



CHAPELTHORPE  
plc

Report & Accounts 2002

1	Corporate Statement Highlights	21	Consolidated Balance Sheet
2	Chairman's Statement	22	Parent Company Balance Sheet
4	Review of Operations	23	Consolidated Cash Flow Statement
7	Financial Review	24	Total Recognised Gains and Losses Movement in Shareholders' Funds
10	Directors	25	Notes to the Accounts
11	Directors' Report	46	Principal Group Companies
14	Corporate Governance	47	Five Year Record
17	Board Report on Remuneration	48	Advisers
19	Independent Auditors' Report	49	Shareholder Information
20	Consolidated Profit and Loss Account	50	Notice of Annual General Meeting

## Corporate statement

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

- 
- Difficult trading conditions across all our markets
  - Final dividend proposed of 0.25p
  - New operational management team in place in US
  - Cash generative in the year
-

# Chairman's statement



## Summary

- Second half performance not as strong as had been hoped
- Strategy remains solid, and intact
- Cash generative during the year; borrowings and gearing both down
- Final dividend proposed of 0.25p per share
- First quarter of current year off to a better start

Trading conditions for the Group remained very tough throughout all our operations for the entire 12 months under review. As I reported in my Interim Statement, the first six months were affected by depressed market conditions worldwide, and while we have achieved slightly better results in the second six months, overall our performance was not as strong as we had expected.

Compounding the difficult market conditions, we have also incurred significant bad trade debts, which are a reflection of just how tough our markets continue to be. These specific bad debts totalled £1.7m in the year and have been treated as an operating exceptional item.

In the light of the bad debts noted above and the increasing difficulties experienced by some of our customers in the last 12 months, operating profit has been reduced by charging an additional £1.0m for doubtful debts.

## Results in brief

Reflecting the market conditions referred to above, turnover from continuing operations fell by 8.9% to £127.0m (2001: £139.4m), operating profit, before goodwill amortisation and exceptional items, fell by 31.0% to £6.0m (2001: £8.7m) and pre-tax profit before exceptional items fell by 53.8% to £2.4m (2001: £5.2m). The pre-exceptional taxation charge for the year is £0.9m (2001: £2.5m) leaving an amount attributable to shareholders, pre-exceptionals, of £1.5m (2001: £2.7m). Earnings per share, pre-exceptional items, were 0.7p (2001: 1.3p). Operating exceptional items in the year amounted to £2.8m and are described in detail in Note 7 to the accounts.

## Dividends

At testing times like these, there is often a conflict between paying a dividend to shareholders to partially compensate them for the cost of their capital, and husbanding our resources carefully to ensure that we have sufficient working capital for the immediate future. In my Interim Statement I expressed the hope that we would be in a position to pay a final dividend larger than the reduced interim payment of 0.25p, but this was, of course, dependent on a significantly improved trading performance in the second half. As shareholders are aware, market conditions remained extremely arduous, and the trading performance in the second half does not justify a significant dividend increase.

Accordingly, after careful consideration of the Group's working capital requirements going forward, we have decided to propose a final dividend of 0.25p per share, a payment in line with the interim payment, and, if ratified at the AGM, producing total dividends for the year of 0.5p (2001: 1.63p). The cost to the Group of the final dividend now proposed is £510,000. The final dividend is payable on 13 August 2002 to shareholders on the register on 21 June 2002. 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.

## Business progress

Our European businesses have, in the main, performed as well as can be expected, given the present economic uncertainty. Our businesses in North America have faced a number of challenges and the overall performance there has not been good. However, the problems that emerged in the US were dealt with quickly and efficiently and have now been resolved. We have a new operational board in place, with a new Chief Executive Officer and Chief Financial Officer, under the chairmanship of Group Chief Executive Brian Leckie, to run our very important fibres operation in North America. We have already begun to see a substantial improvement in trading over the last few months and this company is now well positioned to generate a much improved performance in the current year.

# Chairman's statement

## Strategy

We are a leading supplier of products to niche markets worldwide, and we have worked hard to establish the Group as the major supplier in each of our carefully chosen markets. Each of these markets has high barriers to entry. In recognition of the general economic uncertainty, we have continued to reduce our cost base wherever possible, consistent with maintaining high levels of customer service. We believe that our major markets in Europe and North America offer considerable opportunities for us over the medium-term, once more normal economic conditions prevail. At this stage in the cycle our goal is to ensure that we remain as lean as possible, yet capable of fully responding to market opportunities, as and when they arise.

## Board

I will be retiring at the conclusion of the AGM. My period of office as your Chairman has not been without its difficulties and its disappointments. The strength of sterling (or the weakness of the euro) has been a continuing problem for all of our businesses and particularly so for those engaged in export. More recently we have been affected by the recession in manufacturing and the sharp downturn in the world economy, notably in North America. However, I do believe that the strategy we set ourselves back in 1997, to concentrate on our niche businesses in the polypropylene, coated paper and umbrella frame sectors, was the correct one. They all remain profitable and cash generative businesses, and should prosper when we see a return to global economic growth, as surely we will. Indeed, the Bank of England, the CBI and other respected business forecasters are now generally agreed that a manufacturing upturn is around the corner and the end of the recession within sight. We also believe that the worst is over although things may remain tough for a while yet.

I am delighted to welcome John Standen to the Board as a Non-executive Director. John was appointed on 1 June 2002, and brings a wealth of financial experience to the Board. John spent 18 years in corporate finance in the City, and was Chief Executive, Corporate Finance at BZW in the early 1990's, later becoming Chief Executive, Emerging and Developing Markets at BZW. He is also a non-executive director of a number of quoted companies. Assuming John is elected at the AGM, it is our intention that he will succeed me as Chairman at the end of that meeting.

I have very much enjoyed working with your Chief Executive Brian Leckie, the Board and the management team over the years and I am very confident that the future stewardship of your Company is in excellent hands. I will remain a shareholder and will continue to follow the fortunes of the Group with great interest.

## Personnel

We are very fortunate that we have, throughout the Group, a loyal and committed workforce, and once again my thanks goes to each and every one of them for their contribution in what has been a demanding year. Your Board is very grateful for the unflagging time and effort put in by all our personnel as we strive to build a successful, long-term growth business which will benefit all of our stakeholders.

## Outlook

While the results for the past year are disappointing, it is an accurate reflection of the underlying strength of the business that, as expected, the Group has been cash generative during the year and we have been able to cut debt and reduce gearing.

We have maintained our leading position in each of the markets we serve, and thus are well placed to achieve a more acceptable level of return on capital employed as the economic recovery continues. Trading in the albeit very early part of the current year is more encouraging, giving some indication that the economic cycle, and our prospects, are improving. However, even if there is no general trading improvement across any of our markets, the measures we have taken to improve our position should lead to an improvement in profitability in the current year.



**Charles Godwin**  
Chairman  
11 June 2002

# Review of operations



## Summary

- First benefits seen from integration of production facilities in the UK in both the Fibres and Specialist Coatings divisions
- Fibres plant in US now operating profitably after problematic 12 months
- Capacity for both BCF lines in US now sold into new markets
- Umbrella Frame business badly hit by recessionary economic conditions and adverse weather patterns
- Significant improvement in Group profitability expected this year

## Fibres

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.

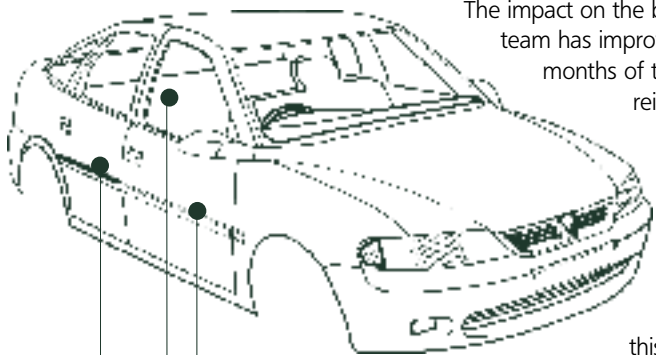
Turnover for the year ended 31 March 2002 fell by 1.9% to £80.5m (2001: £82.1m) and pre-exceptional operating profit fell by 57.9% to £1.6m (2001: £3.8m).

### Europe

Trading conditions throughout continental Europe and the UK remained tough, but we continued to benefit from the integration of our production facilities in the UK onto one principal site. This is the first full year in which we have felt these benefits and, with the cost base firmly under control, we were able to measurably increase profits from last year's levels despite sales declining by some 6.6%. Our focus now is in working with our customers to improve volumes, but market conditions, particularly in the carpet sector, remain very tight. However we continue to diversify into new market sectors with technical performance fibres. Trading in the first two months of the current year is in line with expectations with new export business particularly encouraging.

### North America

In our Interim Report we described the substantial difficulties we had faced coping with the problems arising out of the accelerated integration of American Fibres and Yarns into our business in Virginia, contemporaneous with our winning and servicing the largest polypropylene contract into the US automotive market. Our difficulties were further compounded by demand in our non-automotive areas being hit by the suddenness of the recession in the US. The impact on us was exaggerated by a substantial one-off inventory adjustment where the shortfall in consumer demand was amplified down the supply chain pipeline at each stage. In addition the financial performance of this business has been particularly hard hit by a large proportion of the bad and doubtful debts referred to in the Chairman's Statement on page 2.



Polypropylene fibres from our US and European plants are supplied to the world's automotive industry through our manufacturing customers, who supply rear parcel shelves, kick panels, sound deadening materials, speaker covers, lower door panels and boot liners.

The impact on the business of these major events was severe, but the new management team has improved the business in all key areas and trading in each of the final two months of the year was better than any of the previous ten. Current trading reinforces that position, and providing the US economic recovery does not stall, we expect this operation to make a significant contribution to overall Group profitability in the current year.

Over the past 12 to 18 months we have been developing strong relationships with our customers, the Tier 1 automotive suppliers, with the intention of increasing the polypropylene fibre content in US vehicles. We believe the increased penetration of our fibres into this market sector offers significant growth opportunities.

We also operate two bulked continuous filament lines at our Martinsville facility and, as previously reported, this investment was seriously jeopardised by the loss of a major customer at the beginning of the year. However, the full capacity of these lines has now been sold into new markets and we are confident that this investment will show considerable returns in the current year.

---

## Specialist Coatings

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 2002 fell by 19.7% to £35.4m (2001: £44.1m), but pre-exceptional operating profit rose by 20.8% to £2.9m (2001: £2.4m).

---

### Europe

In the period under review, the wallcoverings market remained very depressed, particularly in the UK where the decline in retail sales of wallcoverings experienced over the last two years continued. The restructuring of our production facilities in 2000/01, where we rationalised vinyl base production onto one site in the UK, proved timely, in that we have been able to significantly reduce our cost base. Indeed, despite trading remaining difficult, we were able to report a material improvement at the operating level in this the first full year since the restructuring was completed. Volumes remained disappointing however, and the challenge of improving throughput remains with us, much as it did at this time last year.

With a relatively stable currency, and indeed a very slight improvement in the euro/sterling rate, we have also enjoyed slightly better exports to Europe as some of our European customers' activities improved. We also experienced good demand from Russia where sales activity benefited from anticipation of our product becoming widely available early in 2002. Our agreement to supply excess machine capacity to a major importer and manufacturer in Russia has started well, with vinyl coatings and plastisol now being produced, under licence, in Moscow. Our partner has recently embarked on a major marketing campaign, which emphasises the quality and "Britishness" of the product and has already had success in securing a new outside customer for our plastisol. We have always regarded this agreement as a low-risk venture to establish a foothold in what is arguably the largest wallcoverings market in the world, and we are happy with the progress made to date.

