	57,330	80,765
Net current assets less amounts due after more than one year	**(16,044)**	(11,683)	1,489	(1,666)	(14,299)
Provisions for liabilities and charges	**(11,793)**	(5,949)	(7,208)	(4,439)	(5,317)
Deferred income	**–**	(35)	(44)	(45)	(451)
Total shareholders' funds	**53,005**	63,021	57,207	51,180	60,698

advisers

SECRETARY
R J Thornton BA FCA

REGISTERED OFFICE
Chapelthorpe plc
Chapelthorpe Hall
Church Lane
Chapelthorpe
Wakefield
West Yorkshire WF4 3JB

REGISTERED NUMBER
468624

AUDITORS
PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

BANKERS
Barclays Bank PLC
PO Box 190
Barclays House
East Parade
Leeds LS1 2UX

FINANCIAL ADVISERS
PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

SOLICITORS
Eversheds
Cloth Hall Court
Infirmary Street
Leeds LS1 2JB

STOCKBROKERS
Bell Lawrie White
(A division of Brewin Dolphin Securities Ltd)
48 St Vincent Street
Glasgow G2 5TS

REGISTRAR
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

FINANCIAL PUBLIC RELATIONS
Square Mile BSMG Worldwide
6 Middle Street
London EC1A 7PH

INTERNET

The Company operates a website which can be found at www.chapelthorpe.com. This site is regularly updated to provide information about the Company. In particular all the Company's press releases and announcements can be found on the site.

REGISTRARS

Any enquiries concerning your shareholding should be addressed to the Company's Registrar:

Mr C Wood
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
BRISTOL BS99 7NH
Tel: 0870 702 0001
Fax: 0870 703 6116
e-mail: colin.wood@computershare.co.uk

The Registrar should be notified promptly of any change in a shareholder's address.

SHARE PRICE

The current share price of Chapelthorpe plc ordinary shares of 5 pence can be obtained from the Group's website and on FT Cityline by dialling 0906 843 3786 (calls cost 60 pence per minute).

LOW COST DEALING SERVICE

The Company has arranged a low cost dealing service for those wishing to buy or sell shares in Chapelthorpe plc. To use this service please call 0845 601 0995 and quote ref: LOW C0094.

Alternatively, write to:
Chapelthorpe Share Dealing Service, Stocktrade, PO Box 1076, 10 George Street, Edinburgh EH2 2PZ.

PAYMENT OF DIVIDENDS

It is in the interests of shareholders and the Company for dividends to be paid directly into bank or building society accounts. Any shareholder who wishes to receive dividends in this way should contact the Company's Registrar to obtain a dividend mandate form.

Dividends are paid as follows:

Ordinary shares	February (Interim)	August (Final)
First and Second Preference Shares	31 March	30 September

The final dividend on ordinary shares will be payable to shareholders on the register at 22 June 2001.

Shareholders have the opportunity to reinvest their cash dividend in existing shares through the dividend reinvestment plan. All applications to join that plan or to amend existing instructions under it must be received by the Company's Registrar by 5.00pm on 23 July 2001.

INVESTOR RELATIONS

For further copies of the Annual Accounts or other investor relations enquiries, please contact:

The Company Secretary
Chapelthorpe plc
Chapelthorpe Hall
Church Lane, Chapelthorpe
Wakefield WF4 3JB
Tel: 01924 248200
Fax: 01924 248222
e-mail: rjthornton@chapelthorpe.com

notice of annual general meeting

NOTICE is hereby given that the fifty second Annual General Meeting of the Company will be held at the Institute of Directors, 116 Pall Mall, London at 9.30am on Friday 27 July 2001 for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Reports of the Directors and of the Auditors and the Accounts for the year ended 31 March 2001.
2. To declare a dividend.
3. To re-elect Mr A B Reeve as a Director.
4. To re-elect Mr J D Riley as a Director.
5. To re-appoint the Auditors, PricewaterhouseCoopers.
6. To authorise the Directors to fix the remuneration of the Auditors.

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions of which number 7, will be proposed as an Ordinary Resolution and numbers 8 and 9 as Special Resolutions:

Ordinary Resolution

7. That the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £2,697,000 provided that this authority shall expire on 27 October 2002 or, if earlier, on the date of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

8. That, subject to the passing of the Ordinary Resolution numbered 7 above, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) pursuant to the authority conferred by the said Ordinary Resolution as if sub-section (1) of Section 89 of that Act did not apply to any such allotment provided that this power shall be limited:
   (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, provided that the Directors may make such arrangements as they consider necessary or expedient in respect of fractional entitlements and in respect of legal or practical problems arising under the laws or securities regulations in any overseas territory; and
   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £510,000 and shall expire on 27 October 2002 or, if earlier, on the date of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

9. That, the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange plc of ordinary shares of 5 pence each in the capital of the Company ("ordinary shares" or singularly "ordinary share") provided that:

   (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 30,600,000 (representing less than 15 per cent of the Company's issued ordinary share capital);

   (b) the minimum price which may be paid for such ordinary shares is 5 pence per share (exclusive of expenses);

   (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is not more than 5 per cent above the average of the market value for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;

   (d) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, or 12 months from the date of the passing of this resolution if earlier; and

   (e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Chapelthorpe Hall
Church Lane
Chapelthorpe
Wakefield
West Yorkshire
WF4 3JB

R J Thornton
Secretary

25 June 2001

A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed. The form (with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy of such power or authority) must be lodged with the Company's Registrar, Computershare Services PLC, PO Box 1075, Bristol BS99 3FA not less than 48 hours before the time for holding the meeting. The completion and return of a form of proxy will not prevent a member from attending the meeting and voting in person. A member is not entitled to attend and vote at the meeting (whether in person or by proxy) unless his name is entered in the register of members 48 hours before the date of the meeting.

The following documents will be available for inspection at the registered office of the Company from now until the date of the meeting, during normal business hours, and at the place of the meeting from 9.15am until its conclusion:

(a) the Register of Directors' share interests kept pursuant to Section 325 of the Companies Act 1985; and

(b) copies of Directors' service contracts.

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CHAPELTHORPE
plc

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