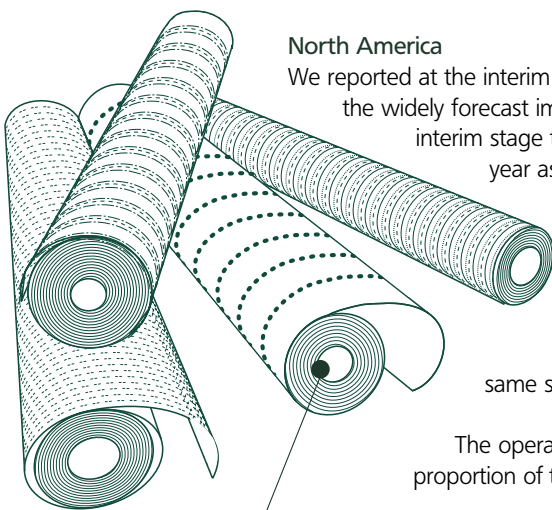
Following the shelving of our Wonderwall project, which we reported in our Interim Statement, we have further reduced our cost base by closing our small plastisol mixing operation at Darwen Coatings & Adhesives Limited, where Wonderwall was also produced. Plastisol production has now been completely integrated into our larger coatings operation at Darwen.

### North America

We reported at the interim stage that market conditions in the first half had remained very difficult and the widely forecast improvement in the second half did not materialise. We also reported at the interim stage that we had temporarily closed our Martinsville coatings operation during the year as demand was not sufficient for us to operate two plants. We have therefore been servicing all of our North American wallcoverings customers from Canada, and so successful has this been in terms of production efficiencies that we have now taken the decision to relocate some machinery to Canada, thereby reducing our cost base still further and allowing the business to return to a more acceptable level of profitability. The space freed up at Martinsville will be utilised as a warehouse for the fibres operation on the same site and will allow us to withdraw from a rented offsite fibre warehouse.

The operating result for the year has also been adversely impacted by charges for a proportion of the doubtful debts, as previously referred to in the Chairman's Statement on page 2.

The cost benefits of consolidating our coatings operation in Canada are already being felt and the profitability of the business is much improved.



Through its Specialist Coatings division, Chapelthorpe supplies vinyl coated paper direct to wallpaper manufacturers, designers and printers.

# Review of operations

---

## Umbrella Frames

This division is involved in the manufacture of specialist frames for sun, sports and promotional umbrellas.

---

Turnover for the year ended 31 March 2002 fell by 15.9% to £11.1m (2001: £13.2m), and pre-exceptional operating profit declined by 40.0% to £1.5m (2001: £2.5m).

---

As we reported at the time of the Interim Statement, this operation has been hit hard by the economic downturn, with our business in providing frames for promotional umbrellas, particularly for clients in the financial services sector, suffering significantly. In addition, the unseasonably wet weather in the spring of last year badly damaged our business in supplying frames for parasols, whether for commercial or residential use. In effect, the wet weather in Northern Europe in spring 2001 meant that the key selling season for the entire year was virtually lost, which, coupled with a stock build up amongst our customer base, ensured that this division recorded its poorest trading performance since 1998. Action was taken during the year to further reduce the cost base wherever possible, but with turnover declining by as much as 16% over the period, we were unable to completely nullify the effect of such a sharp downturn in sales. Other markets in which we operate also had their own problems, and sales remained flat throughout the period.

The combination of an early Easter in 2002, and generally warm and sunny weather in April has helped to produce a better trading performance in the first two months of the current year, but these are still very early days, and the recovery in sales may prove to be fragile. This division, however, remains the world's leading supplier in its field, and its new products have been well received by the market. The recent recovery in the US economy has encouraged us to rekindle our efforts to introduce our exciting new products to this important market. With a reduced cost base in place, we would expect a better trading performance in the current year, although as yet there is no sign of a full recovery in sales.

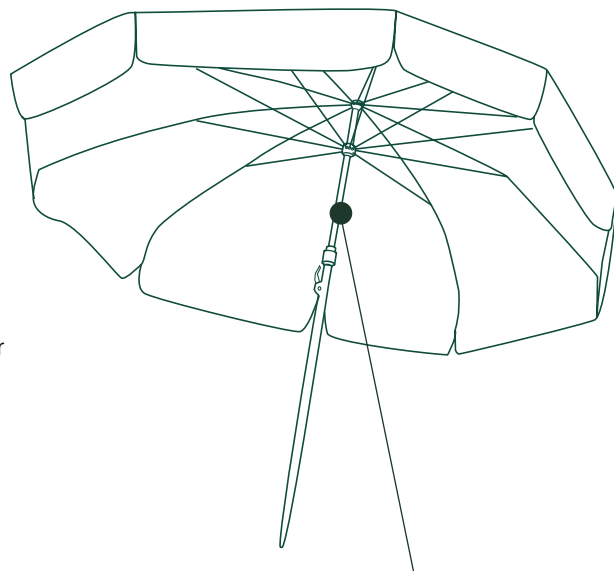
## Summary

The past 12 months have proved very challenging for the Group, with depressed markets worldwide across all our divisions. We have exercised careful control of our costs and have taken swift action wherever possible to reduce our cost base still further. The major elements of our capital expenditure programme were completed 12 months ago, and capital expenditure in the current year will remain significantly below the level of depreciation. As a result, and with tighter control of working capital, we have remained cash generative over the past year and borrowings and gearing have both fallen.

We fully expect our operational performance in North America to continue the recent trend and improve significantly in the current year, which, coupled with even modest success in other markets, should result in a better Group trading performance over the coming year.



**Brian Leckie**  
Chief Executive  
11 June 2002



Through its Hoyland Fox subsidiary, Chapelthorpe supplies the world's leading manufacturers of promotional umbrellas and branded parasols with light, durable and technically advanced umbrella frames.

# Financial review



## Summary

- Pre-exceptional operating profit before goodwill amortisation recorded at £6.0m includes an additional £1.0m charge for doubtful debts
- Pre-exceptional operating cash flow of £13.1m for the year, up £0.2m on the previous year despite lower operating profits
- £3.0m reduction in net borrowings over the financial year
- Gearing reduced from 78.5% to 75.1% over the financial year
- Under FRS17 rules small pension scheme surplus disclosed at 31 March 2002

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 2002 and its consolidated balance sheet as at that date, compared to the year ended 31 March 2001.

### Turnover and operating profit

Total turnover was £127.0m (2001: £139.4m) and included a contribution for the full year from the staple fibre business acquired from American Fibers and Yarns Company and integrated within the existing US fibres operation. The result of the difficult market conditions in which the Group was operating is, however, clearly reflected in the overall reduction in turnover, on the previous year, of £12.4m.

The impact of the downturn in the global economy is represented by a reduced performance in sales across the major geographical regions. Sales in Europe at £74.2m, representing 58.4% of total sales (2001: 59.0%), recorded a decline of £8.1m and although sales in North America at £49.9m were down by £3.8m on the previous year, their percentage of total sales held up well, with a marginal increase from 38.5% to 39.3%. This was attributable to a full year contribution from the staple fibre business acquired from American Fibers and Yarns Company and the acquisition of the largest single US automotive contract for polypropylene fibre, without which a steeper decline would have been evident. Sales in the rest of the world at £2.9m recorded a decrease of £0.5m on last year (2001: £3.4m), despite a modest improvement, on the previous year, of sales in Africa and the Middle East, and slightly declined as a percentage of total sales from 2.4% to 2.3%.

These trading conditions have had a major impact on our overall operating performance. They have resulted in operating profit from continuing operations being recorded at £6.0m after taking into account an additional £1.0m charge for doubtful debts in response to uncertainties in the North American economy. This is prior to the amortisation of goodwill of £0.8m and operating exceptional charges of £2.8m and represents, after taking into account this additional charge of £1.0m, a decline of £2.7m in pre-exceptional operating profit on the previous year.

### Exceptional items

Full details of all exceptional items, which resulted in a net pre-tax charge of £2.8m (2001: £13.3m) being recorded in the consolidated profit and loss account, are shown in Notes 7 and 8 to these accounts.

### Interest

Interest charged at £2.8m was £0.1m higher than the previous year in spite of a lower underlying rate of interest. This was primarily due to higher average borrowings, resulting from the full year impact of the consideration paid for the staple fibre business of American Fibers and Yarns. Interest cover, before exceptional items and goodwill, is calculated at 2.1 times.

### Taxation

An analysis of the tax credit of £0.3m, comprising taxation on pre-exceptional profit on ordinary activities of £0.9m, offset by a taxation credit relating to exceptional items of £1.2m levied in the year, is shown in Note 5 to the accounts. The underlying effective tax rate for the year is calculated at 30.3% (2001: 36.3%).

### Earnings and dividends per share

Earnings per share, calculated before taking the exceptional items into account, were 0.71p (2001: 1.30p). Post exceptional items the loss per share was (0.11)p (2001: loss of (4.23)p). As a consequence of the reduced profitability, an ordinary dividend for the year of 0.50p per share has been proposed.

# Financial review

<b>Funding and liquidity</b>	<p>Net borrowings reduced from £41.6m to £38.6m in a year of depressed market conditions. This decrease in borrowings of £3.0m, despite a reduction in shareholders' funds to which subsequent reference is made, has still resulted in a decrease in gearing from an opening position of 78.5% to 75.1% at 31 March 2002. This level of borrowings is within our agreed facilities and further significant reductions in our borrowings are planned for the year ending 31 March 2003. During the year there has been a regular dialogue with our principal bankers and as a consequence of these discussions, we have successfully rearranged our borrowing facilities. The Group has thereby agreed to grant additional security, amend covenant levels, reduce the undrawn committed facility by £2.5m and reschedule repayments as disclosed in Note 14 on page 33. Legal documentation to effect these changes is being put in place.</p>
<b>Cash flow and investment</b>	<p>The cash cost of operating exceptional items of £3.5m (2001: £4.8m) has again adversely impacted the net cash inflow from operating activities, which at £9.6m was £1.5m better than last year. With exceptional items excluded and despite the year on year shortfall in pre-exceptional operating profit of £2.7m, net cash inflow for the year was £13.1m compared to £12.9m. Continued strong control of working capital was primarily responsible and further improvements in this area will remain a key objective for the year ending 31 March 2003.</p> <p>Throughout the financial year, capital expenditure, as indicated in last year's review, has been carefully controlled with the result that the total for the year amounted to £2.3m (2001: £4.2m).</p> <p>The next 12 months will see the Group firmly committed to an extension of this policy with capital expenditure again planned to be significantly below the projected depreciation charge. Maximum utilisation of the capital employed in the Group's operations and an improvement in the return on the high level of strategic investment made in the past, will continue to be the main focus of attention in the Group's continuous improvement programme.</p>
<b>Shareholders' funds</b>	<p>Shareholders' funds reduced in the year from £53.0m to £51.4m. This reduction was mainly attributable to several specific bad debts incurred in respect of long standing customers and the ongoing need to reduce our cost base in order to preserve our future operational viability in the face of the difficult times which we have continued to encounter.</p>
<b>Assets employed</b>	<p>There was a decrease in net operating assets employed in the Group during the year of £6.1m. In spite of this overall decrease, the Group still holds 67% of the assets overseas. This reinforces the Group's position as a global business.</p>
<b>Accounting policies</b>	<p>Both FRS18 (Accounting Policies) and FRS19 (Deferred Tax) have been adopted in these financial statements. The adoption of FRS18 has resulted in some expanded accounting policy wordings in Note 1 but has not resulted in any changes in accounting policies. The Group had fully provided for deferred tax by 31 March 2001 and consequently the adoption of FRS19 has not had any impact on the 31 March 2002 results.</p> <p>In respect of FRS17 (Retirement Benefits), full implementation will not be required until the accounts for the financial year ending 31 March 2004 are prepared. For this year's accounts, certain disclosures by way of note (see Note 31) are required, including the value of pension scheme assets and liabilities, to reflect the impact of adopting FRS17 in the balance sheet. Under this standard a snapshot is taken, at a specific point in time, of the Group's defined benefit pension scheme assets and liabilities. At 31 March 2002 a small pension scheme surplus has been disclosed under FRS17 rules. However, the future calculation of scheme assets and liabilities will be subject to volatility as movements in equity prices and discount rates take place.</p> <p>In accordance with actuarial and investment advice received, the trustees of the pension scheme had previously weighted the balance of the scheme's investments in favour of bonds, over equities, and this will help to mitigate the scheme's exposure to any volatile movements in future equity prices.</p>

## 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 32 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 2002 55% of the Group's borrowings were at fixed rates after taking account of interest rate swaps.

## Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. In addition, the Group's policy is to maintain undrawn committed facilities in order to provide flexibility in the management of the Group's liquidity. This short-term flexibility is achieved by overdraft facilities. Details of the age profile of the borrowings and the related facilities are provided in Note 32 to the accounts.

## 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

The Group has continued to review on a regular basis all controls, including financial, operational and compliance controls and risk management affecting its business. Further details are provided in the Corporate Governance Statement on pages 14 to 16.



**David Riley**  
Finance Director  
11 June 2002

# Directors



**Charles Godwin\***

Non-executive Chairman, aged 68

Charles Godwin was appointed a Director in 1989. He is a Chartered Accountant and has extensive experience in corporate finance.

**David Riley**

Finance Director, aged 56

David Riley 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.

**Alan Reeve\***

Non-executive Director, aged 64

Alan Reeve was appointed to the Board in 1997. Formerly he was an executive director of Waddington PLC.

**Brian Leckie†**

Chief Executive, aged 55

Brian Leckie joined the Group 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, aged 53

Allan Thompson 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 European Fibres businesses.

**John Standen\***

Non-executive Director, aged 53

John Standen was appointed to the Board on 1 June 2002. Formerly he was Chief Executive, Corporate Finance at BZW. Currently he is a director of Reg Vardy plc, Financial Objects plc and Actinic plc.

\* Member of Nomination, Remuneration and Audit Committees

† Member of Nomination Committee

# Directors' report

The Directors present their Annual Report together with the accounts of the Company for the year ended 31 March 2002.

## Profits and dividends

The loss after taxation for the year ended 31 March 2002 was £174,000 (2001: loss of £8,582,000). Preference and ordinary dividends totalling £1,018,000 (2001: £3,250,000) have been or are proposed to be paid. The retained deficit for the year amounted to £1,192,000 (2001: £11,832,000).

The proposed final ordinary dividend, if approved, will be payable on 13 August 2002 to shareholders on the register of members at 21 June 2002. 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.

## Directors

The Board of Directors is listed on page 10. These Directors have served throughout the year, with the exception of Mr J Standen who was appointed to the Board on 1 June 2002. Mr Standen does not have a service contract.

In accordance with the Articles of Association of the Company, Mr J Standen will retire from office at the Annual General Meeting and, being eligible, offer himself for election.

Mr A L Thompson will retire by rotation and, being eligible, offer himself for re-election. Mr Thompson has a service contract which requires two years' notice.

Mr C R Godwin will retire at the Annual General Meeting.

Mr M Swingler retired on 27 July 2001.

## Directors' interests

The interests of the Directors who held office at 31 March 2002, and of their families, in the ordinary shares of the Company, are disclosed in Note 29 to the accounts on page 38.

## Share capital

Note 18 on page 35 provides information concerning share capital for the year ended 31 March 2002.

At 11 June 2002 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	27,538,295	13.50
Hansa Trust Plc	8,903,286	4.36
Ian Knighton	8,589,664	4.21
Electra Active Management PLC	7,829,864	3.84

# Directors' report

## **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 26 October 2003, 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 26 October 2003, 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 27 July 2001. 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 tangible fixed assets of the Group are shown in Note 10 to the accounts on page 31.

## **Research and development costs**

The Group continues to invest in new product development across its businesses, and such costs in the year amounted to £486,000 (2001: £519,000), as disclosed in Note 2.

## Charitable and political contributions

Donations to UK charitable organisations amounted to £3,000 (2001: £8,000). There were no political contributions (2001: £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 65 days (2001: 73 days). The Company does not have any trade creditors at the year end.

## 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.

By order of the Board,



**J D Riley**  
Finance Director and Secretary  
11 June 2002

# 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 2002 were Directors' notice periods (B.1.7), and number of Non-executive Directors comprising the Audit Committee (D.3.1). Further details in respect of these two areas are included in the Board Report on Remuneration on page 17, and in the Corporate Governance Statement on page 15, respectively.

## **The Board**

The Board of Directors currently comprises three Executive and three Non-executive Directors until the retirement of Mr C R Godwin at the Annual General Meeting. Each has considerable knowledge and experience from both within and outside the Group's spheres of business. 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 12 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 currently comprises the Group's Non-executive Directors, under the chairmanship of Mr A B Reeve. Prior to the retirement of Mr M Swingler on 27 July 2001, the Audit Committee was comprised of three Non-executive Directors, as recommended by the Combined Code. 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.

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 has thereby complied with the requirements of the Combined Code in respect of internal control matters throughout the year ended 31 March 2002 and up to the date of approval of this Report and Accounts.

# Corporate governance

## **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 formal 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.

The chairman of the Audit Committee personally reviewed progress with Combined Code compliance through a programme of visits to all of the Group's subsidiaries in the United Kingdom in the year ended 31 March 2002. It is proposed to extend this to the Group's overseas subsidiaries in 2002/03.

### **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 Group's 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 in 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 29 to the accounts on pages 38 to 40. 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 29 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.

# Board report on remuneration

## Options and awards

Details of outstanding options and awards are shown in Notes 18 and 29 to the accounts on pages 35 and 39.

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. In respect of awards made prior to 1 April 2001, 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 (being earnings per share before non-operating exceptional items) 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.

Certain awards made under the 1998 Performance Related Share Plan matured on 31 March 2002. The Remuneration Committee has determined that the performance conditions have not been met and that the awards will not vest.

In respect of awards made under the 1998 Performance Related Share Plan after 1 April 2001, the Remuneration Committee has determined that the awards will vest after the Performance Period:

- i) as to 30% if the normalised earnings per share in the final year of the Performance Period exceed 4.5 pence;
- ii) as to 100% if the normalised earnings per share in the final year of the Performance Period exceed 6.5 pence;
- iii) for normalised earnings per share in the final year of the Performance Period between 4.5 pence and 6.5 pence the apportionment is on a straight line basis.

Following the receipt of independent advice, and recognising the difficulty in maintaining a fair Comparator Group listing, given the significant reduction in comparable listed companies, the Committee decided that the above basis is more appropriate in aligning the interests of shareholders with the recipients of the awards. Under the normalised earnings per share calculation, the loss per share for the year ended 31 March 2001 was (4.28) pence per share and 31 March 2002 was a loss of (0.11) pence per share.

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, ordinary shares in the Company. These shares have been used to make awards under the Invested Bonus Share Plan 1997 and the 1998 Performance Related Share Plan. At the year end the market value of all ordinary shares held by the Trust was £242,000.

On behalf of the Board,



**Charles Godwin**  
Chairman, Remuneration Committee  
11 June 2002

# 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 2002 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  
11 June 2002

# Consolidated profit and loss account

year ended 31 March 2002

	Notes	Operating activities 2002 £000	Exceptional items 2002 £000	2002 £000	2001 £000
Turnover – continuing operations	2	<b>127,048</b>	–	<b>127,048</b>	139,417
Cost of sales		<b>102,924</b>	<b>699</b>	<b>103,623</b>	114,400
<b>Gross profit</b>		<b>24,124</b>	<b>(699)</b>	<b>23,425</b>	25,017
Net operating expenses	3	<b>18,940</b>	<b>2,120</b>	<b>21,060</b>	30,566
<b>Operating profit (loss) – continuing operations</b>					
Operating profit before under noted items		<b>6,006</b>	–	<b>6,006</b>	8,701
Exceptional items		–	<b>(2,819)</b>	<b>(2,819)</b>	(10,418)
Amortisation/impairment of goodwill		<b>(822)</b>	–	<b>(822)</b>	(3,832)
Total operating profit (loss)	2,7	<b>5,184</b>	<b>(2,819)</b>	<b>2,365</b>	(5,549)
Exceptional items relating to disposals of businesses	8	–	–	–	90
Net interest payable	4	<b>2,805</b>	–	<b>2,805</b>	2,707
<b>(Loss) profit on ordinary activities before taxation</b>					
Profit before taxation and exceptional items		<b>2,379</b>	–	<b>2,379</b>	5,164
Exceptional items		–	<b>(2,819)</b>	<b>(2,819)</b>	(13,330)
(Loss) profit on ordinary activities before taxation		<b>2,379</b>	<b>(2,819)</b>	<b>(440)</b>	(8,166)
Taxation on (loss) on ordinary activities	5			<b>(266)</b>	416
<b>(Loss) for the financial year</b>				<b>(174)</b>	(8,582)
Dividends (including non-equity)	6			<b>1,018</b>	3,250
<b>Retained (deficit)</b>	24			<b>(1,192)</b>	(11,832)

	Notes	Operating activities	Exceptional items	Total
<b>Basic and diluted (loss) earnings per ordinary share (pence)</b>				
Year ended 31 March 2002	19	<b>0.71</b>	<b>(0.82)</b>	<b>(0.11)</b>
Year ended 31 March 2001	19	1.30	(5.53)	(4.23)

# Consolidated balance sheet

31 March 2002

	Notes	2002 £000	2001 £000
<b>Fixed assets</b>			
Intangible assets	9	<b>13,231</b>	14,135
Tangible assets	10	<b>62,026</b>	66,707
		<b>75,257</b>	80,842
<b>Current assets</b>			
Stocks	11	<b>14,372</b>	16,991
Debtors	12	<b>31,941</b>	38,744
Cash at bank and in hand		<b>9,006</b>	6,572
		<b>55,319</b>	62,307
<b>Creditors</b>			
Amounts falling due within one year	13	<b>40,162</b>	47,575
<b>Net current assets</b>		<b>15,157</b>	14,732
<b>Total assets less current liabilities</b>		<b>90,414</b>	95,574
<b>Creditors</b>			
Amounts falling due after more than one year	13	<b>30,338</b>	30,776
Provisions for liabilities and charges	15	<b>8,672</b>	11,793
<b>Net assets</b>		<b>51,404</b>	53,005
<b>Capital and reserves</b>			
Called up share capital (including non-equity interests)	18	<b>11,002</b>	11,002
Share premium account	20	<b>1,251</b>	1,251
Capital redemption reserve	21	<b>487</b>	487
Profit and loss account	24	<b>38,664</b>	40,265
<b>Total shareholders' funds (including non-equity interests)</b>		<b>51,404</b>	53,005

Approved by the Directors on 11 June 2002

**C R Godwin**  
Chairman

**B Leckie**  
Director

# Parent company balance sheet

31 March 2002

	Notes	2002 £000	2001 £000
<b>Fixed assets</b>			
Tangible assets	10	<b>681</b>	1,467
Investments	28	<b>100,340</b>	108,475
		<b>101,021</b>	109,942
<b>Current assets</b>			
Debtors	12	<b>10,308</b>	4,498
Cash at bank and in hand		<b>4,049</b>	1,077
		<b>14,357</b>	5,575
<b>Creditors</b>			
Amounts falling due within one year	13	<b>22,575</b>	17,005
<b>Net current (liabilities)</b>		<b>(8,218)</b>	(11,430)
<b>Total assets less current liabilities</b>		<b>92,803</b>	98,512
<b>Creditors</b>			
Amounts falling due after more than one year	13	<b>19,506</b>	23,531
Provisions for liabilities and charges	15	<b>–</b>	40
<b>Net assets</b>		<b>73,297</b>	74,941
<b>Capital and reserves</b>			
Called up share capital (including non-equity interests)	18	<b>11,002</b>	11,002
Share premium account	20	<b>1,251</b>	1,251
Capital redemption reserve	21	<b>487</b>	487
Capital reserve	22	<b>9,204</b>	9,204
Merger reserve	23	<b>41,723</b>	41,723
Profit and loss account	24	<b>9,630</b>	11,274
<b>Total shareholders' funds (including non-equity interests)</b>		<b>73,297</b>	74,941

Approved by the Directors on 11 June 2002

**C R Godwin**  
Chairman

**B Leckie**  
Director

# Consolidated cash flow statement

year ended 31 March 2002

	Notes	2002 £000	2001 £000
<b>Net cash inflow from operating activities</b>	25	<b>9,552</b>	8,059
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>172</b>	246
Interest paid		<b>(2,909)</b>	(2,533)
Interest element of finance lease rental payments		<b>(1)</b>	(6)
Dividends paid on non-equity shares		<b>(46)</b>	(46)
<b>Net cash (outflow) from returns on investments and servicing of finance</b>		<b>(2,784)</b>	(2,339)
<b>Taxation</b>		<b>335</b>	(1,478)
<b>Capital expenditure</b>			
Purchases of tangible fixed assets		<b>(2,273)</b>	(4,154)
Sales of tangible fixed assets		<b>847</b>	172
Sales of properties held for resale		<b>–</b>	6,357
		<b>(1,426)</b>	2,375
<b>Acquisitions and disposals</b>			
Disposals of businesses		<b>–</b>	460
Purchases of businesses		<b>(161)</b>	(7,167)
		<b>(161)</b>	(6,707)
<b>Equity dividends paid</b>		<b>(2,502)</b>	(5,333)
<b>Net cash inflow (outflow) before financing</b>		<b>3,014</b>	(5,423)
<b>Financing</b>			
Purchase of own shares		<b>–</b>	(2,956)
Costs of share issues		<b>–</b>	(12)
Loans advanced		<b>9,790</b>	27,018
Repayment of amounts borrowed		<b>(4,897)</b>	(5,595)
Capital element of finance lease rental payments		<b>(9)</b>	(77)
<b>Net cash inflow from financing</b>	27	<b>4,884</b>	18,378
<b>Increase in cash</b>	26	<b>7,898</b>	12,955

## Total recognised gains and losses

year ended 31 March 2002

	2002 £000	2001 £000
(Loss) for the financial year	<b>(174)</b>	(8,582)
Exchange translation adjustments on foreign currency net investments	<b>(409)</b>	4,772
<b>Total recognised gains and losses for the year</b>	<b>(583)</b>	(3,810)

## Movement in shareholders' funds

year ended 31 March 2002

	2002 £000	2001 £000
(Loss) for the financial year	<b>(174)</b>	(8,582)
Dividends	<b>(1,018)</b>	(3,250)
Purchase of own shares	–	(2,956)
	<b>(1,192)</b>	(14,788)
Exchange translation adjustments on foreign currency net investments	<b>(409)</b>	4,772
<b>(Decrease) in shareholders' funds</b>	<b>(1,601)</b>	(10,016)
Shareholders' funds at 1 April 2001	<b>53,005</b>	63,021
<b>Shareholders' funds at 31 March 2002</b>	<b>51,404</b>	53,005
Attributable to:		
Equity interests	<b>50,604</b>	52,205
Non-equity interests:		
First cumulative preference shares of 50 pence	<b>50</b>	50
Second cumulative preference shares of £1	<b>750</b>	750
	<b>800</b>	800
	<b>51,404</b>	53,005

## 1. Statement of accounting policies

Financial Reporting Standard 18 has been adopted in the current year but this did not necessitate any changes to the Group's accounting policies. The Group has also adopted Financial Reporting Standard 19 (Deferred Tax) in these accounts.

### 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, is amortised through the profit and loss account over its estimated useful life of 20 years, 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.

Goodwill arising on consolidation which has arisen on the purchase of an overseas operation, is carried as a currency asset and retranslated at the balance sheet date. Differences arising on retranslation are taken to reserves.

### Impairments

The carrying values of tangible and intangible fixed assets on the balance sheet are reviewed, where appropriate, in order to consider whether any provision for impairment is necessary. Impairment provisions are calculated by comparing the higher of net realisable value and value in use of the asset, using forecast cash flows discounted at the Group's pre-tax weighted average cost of capital, with its carrying value.

### Foreign currencies

Trading results of overseas subsidiaries are translated into sterling at the average rates of exchange for the accounting period. Differences arising on the translation from average to closing rate of the results of overseas subsidiaries are taken to reserves. Differences arising from the retranslation of net assets of overseas subsidiaries at the beginning of the year and matched foreign currency borrowings 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, and is recognised at the point of despatch or when the service is provided.

### Stocks

Stocks and work in progress are valued at the lower of cost or estimated net realisable value, and cost where appropriate includes a measured proportion of overhead expenses, which are directly related to production, and which are absorbed on the basis of normal levels of activity. Provision is made, taking into account age and potential obsolescence, in order to reduce gross stock valuations to their estimated recoverable amounts.

### 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

### Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

### Leased assets

Assets subject to finance leases, being those where the associated risks and rewards of ownership have substantially transferred to the Group, 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.

# Notes to the accounts

## 1. Statement of accounting policies (continued)

### 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 tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax is not provided on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The adoption of Financial Reporting Standard 19 in respect of deferred taxation has not led to a prior year adjustment.

### Pensions

The Group operates a defined benefit and four defined contribution pension schemes. In addition the Group's Austrian subsidiary is required to provide for leaving indemnities, which represent a defined benefit on retirement.

Contributions in respect of defined contribution schemes are charged to the profit and loss account in the year in which they arise.

The expected costs of providing pensions arising from the defined benefit scheme, and other post-retirement schemes, as calculated every three years by professionally qualified actuaries, are charged to the profit and loss account so as to spread the cost over the service lives of employees, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

### 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.

Shares in Chapelthorpe plc held by the Chapelthorpe Trust are stated at the lower of cost and net realisable value at the balance sheet date, less the related amortisation charge, and are recorded within debtors.

The Company has taken advantage of the exemption permitted by UITF 17 (Revised), in relation to 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 SAYE option is granted.

### Debtors

Provision is made for that proportion of those debts whose recoverability is considered doubtful, after taking into account credit insurance recoveries where applicable.

### 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 specific 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 as the underlying interest arises. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year end.

# Notes to the accounts

## 2. Turnover, operating profit and segmental analysis

### Area of activity

	Turnover		Pre-exceptional operating profit		Net operating assets	
	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000
Continuing operations						
Fibres	<b>80,499</b>	82,123	<b>1,585</b>	3,820	<b>58,763</b>	61,934
Specialist Coatings	<b>35,446</b>	44,072	<b>2,879</b>	2,428	<b>13,504</b>	16,119
Umbrella Frames	<b>11,103</b>	13,222	<b>1,542</b>	2,453	<b>9,177</b>	8,621
	<b>127,048</b>	139,417	<b>6,006</b>	8,701	<b>81,444</b>	86,674
Goodwill amortised/capitalised						
Fibres			<b>(397)</b>	(366)	<b>6,909</b>	7,388
Specialist Coatings			<b>(425)</b>	(464)	<b>6,322</b>	6,747
			<b>(822)</b>	(830)	<b>13,231</b>	14,135
	<b>127,048</b>	139,417	<b>5,184</b>	7,871	<b>94,675</b>	100,809
Net operating assets					<b>94,675</b>	100,809
Unallocated net liabilities					<b>(43,271)</b>	(47,804)
Total net assets					<b>51,404</b>	53,005

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

During the year ended 31 March 2002, £2,819,000 of exceptional costs were charged against operating profit, of which £2,019,000 related to the Fibres division, £682,000 related to the Specialist Coatings division and £118,000 related to the Umbrella Frames division. In the year ended 31 March 2001, the exceptional costs of £13,420,000 charged against operating profit included £3,083,000 associated with the Fibres division, £10,155,000 associated with the Specialist Coatings division, of which £3,002,000 related to the impairment of goodwill, and £182,000 related to the Umbrella Frames division. Full details of the operating exceptional items are shown in Note 7 to these accounts.

### Geographical area

Region of origin	Turnover		Pre-exceptional operating profit		Net operating assets	
	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000
Continuing operations						
Europe	<b>78,285</b>	87,381	<b>6,413</b>	5,855	<b>33,786</b>	35,473
North America	<b>48,763</b>	52,036	<b>(407)</b>	2,846	<b>47,658</b>	51,201
	<b>127,048</b>	139,417	<b>6,006</b>	8,701	<b>81,444</b>	86,674
Goodwill amortised/capitalised						
Europe			<b>(752)</b>	(779)	<b>11,957</b>	12,791
North America			<b>(70)</b>	(51)	<b>1,274</b>	1,344
			<b>(822)</b>	(830)	<b>13,231</b>	14,135
	<b>127,048</b>	139,417	<b>5,184</b>	7,871	<b>94,675</b>	100,809
Net operating assets					<b>94,675</b>	100,809
Unallocated net liabilities					<b>(43,271)</b>	(47,804)
Total net assets					<b>51,404</b>	53,005

During the year ended 31 March 2002, £2,819,000 of exceptional costs were charged against operating profit, of which £1,225,000 related to the European operations and £1,594,000 related to the North American operations. In the year ended 31 March 2001, the exceptional costs of £13,420,000 included £10,772,000 associated with the European operations and £2,648,000 associated with the North American operations.

Region of destination	2002 £000	2001 £000
Turnover – continuing operations		
Europe	<b>74,186</b>	82,316
North America	<b>49,933</b>	53,740
Africa and Middle East	<b>766</b>	588
Australasia and Far East	<b>2,163</b>	2,773
	<b>127,048</b>	139,417

# Notes to the accounts

## 2. Turnover, operating profit and segmental analysis (continued)

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

	<b>2002</b> <b>£000</b>	2001 £000
Depreciation – owned assets	<b>5,910</b>	5,095
– leased assets	<b>64</b>	59
Amortisation of goodwill (excluding impairment)	<b>822</b>	830
Profit on sale of tangible fixed assets	<b>(98)</b>	–
Operating exceptional items (Note 7)	<b>2,819</b>	13,420
Operating leases – hire of plant and equipment	<b>597</b>	604
– other	<b>405</b>	568
Research and development costs	<b>486</b>	519
Auditors' remuneration	<b>160</b>	168
Capital grants transfer	<b>–</b>	(5)

Non-audit fees charged by PricewaterhouseCoopers, in the United Kingdom, amounted to £297,000, of which £165,000 relates to operating exceptional items (2001: £341,000, including £163,000 relating to operating exceptional items).

The audit fee relating to the Parent Company amounted to £34,000 (2001: £33,000).

## 3. Analysis of net operating expenses

	Operating activities <b>2002</b> <b>£000</b>	Exceptional items <b>2002</b> <b>£000</b>	Total <b>2002</b> <b>£000</b>	Operating activities 2001 £000	Exceptional items 2001 £000	Total 2001 £000
Distribution costs	<b>10,954</b>	<b>1,971</b>	<b>12,925</b>	11,771	109	11,880
Administration expenses	<b>8,019</b>	<b>149</b>	<b>8,168</b>	9,343	9,468	18,811
Other operating (income)	<b>(33)</b>	<b>–</b>	<b>(33)</b>	(125)	–	(125)
Net operating expenses	<b>18,940</b>	<b>2,120</b>	<b>21,060</b>	20,989	9,577	30,566

## 4. Net interest payable

	<b>2002</b> <b>£000</b>	2001 £000
Payable:		
Bank loans, overdrafts and short-term facilities	<b>2,976</b>	2,947
Interest on finance leases	<b>1</b>	6
	<b>2,977</b>	2,953
Receivable:		
Bank and other deposits	<b>118</b>	168
Other interest	<b>54</b>	78
	<b>172</b>	246
Net interest payable	<b>2,805</b>	2,707

## 5. Taxation on (loss) on ordinary activities

### a) Analysis of (credit) charge in the year

	<b>2002</b> <b>£000</b>	2001 £000
Corporation tax at 30% (2001: 30%)	<b>7</b>	558
Taxation underprovided (overprovided) in previous years	<b>287</b>	(1,330)
Advance corporation tax written off	<b>–</b>	500
Overseas tax	<b>(974)</b>	(254)
Total current tax (Note 5b)	<b>(680)</b>	(526)
Deferred taxation	<b>414</b>	942
	<b>(266)</b>	416

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

Included within tax underprovided (overprovided) in previous years for 2001/02 is a charge of £198,000 relating to overseas operations (2001: charge of £102,000).

The tax effect in the profit and loss account relating to operating exceptional items is a credit of £1,184,000 (2001: credit of £2,057,000).

# Notes to the accounts

## 5. Taxation on (loss) on ordinary activities (continued)

### b) Factors affecting the tax credit for the year

The standard rate of current tax for the year, based upon the UK standard rate of corporation tax, is 30% (2001: 30%).

The current tax credit for the year exceeds 30% for the reasons set out below:

	2002 £000	2001 £000
(Loss) on ordinary activities before taxation	<b>(440)</b>	(8,166)
Tax on (loss) on ordinary activities at standard rate	<b>(132)</b>	(2,450)
Factors affecting charge:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	<b>235</b>	1,163
Non-taxable movements on restructuring provisions	<b>(482)</b>	961
Capital allowances for the year in excess of depreciation	<b>(487)</b>	683
Differing rates of tax on overseas earnings	<b>(167)</b>	(96)
Adjustments to tax charge in respect of previous years	<b>287</b>	(1,330)
Advance corporation tax written off	–	500
Withholding tax relating to overseas dividends	<b>66</b>	43
Current tax (credit) (Note 5a)	<b>(680)</b>	(526)

## 6. Dividends

	2002 £000	2001 £000
Ordinary shares (equity shares):		
Interim dividend of 0.25 pence (2001: 0.63 pence)	<b>510</b>	1,287
Final dividend of 0.25 pence recommended (2001: 1.00 pence)	<b>510</b>	2,040
Adjustment to 2000 final dividend arising from the purchase of own shares	–	(59)
Dividends waived by the Chapelthorpe Trust	<b>(48)</b>	(64)
	<b>972</b>	3,204
Preference shares (non-equity shares)	<b>46</b>	46
	<b>1,018</b>	3,250

## 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	2002 £000	2001 £000
Bad debts	a)	<b>(1,747)</b>	–
UK Specialist Coatings – restructuring costs	b)	<b>443</b>	(9,976)
Redundancy and severance costs	c)	<b>(631)</b>	(346)
Post acquisition reorganisation and excess running costs of staple fibre business	d)	<b>(683)</b>	(2,648)
Other exceptional costs	e)	<b>(201)</b>	–
Prior year aborted acquisition bid and potential offer for the Company		–	(450)
Costs relating to operating exceptional items		<b>(2,819)</b>	(13,420)

The cash flow impact of operating exceptional items in the year was as follows:

	2002 £000	2001 £000
UK Specialist Coatings – restructuring costs	<b>(855)</b>	(1,217)
Redundancy and severance costs	<b>(687)</b>	(581)
Post acquisition reorganisation and excess running costs of staple fibre business	<b>(1,801)</b>	(1,567)
Prior year aborted acquisition bid and potential offer for the Company	<b>(197)</b>	(1,454)
Net cash (outflow) relating to operating exceptional items	<b>(3,540)</b>	(4,819)

# Notes to the accounts

## 7. Operating exceptional items (continued)

### a) Bad debts

During the year the Group experienced a number of substantial bad debts. The Group's exposure to these bad debts, after credit insurance claims, was £1,747,000.

### b) UK Specialist Coatings – restructuring costs

The Group undertook further restructuring of the UK Specialist Coatings division during the year, with the decision to close the production facility of Darwen Coatings & Adhesives. As part of the site clearance process, the plant and machinery has been removed from the Altham site to another Group premises and the carrying value of the fixed assets held within this business has been reduced by £843,000, to reflect their estimated realisable value.

A charge has also been made for corrective work to make the site commercially attractive and to cover future site costs for the expected period until a suitable exit from the lease can be agreed. The costs associated with the closure are summarised in the table below.

During the year ended 31 March 2001, the Group incurred exceptional costs of £9,976,000 in connection with the decision to cease production at the Bishop Auckland facility. This charge principally related to impairment provisions relating to tangible and intangible fixed assets and provisions for the termination costs, residual lease costs and other closure costs.

The closure and clearance of the Bishop Auckland facility was completed during the year ended 31 March 2002. At 31 March 2001 the Group balance sheet included a provision of £3,324,000 intended to cover the expected future site costs, primarily rents, until the end of the lease period. During the year the premises have been returned to a commercially marketable site and, following this, the Group is currently in negotiation in order to facilitate an early exit from the lease. Consequently the provision made, in the prior year, is in excess of that which is expected to be required and so this excess amount has been credited back through the profit and loss account as an operating exceptional item, as shown in the table below.

As part of a low-risk, low-cost trading agreement, the Group has installed some equipment, previously operated by Chamberlain Coatings at the Bishop Auckland facility, into a customer's premises in Moscow. An impairment provision of £230,000, made in the year ended 31 March 2001 following the closure of the Bishop Auckland site, has been reversed to reinstate the written down value of the plant and equipment transferred to Russia.

An analysis of the exceptional credit in relation to the UK Specialist Coatings restructuring is:

	Moscow plant £000	Darwen Coatings & Adhesives £000	Bishop Auckland premises £000	Total £000
Adjustment to reflect economic value of tangible fixed assets	230	(843)	–	(613)
Provision for future site costs and other closure costs	–	(551)	1,607	1,056
	230	(1,394)	1,607	443

### c) Redundancy and severance costs

During the year the Group incurred exceptional costs of £631,000 associated with redundancy and severance of employee contracts as part of an ongoing cost reduction programme across all divisions.

### d) Post acquisition reorganisation and excess running costs of staple fibre business

Following the acquisition of the staple fibre business of American Fibers and Yarns, during the year ended 31 March 2001, a restructuring programme was commenced and the operation was moved to the Martinsville facility. The reorganisation and other exceptional costs incurred during the year ended 31 March 2001 amounted to £2,648,000 and included both the reorganisation programme and a level of non-recurring cost as the excess capacity and related manning levels were being reduced to those required for the ongoing business.

In the year ended 31 March 2002, the US fibres operation has incurred a level of non-recurring cost, principally in relation to excess waste cost, following the transfer of this business. This cost amounted to £683,000.

### e) Other exceptional costs

The Group incurred £201,000 of other exceptional costs during the year, mainly in connection with a rearrangement of the Group's principal banking facilities.

## 8. Non-operating exceptional items

	2002 £000	2001 £000
Exceptional items relating to disposals of businesses	–	90

The exceptional items relating to the disposals of businesses, in the year ended 31 March 2001, principally related to the disposals of Whitley Willows Limited and Regal Rugs, Inc. in prior years.

# Notes to the accounts

## 9. Intangible fixed assets

	Consolidated Goodwill £000
Cost	
At 1 April 2001	18,807
Exchange adjustments	<b>(82)</b>
<b>At 31 March 2002</b>	<b>18,725</b>
Amortisation	
At 1 April 2001	1,670
Provided during the year	<b>822</b>
<b>At 31 March 2002</b>	<b>2,492</b>
Impairment provision	
At 1 April 2001	3,002
Provided during the year	–
<b>At 31 March 2002</b>	<b>3,002</b>
Net book value	
<b>At 31 March 2002</b>	<b>13,231</b>
At 31 March 2001	14,135

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

## 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 2001	21,888	88,865	110,753	1,400	496	1,896
Exchange adjustments	<b>(50)</b>	<b>(79)</b>	<b>(129)</b>			
Additions	<b>205</b>	<b>2,128</b>	<b>2,333</b>	–	<b>13</b>	<b>13</b>
Disposals	<b>(667)</b>	<b>(187)</b>	<b>(854)</b>	<b>(667)</b>	<b>(42)</b>	<b>(709)</b>
<b>At 31 March 2002</b>	<b>21,376</b>	<b>90,727</b>	<b>112,103</b>	<b>733</b>	<b>467</b>	<b>1,200</b>
Depreciation						
At 1 April 2001	3,077	38,610	41,687	116	313	429
Exchange adjustments	<b>(4)</b>	<b>(19)</b>	<b>(23)</b>			
Charge for the year	<b>537</b>	<b>5,437</b>	<b>5,974</b>	<b>61</b>	<b>66</b>	<b>127</b>
Disposals	<b>(28)</b>	<b>(129)</b>	<b>(157)</b>	<b>(28)</b>	<b>(9)</b>	<b>(37)</b>
<b>At 31 March 2002</b>	<b>3,582</b>	<b>43,899</b>	<b>47,481</b>	<b>149</b>	<b>370</b>	<b>519</b>
Impairment provision						
At 1 April 2001	–	2,359	2,359	–	–	–
Provided during the year	–	<b>467</b>	<b>467</b>	–	–	–
Written back during the year	–	<b>(230)</b>	<b>(230)</b>	–	–	–
<b>At 31 March 2002</b>	–	<b>2,596</b>	<b>2,596</b>	–	–	–
Net book value						
<b>At 31 March 2002</b>	<b>17,794</b>	<b>44,232</b>	<b>62,026</b>	<b>584</b>	<b>97</b>	<b>681</b>
At 31 March 2001	18,811	47,896	66,707	1,284	183	1,467

The net book value of land and buildings comprises:

	Consolidated		Parent Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Freeholds	<b>17,210</b>	17,523	–	–
Long leaseholds	–	651	–	651
Short leaseholds	<b>584</b>	637	<b>584</b>	633
	<b>17,794</b>	18,811	<b>584</b>	1,284

# Notes to the accounts

## 10. Tangible fixed assets (continued)

	Consolidated		Parent Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Net book value of assets subject to finance leases	–	107	–	104
Capital expenditure commitments	<b>35</b>	215	–	–

## 11. Stocks

	Consolidated		Parent Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Raw materials and consumable stores	<b>5,157</b>	5,958	5,157	5,958
Work in progress	<b>645</b>	942	645	942
Finished products	<b>8,570</b>	10,091	8,570	10,091
	<b>14,372</b>	16,991	14,372	16,991

## 12. Debtors

	Consolidated		Parent Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts falling due within one year				
Trade debtors	<b>25,249</b>	32,381	–	–
Subsidiary companies			<b>6,915</b>	1,540
Other debtors	<b>2,749</b>	2,185	<b>2,102</b>	1,676
Prepayments and accrued income	<b>699</b>	1,375	<b>364</b>	303
Taxation recoverable	<b>2,745</b>	2,297	<b>927</b>	979
Amounts falling due after more than one year				
Other debtors – term deposits	<b>499</b>	506	–	–
	<b>31,941</b>	38,744	<b>10,308</b>	4,498

Included in other debtors is £175,000 (2001: £125,000) in respect of shares held by the Chapelthorpe Trust representing 3,591,000 (2001: 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 1.8% (2001: 1.4%) of the Group's issued ordinary share capital. At 31 March 2002 these shares had a market value of £242,000 (2001: £389,000).

## 13. Creditors

	Consolidated		Parent Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts falling due within one year				
Bank overdrafts, loans and other borrowings	<b>17,222</b>	17,418	<b>4,000</b>	9,000
Trade creditors	<b>14,486</b>	19,894	–	–
Subsidiary companies			<b>16,227</b>	3,806
Corporation tax	<b>1,121</b>	1,034	–	–
Other taxes and social security costs	<b>643</b>	731	<b>72</b>	164
Other creditors	<b>850</b>	1,169	<b>441</b>	461
Accruals and deferred income	<b>5,330</b>	5,289	<b>1,325</b>	1,534
Ordinary dividend	<b>510</b>	2,040	<b>510</b>	2,040
	<b>40,162</b>	47,575	<b>22,575</b>	17,005

# Notes to the accounts

## 13. Creditors (continued)

	Consolidated		Parent Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts falling due after more than one year				
Loans falling due:				
within 1–2 years	<b>8,415</b>	4,606	<b>5,000</b>	4,000
within 2–5 years	<b>21,923</b>	22,542	<b>14,506</b>	16,500
after more than 5 years	–	3,628	–	3,031
	<b>30,338</b>	30,776	<b>19,506</b>	23,531

## 14. Loans

	Consolidated		Parent Company	
	2002 £000	2001 £000	2002 £000	2001 £000
UK bank loan repayable on 31 May 2002	<b>500</b>	2,000	<b>500</b>	2,000
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	<b>21,000</b>	21,000	<b>21,000</b>	21,000
UK Euro denominated bank loan of €3,270,278 repayable on 31 May 2006	<b>2,006</b>	2,031	<b>2,006</b>	2,031
US Dollar denominated revolving bank loan repayable by 30 November 2005	<b>11,268</b>	4,226	–	–
Austrian bank loans repayable by semi-annual instalments of €487,000 on 1 January and 1 July and a final instalment of €472,000 on 1 January 2007	<b>2,978</b>	3,624	–	–
Total	<b>37,752</b>	32,881	<b>23,506</b>	25,031
Repayment of bank loans:				
in one year or less or on demand	<b>7,414</b>	2,105	<b>4,000</b>	1,500
in more than one year but not more than two years	<b>8,415</b>	4,606	<b>5,000</b>	4,000
in more than two years but not more than five years	<b>21,923</b>	22,542	<b>14,506</b>	16,500
in more than five years	–	3,628	–	3,031
Total	<b>37,752</b>	32,881	<b>23,506</b>	25,031

The UK loans carry interest based on LIBOR.

The Group entered into an interest rate swap agreement covering £16,100,000 of the 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 7.13% per annum. At 31 March 2002, this swap agreement covered £15,050,000 of the loan balance. 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 6.14% 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 \$16,000,000 at 31 March 2002 falling by \$4,000,000 on 30 November each year. The Group entered into an interest rate swap agreement covering \$4,200,000 of the loan to 28 November 2003 at a rate of 7.39% per annum.

Chapelthorpe plc and certain subsidiary companies have given fixed and floating charges over their assets as security for the UK and US loans.

The Austrian loans consist of two loan accounts, one of €1,657,000 which carries interest based on six month EURIBOR and is secured on the freehold property of Asota GmbH and the other of €3,198,000 which carries a fixed rate of interest of 4.9% to January 2007 and is secured over certain plant and machinery and buildings of Asota GmbH.

As a result of the rearrangement of the Group's principal borrowing facilities after the year end, a revised repayment schedule has been agreed for the £21,000,000 UK bank loan, the UK Euro denominated bank loan of £2,006,000 and the US dollar denominated revolving bank loan. The combined UK sterling and Euro denominated loans facility has been reduced by £2,500,000 and is now repayable in two instalments of £1,000,000 on each of 31 May 2002 and 30 September 2002 followed by 14 quarterly instalments of £1,250,000, commencing 31 December 2002 and one instalment of £1,006,000 on 30 June 2006. The US dollar denominated revolving bank loan reduces by \$1,000,000 each quarter commencing 30 September 2002. Legal documentation to effect these changes is being put in place.

# Notes to the accounts

## 15. Provisions for liabilities and charges

Movements during the year

	Consolidated				Parent Company
	Provisions for restructuring £000	Provision for environmental liabilities £000	Deferred taxation £000	Total £000	Deferred taxation £000
At 1 April 2001	4,668	965	6,160	11,793	40
Exchange adjustments	(8)	(1)	6	(3)	–
Charged during the year	1,911	–	414	2,325	–
(Released) during the year	(1,607)	–	–	(1,607)	(222)
Utilised	(3,613)	(223)	–	(3,836)	–
<b>At 31 March 2002</b>	<b>1,351</b>	<b>741</b>	<b>6,580</b>	<b>8,672</b>	<b>(182)</b>

At 31 March 2001 the provisions for restructuring included 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. The provision remaining at 31 March 2002 relates to vacant leasehold property costs arising as a result of the closure of the Specialist Coatings facilities at Bishop Auckland and at Altham, as detailed in Note 7.

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

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

	Potential liability 2002 £000	Amount provided 2002 £000	Potential liability 2001 £000	Amount provided 2001 £000
<b>Consolidated</b>				
Accelerated tax allowances on plant, equipment and buildings	8,247	8,247	7,037	7,037
Other timing differences	(865)	(865)	(452)	(452)
Losses	(802)	(802)	(425)	(425)
	<b>6,580</b>	<b>6,580</b>	6,160	6,160
<b>Parent Company</b>				
Other timing differences	(51)	(51)	171	171
Losses	(131)	(131)	(131)	(131)
	<b>(182)</b>	<b>(182)</b>	40	40

The deferred tax asset of the Parent Company at 31 March 2002 is included within other debtors as disclosed in Note 12.

## 16. Operating lease commitments

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

	Land and buildings		2002 £000	Other 2001 £000
	2002 £000	2001 £000		
Leases which expire:				
within 1 year	67	116	77	43
within 2 – 5 years	38	42	429	475
after 5 years	392	382	–	–
	<b>497</b>	540	<b>506</b>	518

## 17. Contingent liabilities

At 31 March 2002 Group guarantees to third parties and other contingent liabilities amounted to £125,000 (2001: £127,000).

Chapelthorpe plc and certain subsidiary companies have given fixed and floating charges over their assets as security for the UK and North American 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 2002 amounted to £36,721,000.

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

# Notes to the accounts

## 18. Called up share capital

	Number	Authorised £000	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
<b>At 31 March 2002</b>		<b>13,700</b>		<b>11,002</b>
At 31 March 2001		13,700		11,002

The following options and awards were outstanding at 31 March 2002:

Category (see Note 29)	Date of grant	No. of options/ awards	Exercise price (pence)	Exercise period
<b>Options</b>				
A 1984 Executive Scheme	2/6/92	5,000	83.25	June 1995 – June 2002
B 1994 Executive Scheme	6/6/95	15,000	64.50	June 1998 – June 2005
C	3/6/96	272,800	61.00	June 1999 – June 2006
D	21/6/99	325,000	34.50	June 2002 – June 2009
E	16/9/99	74,000	40.50	September 2002 – September 2009
F	26/6/00	299,000	30.75	June 2003 – June 2010
G 1994 Savings Related Scheme	30/6/95	45,217	51.75	August 2002 – February 2003
H	24/6/96	43,773	49.00	August 2003 – February 2004
I	14/7/97	241,435	31.00	August 2002 – February 2005
J	13/7/98	252,566	33.00	August 2003 – February 2004
K	12/7/99	321,303	27.75	August 2004 – February 2005
L	17/7/00	535,895	24.75	August 2005 – February 2006
M Parallel Scheme	28/8/96	181,300	53.50	August 1999 – August 2003
N	22/6/98	475,000	41.25	June 2001 – June 2005
O	21/6/99	160,000	34.50	June 2002 – June 2006
P	26/6/00	326,000	30.75	June 2003 – June 2007
<b>Awards</b>				
Q 1998 Performance Related Share Plan		631,563		From April 2002
R		726,301		From April 2003
S		1,175,457		From April 2004
T Invested Bonus Share Plan 1997		70,395		From September 2000
U		63,431		From July 2001
V		425,886		From July 2002
W		114,613		From July 2003
X		277,601		From July 2004

Further details of the 1998 Performance Related Share Plan and Invested Bonus Share Plan 1997 are included in the Board Report on Remuneration on page 18.

### 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.

# Notes to the accounts

## 18. Called up share capital (continued)

### 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.

## 19. Basic and diluted (loss) earnings per ordinary share

	Basic and diluted loss per share		Earnings per share before exceptional items	
	2002 £000	2001 £000	2002 £000	2001 £000
(Loss) for the financial year	<b>(174)</b>	(8,582)	<b>(174)</b>	(8,582)
Dividends on preference shares	<b>(46)</b>	(46)	<b>(46)</b>	(46)
Exceptional items	-	-	<b>2,819</b>	13,330
Tax effect of exceptional items	-	-	<b>(1,184)</b>	(2,057)
(Loss) earnings attributable to ordinary shareholders	<b>(220)</b>	(8,628)	<b>1,415</b>	2,645
Weighted average number of ordinary shares in issue during the year ('000's)	<b>200,656</b>	203,737	<b>200,656</b>	203,737
Basic and diluted (loss) earnings per ordinary share (pence)	<b>(0.11)</b>	(4.23)	<b>0.71</b>	1.30

The effect of the exceptional items on the earnings per share for the current year is a loss of (0.82) pence (2001: loss of (5.53) pence).

## 20. Share premium account

	Consolidated £000	Parent Company £000
At 1 April 2001 and at 31 March 2002	<b>1,251</b>	<b>1,251</b>

## 21. Capital redemption reserve

	Consolidated £000	Parent Company £000
At 1 April 2001 and at 31 March 2002	<b>487</b>	<b>487</b>

## 22. Capital reserve

	Parent Company £000
At 1 April 2001 and at 31 March 2002	<b>9,204</b>

# Notes to the accounts

## 23. Merger reserve

	Parent Company £000
At 1 April 2001 and at 31 March 2002	<b>41,723</b>

## 24. Profit and loss account

	Consolidated £000	Parent Company £000
At 1 April 2001	40,265	11,274
Exchange adjustments	<b>(409)</b>	<b>(56)</b>
Retained (deficit)	<b>(1,192)</b>	<b>(1,588)</b>
At 31 March 2002	<b>38,664</b>	<b>9,630</b>

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 £570,000 (2001: loss of £11,097,000).

## 25. Reconciliation of operating profit (loss) to net cash inflow from operating activities

	2002 £000	2001 £000
Operating profit (loss)	<b>2,365</b>	(5,549)
Depreciation	<b>5,974</b>	5,154
Impairment of tangible fixed assets	<b>237</b>	2,359
Profit on disposal of tangible fixed assets	<b>(98)</b>	—
Amortisation of goodwill	<b>822</b>	830
Impairment of intangible fixed assets	—	3,002
Capital grants transfer	—	(35)
Decrease (increase) in stocks	<b>2,558</b>	(2,070)
Decrease (increase) in debtors	<b>7,162</b>	(266)
(Decrease) increase in creditors	<b>(9,468)</b>	4,634
Net cash inflow from operating activities	<b>9,552</b>	8,059

The cash flow impact of the operating exceptional items as disclosed in Note 7 is an outflow of £3,540,000 (2001: £4,819,000).

## 26. Reconciliation to net debt

	2002 £000	2001 £000
Increase in cash in the year	<b>7,898</b>	12,955
(Increase) in debt and finance leasing	<b>(4,884)</b>	(21,346)
Change in net debt from cash flows	<b>3,014</b>	(8,391)
Exchange adjustments	<b>54</b>	(187)
Movement in net debt in the year	<b>3,068</b>	(8,578)
Net debt at 1 April	<b>(41,622)</b>	(33,044)
Net debt at 31 March	<b>(38,554)</b>	(41,622)

# Notes to the accounts

## 27. Analysis of net debt

	1 April 2001 £000	Cash flow £000	Other non-cash £000	Exchange movement £000	31 March 2002 £000
Cash at bank and in hand	6,572	<b>2,452</b>		<b>(18)</b>	<b>9,006</b>
Overdrafts and short-term facilities	(15,304)	<b>5,446</b>		<b>50</b>	<b>(9,808)</b>
		<b>7,898</b>			
Debt due after 1 year	(30,776)	<b>(6,993)</b>	<b>7,397</b>	<b>34</b>	<b>(30,338)</b>
Debt due within 1 year	(2,105)	<b>2,100</b>	<b>(7,397)</b>	<b>(12)</b>	<b>(7,414)</b>
Finance leases	(9)	<b>9</b>			<b>-</b>
		<b>(4,884)</b>			
<b>Total</b>	<b>(41,622)</b>	<b>3,014</b>		<b>54</b>	<b>(38,554)</b>

## 28. Investments

### Subsidiary companies

	Parent Company		
	Shares £000	Loans £000	Total £000
Cost			
At 1 April 2001	59,056	62,859	121,915
Exchange adjustments	<b>(81)</b>	<b>(19)</b>	<b>(100)</b>
Additions	-	<b>373</b>	<b>373</b>
Repayments	-	<b>(5,127)</b>	<b>(5,127)</b>
<b>At 31 March 2002</b>	<b>58,975</b>	<b>58,086</b>	<b>117,061</b>
Amount provided			
At 1 April 2001	4,223	9,217	13,440
Exchange adjustments	-	<b>(19)</b>	<b>(19)</b>
Provided during the year	-	<b>3,300</b>	<b>3,300</b>
<b>At 31 March 2002</b>	<b>4,223</b>	<b>12,498</b>	<b>16,721</b>
Net book value			
<b>At 31 March 2002</b>	<b>54,752</b>	<b>45,588</b>	<b>100,340</b>
At 31 March 2001	54,833	53,642	108,475

The principal subsidiaries are listed on page 46.

## 29. 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 2002, and of their families, in the ordinary shares of the Company were:

Holdings	11 June 2002	31 March 2002	1 April 2001
C R Godwin	<b>758,325</b>	<b>758,325</b>	458,325
B Leckie	<b>1,451,143</b>	<b>1,451,143</b>	104,799
A L Thompson	<b>207,981</b>	<b>207,981</b>	126,969
A B Reeve	<b>107,170</b>	<b>107,170</b>	88,573
J D Riley	<b>144,333</b>	<b>144,333</b>	83,112

# Notes to the accounts

## 29. Directors' interests, emoluments and transactions with the Company (continued)

Options and awards	1 April 2001	Lapsed in year	Vested in year	Granted/ awarded in year	31 March 2002	Lapsed since 31 March 2002	11 June 2002	Category (see Note 18)
B Leckie	15,000	15,000						
	36,100				<b>36,100</b>		<b>36,100</b>	C
	61,700				<b>61,700</b>		<b>61,700</b>	M
	293,686	293,686						
	292,300				<b>292,300</b>	292,300		Q
	82,700				<b>82,700</b>		<b>82,700</b>	V
	336,149				<b>336,149</b>		<b>336,149</b>	R
	54,818				<b>54,818</b>		<b>54,818</b>	L
				544,026	<b>544,026</b>		<b>544,026</b>	S
A L Thompson	31,700				<b>31,700</b>		<b>31,700</b>	C
	35,500				<b>35,500</b>		<b>35,500</b>	M
	18,818				<b>18,818</b>		<b>18,818</b>	J
	180,692	180,692						
	22,135				<b>22,135</b>		<b>22,135</b>	K
	179,843				<b>179,843</b>	179,843		Q
	50,883				<b>50,883</b>		<b>50,883</b>	V
	206,819				<b>206,819</b>		<b>206,819</b>	R
	15,545				<b>15,545</b>		<b>15,545</b>	L
				334,721	<b>334,721</b>		<b>334,721</b>	S
J D Riley	15,000				<b>15,000</b>		<b>15,000</b>	B
	20,900				<b>20,900</b>		<b>20,900</b>	C
	40,000				<b>40,000</b>		<b>40,000</b>	N
	10,151				<b>10,151</b>		<b>10,151</b>	T
	14,892		7,446		<b>7,446</b>		<b>7,446</b>	U
	26,754				<b>26,754</b>		<b>26,754</b>	V
	159,420				<b>159,420</b>	159,420		Q
	183,333				<b>183,333</b>		<b>183,333</b>	R
	54,818				<b>54,818</b>		<b>54,818</b>	L
				296,710	<b>296,710</b>		<b>296,710</b>	S

No other Director, who held office at 31 March 2002, 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 2002 was 6.75 pence (2001: 13.50 pence). The market price during the year ended 31 March 2002 varied between 5.75 pence and 16.00 pence.

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

No Directors exercised any options at any time during the year (2001: Nil). Under the rules of the Invested Bonus Share Plan 1997, Mr Riley's award of 14,892 shares vested as to 50% (being 7,446 shares, valued at £968), as a result of fulfilling the initial service period condition of three years.

# Notes to the accounts

## 29. Directors' interests, emoluments and transactions with the Company (continued)

### 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 2002 £000	Total 2001 £000
C R Godwin	56	–	–	–	–	56	75
* B Leckie	207	17	–	–	96	320	312
* A L Thompson	127	16	–	–	19	162	161
A B Reeve	25	–	–	–	–	25	27
* J D Riley	113	17	–	15	–	145	144
M Swingler (retired 27 July 2001)	7	–	–	–	–	7	21
Aggregate total emoluments	535	50	–	15	115	715	740
Emoluments of highest paid Director						320	312

\* 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 2002, to the Chapelthorpe plc Funded Unapproved Retirement Benefit Scheme, was £158,000 (2001: £147,000) in respect of Mr B Leckie and £32,000 (2001: £31,000) 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 2002	26	52	23
Increase in accrued pension (net of deferred pension revaluation)	3	1	3
Transfer value of increase (before member contribution offset)	33	12	38
Member contributions	6	6	6
Notional cost of life assurance benefits	3	2	3

### Transactions with the Company

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

## 30. Employees

	2002 £000	2001 £000
Employee costs (including Directors):		
Wages and salaries	17,824	19,841
Social security costs	2,745	2,989
Other pension costs	1,414	1,573
	21,983	24,403

The average number of employees during the year was:

	2002 Number	2001 Number
Fibres	465	496
Specialist Coatings	145	190
Umbrella Frames	251	301
	861	987

# Notes to the accounts

## 31. Pensions

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in paragraph a) are those required by that standard. Financial Reporting Standard 17 (FRS 17) was issued in November 2000. Full disclosure will not be mandatory for the Group until the year ended 31 March 2003 and full adoption until the year ended 31 March 2004. Phased transitional disclosures are required for the year ended 31 March 2002. These disclosures, to the extent not given in a), are set out in b).

a) A number of pension schemes are operated by the Company and certain subsidiaries. The major scheme is in the UK and is of the defined benefit type. All other pension schemes operated by the Group are of the defined contribution type and consist of schemes in the UK, Austria, Canada and the US. The assets of all of the schemes are held in separate trustee-administered funds. In addition, in Austria, there are leaving indemnities, which represent a defined benefit on retirement. Further details of these are given in section b) below.

The total pension cost and contributions for the Group were £1,414,000 (2001: £1,573,000), of which £338,000 (2001: £405,000) related to overseas schemes. The cost related to defined contribution schemes amounted to £353,000 (2001: £405,000).

The pension cost relating to the major UK scheme, the Chapelthorpe plc Pension Fund, is assessed in accordance with the advice of an independent 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.

b) FRS 17 retirement benefits calculations have been based on the most recent actuarial valuation, updated to take account of the requirements of FRS 17 in order to assess the liabilities of the Chapelthorpe plc Pension Fund at 31 March 2002. Fund assets are stated at their market value at 31 March 2002.

The following assumptions have been used to calculate scheme liabilities:

Valuation method	Projected unit
	% per annum
Discount rate	6.1
Inflation rate	2.9
Increases to deferred benefits during deferment	2.9
Increases to pensions in payment – post-April 1997 pensions	2.8
Salary increases	4.4

In accordance with FRS 17, future increases to pre-April 1997 pensions have not been included in the calculation of scheme liabilities, since these are awarded entirely at the discretion of the Trustees, and are dependent on the future performance of the Fund.

In calculating scheme liabilities at 31 March 2002, an increase in life expectancy of two years, by comparison to the April 1999 full valuation, has been incorporated.

# Notes to the accounts

## 31. Pensions (continued)

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 March 2002 % per annum	Value at 31 March 2002 £m
Equities	7.75	16.1
Bonds	5.50	27.9
Total market value of assets		44.0
Present value of liabilities		43.7
Surplus		0.3
Related deferred tax liability		(0.1)
Net pension asset		0.2

### Balance sheet disclosures

	31 March 2002 Group £m
<b>Net assets</b>	
Net assets excluding pension asset related to the Chapelthorpe plc Pension Fund	51.4
Pension asset related to the Chapelthorpe plc Pension Fund	0.2
Net assets including pension asset	51.6

	31 March 2002 Group £m
<b>Reserves</b>	
Profit and loss reserve excluding pension asset related to the Chapelthorpe plc Pension Fund	38.7
Pension asset related to the Chapelthorpe plc Pension Fund	0.2
Profit and loss reserve including pension asset	38.9

### Austrian leaving indemnities

The Austrian operation is required to provide leaving indemnities on redundancy or retirement. The Group balance sheet includes £499,000 of term deposits, disclosed within Note 12, representing the statutory requirement to hold a specific proportion of the liability in such funds. In addition, the Group balance sheet also includes a creditor amounting to £1,352,000 within accruals and deferred income, as disclosed in Note 13.

An independent actuarial valuation of the leaving indemnities' accrual was last undertaken as at 31 March 2000. The key assumptions included within this valuation were salary rises of 2% per annum and a discount rate of 6%. This valuation indicated a required provision under UK GAAP of £1,250,000.

## 32. 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 page 9, in the paragraphs under the heading "Derivatives and other financial instruments".

Short-term debtors and short-term creditors (except borrowings, overdrafts and finance leases) have been excluded from all of the following disclosures, other than the currency risk disclosures.

## 32. Derivatives and financial instruments (continued)

### Interest rate risk profile of financial assets and financial liabilities

#### Financial assets

The Group held the following financial assets at 31 March 2002:

	Total		Cash and term deposits	
	2002 £000	2001 £000	2002 £000	2001 £000
Currency				
Sterling	<b>5,733</b>	2,072	<b>5,733</b>	2,072
US dollar	<b>1,972</b>	2,981	<b>1,972</b>	2,981
Canadian dollar	<b>942</b>	1,030	<b>942</b>	1,030
Euro	<b>858</b>	995	<b>858</b>	995
	<b>9,505</b>	7,078	<b>9,505</b>	7,078

The above assets, all of which are subject to floating rates of interest, comprise:

- sterling denominated balances that receive interest based on the United Kingdom base rate;
- US dollar denominated balances that receive interest based on the US base rate;
- Canadian dollar denominated balances that receive interest based on the Canadian base rate;
- Euro denominated balances that receive interest based on the Austrian base rate;
- Euro denominated term deposits that receive interest based on the Austrian base rate; and
- cash held in Euro denominated bank accounts.

#### Financial liabilities

The Group held the following financial liabilities at 31 March 2002:

	Total		Floating rate financial liabilities		Fixed rate financial liabilities		Financial liabilities on which no interest is paid	
	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000
Currency								
Sterling – preference shares	<b>800</b>	800	–	–	<b>800</b>	800	–	–
– other financial liabilities	<b>22,831</b>	33,439	<b>6,450</b>	14,401	<b>15,050</b>	16,107	<b>1,331</b>	2,931
US dollar	<b>18,045</b>	8,937	<b>14,346</b>	5,012	<b>2,958</b>	2,960	<b>741</b>	965
Euro	<b>8,756</b>	9,714	<b>5,383</b>	5,899	<b>3,373</b>	3,815	–	–
	<b>50,432</b>	52,890	<b>26,179</b>	25,312	<b>22,181</b>	23,682	<b>2,072</b>	3,896

The floating rate liabilities comprise:

- sterling denominated bank borrowings that bear interest based on the relevant LIBOR for each interest rollover period;
- Euro denominated overdrafts that bear interest based on the Austrian lending rate;
- Euro denominated borrowings that bear interest based on the relevant EURIBOR for each interest rollover period;
- US dollar denominated overdrafts that bear interest based on the US base rate;
- US dollar denominated bank borrowings that bear interest based on the dollar deposit rate quoted on the London Interbank Market; and
- Euro denominated bank borrowings that bear interest based on the Euro deposit rate quoted on the London Interbank Market.

The fixed rate liabilities comprise:

- 6.00% first cumulative preference shares of 50 pence;
- 5.75% second cumulative preference shares of £1;
- a Euro loan which carried a fixed interest rate of 7.75% to December 2001 and thereafter carries a fixed rate of 4.9% to 1 January 2007;
- sterling denominated bank borrowings subject to an interest rate swap agreement as disclosed in Note 14;
- US dollar denominated bank borrowings subject to an interest rate swap agreement as disclosed in Note 14;
- Euro denominated bank borrowings subject to an interest rate swap agreement as disclosed in Note 14; and
- in 2001, 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%.

# Notes to the accounts

## 32. Derivatives and financial instruments (continued)

### Interest rate risk profile of financial assets and financial liabilities (continued)

#### Financial liabilities (continued)

The financial liabilities on which no interest is paid comprise provisions relating to vacant leasehold properties 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 Note 14 and this Note 32.

#### Maturity of financial assets

The maturity profile of the Group's financial assets at 31 March 2002 was as follows:

	Total		Cash and term deposits	
	2002 £000	2001 £000	2002 £000	2001 £000
In one year or less, or on demand	<b>9,006</b>	6,572	<b>9,006</b>	6,572
In more than five years	<b>499</b>	506	<b>499</b>	506
	<b>9,505</b>	7,078	<b>9,505</b>	7,078

#### Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2002 was as follows:

	Total		Debt		Finance leases		Other financial liabilities	
	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000
In one year or less, or on demand	<b>19,294</b>	18,103	<b>17,222</b>	17,409	–	9	<b>2,072</b>	685
In more than one year but not more than two years	<b>8,415</b>	5,248	<b>8,415</b>	4,606	–	–	–	642
In more than two years but not more than five years	<b>21,923</b>	23,714	<b>21,923</b>	22,542	–	–	–	1,172
In more than five years	<b>800</b>	5,825	<b>800</b>	4,428	–	–	–	1,397
	<b>50,432</b>	52,890	<b>48,360</b>	48,985	–	9	<b>2,072</b>	3,896

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

Following the rearrangement of the Group's principal borrowing facilities after the year end, the maturity profile of financial liabilities has been amended, as disclosed in Note 14 on page 33.

#### Borrowing facilities

The Group has various undrawn committed borrowing facilities, which are at floating rates of interest. The facilities available at 31 March 2002 in respect of which all conditions precedent had been met were as follows:

	2002 £000	2001 £000
Expiring in one year or less	<b>11,067</b>	15,974
Expiring in more than one year but not more than two years	–	2,817
Expiring in more than two years	–	4,225
	<b>11,067</b>	23,016

After the year end, the Group has agreed to reduce its undrawn committed borrowing facilities by £2,500,000 as described in the Financial Review on page 8.

# Notes to the accounts

## 32. Derivatives and financial instruments (continued)

### 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 2002:

	Book value 2002 £000	Fair value 2002 £000	Book value 2001 £000	Fair value 2001 £000
Primary financial instruments held or issued to finance the Group's operations:				
Short-term financial liabilities and current portion of long-term borrowings	<b>(17,222)</b>	<b>(17,316)</b>	(17,409)	(17,527)
Long-term borrowings	<b>(30,338)</b>	<b>(30,344)</b>	(30,776)	(30,801)
Financial assets	<b>9,505</b>	<b>9,505</b>	7,078	7,078
Preference shares	<b>(800)</b>	<b>(800)</b>	(800)	(800)
Finance leases	-	-	(9)	(9)
Other financial liabilities	<b>(2,072)</b>	<b>(2,072)</b>	(3,896)	(3,896)
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	-	<b>(503)</b>	-	(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.

### 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 2002. 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.

	2002 £000	Total 2001 £000	2002 £000	Euro 2001 £000	2002 £000	Other 2001 £000
Functional currency of companies						
Sterling	<b>791</b>	1,237	<b>766</b>	1,103	<b>25</b>	134
Canadian dollar	<b>43</b>	83	-	-	<b>43</b>	83
Euro	<b>283</b>	130	-	-	<b>283</b>	130
	<b>1,117</b>	1,450	<b>766</b>	1,103	<b>351</b>	347

### Gains and losses on instruments used for hedging

There were no significant unrecognised or deferred gains and losses on hedges at 31 March 2002 or 31 March 2001, other than those disclosed in the fair value table above.

# 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.  
\* Speciality Coatings (Brantford) Limited (Canada) ) Manufacturers of vinyl-base and plastisols  
\* Speciality Coatings (Darwen) Limited ) for the wallcoverings industry.

---

## 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.

## Five year record

### Profit and loss account

Year ended 31 March

	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
Turnover	<b>127,048</b>	139,417	125,545	139,548	258,344
Operating profit (loss)	<b>2,365</b>	(5,549)	10,061	10,975	13,480
Exceptional items relating to disposals of businesses	–	90	(386)	(633)	(38,492)
Profit on sale of property	–	–	1,740	2,831	573
Interest	<b>2,805</b>	2,707	1,698	1,192	3,935
(Loss) profit on ordinary activities before taxation	<b>(440)</b>	(8,166)	9,717	11,981	(28,374)
Taxation on (loss) profit on ordinary activities	<b>(266)</b>	416	912	3,357	(919)
(Loss) profit for the financial year	<b>(174)</b>	(8,582)	8,805	8,624	(27,455)
Dividends	<b>1,018</b>	3,250	5,511	5,343	5,352
Retained (deficit) profit	<b>(1,192)</b>	(11,832)	3,294	3,281	(32,807)
(Loss) earnings per ordinary share (pence)	<b>(0.1)</b>	(4.2)	4.2	4.2	(13.4)
Diluted (loss) earnings per ordinary share (pence)	<b>(0.1)</b>	(4.2)	4.2	4.2	(13.4)
Adjusted earnings per ordinary share (pence)	<b>0.7</b>	1.3	4.4	4.0	4.5
Dividends per ordinary share (pence)	<b>0.5</b>	1.6	2.6	2.6	2.6

### Balance sheet

31 March

	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
Fixed assets	<b>75,257</b>	80,842	80,688	62,970	57,330
Net current assets less amounts due after more than one year	<b>(15,181)</b>	(16,044)	(11,683)	1,489	(1,666)
Provisions for liabilities and charges	<b>(8,672)</b>	(11,793)	(5,949)	(8,387)	(5,427)
Deferred income	–	–	(35)	(44)	(45)
Total shareholders' funds	<b>51,404</b>	53,005	63,021	56,028	50,192

Figures for the years ended 31 March 1998, 1999 and 2000 have been restated, where appropriate, in order to provide a comparable basis following adoption of Financial Reporting Standard 19 in the current year.

# Advisers

## **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**

Weber Shandwick Square Mile  
Aldermay House  
15 Queen Street  
London EC4N 1TX

# Shareholder information

## Internet

The Company operates a website which can be found at [www.chapelthorpe.com](http://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.

## Registrar

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

The Registrar should be notified promptly of any change in a shareholder's address. Shareholders may view their shareholdings and download forms to change their details from the Computershare website ([www.computershare.com](http://www.computershare.com)). To do so they require their shareholder reference number as shown on dividend vouchers or share certificates.

## Share price

The current share price of Chapelthorpe plc ordinary shares of 5 pence can be obtained from the Company'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 21 June 2002.

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 2002.

## Investor relations

For further copies of the Report & 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: [jdriley@chapelthorpe.com](mailto:jdriley@chapelthorpe.com)

# Notice of Annual General Meeting

NOTICE is hereby given that the fifty third Annual General Meeting of the Company will be held at Eversheds, Senator House, 85 Queen Victoria Street, London EC4V 4JL at 9.30am on 26 July 2002 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 2002.
2. To declare a dividend.
3. To elect Mr J Standen as a Director.
4. To re-elect Mr A L Thompson 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 26 October 2003 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 26 October 2003 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.

# Notice of Annual General Meeting

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% 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% 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.

On behalf of the Board

Chapelthorpe Hall  
Church Lane  
Chapelthorpe  
Wakefield  
West Yorkshire  
WF4 3JB

**J D Riley**  
Finance Director and Secretary

**25 June 2002**

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.

