



CHAPELTHORPE

2004 Full Year Results and Performance Report

introduction

“progress continues”

- ③ Targets met of reducing borrowings and maintaining financial performance
- ③ Borrowings down and on track to meet target of £20m by March 2005
- ③ Satisfactory trading results despite weak US Dollar, depressed North American wallcoverings market and rising raw material prices
- ③ Full year dividend of 1.0p up 33% covered 1.8 times
- ③ Good platform to build on for the future



group key financials

“EPS up 31%”

	Full Year 2004	Full Year 2003
Turnover	£121.5m	£121.8m
Underlying operating profit	£8.0m	£8.2m
Underlying operating profit %	6.6%	6.7%
Operating profit (post-exceptionals and goodwill)	£7.2m	£5.9m
Profit before tax	£5.5m	£2.3m
Interest cover	> 4 times	> 3 times
Return on operating assets	11.8%	10.7%
Effective tax rate	30.2%	32.4%
Underlying EPS	2.21p	1.69p
Dividend cover	1.81 times	1.71 times
Exceptional items	–	£2.6m

- Ⓒ Underlying operating profit, interest cover, effective tax rate, return on operating assets and underlying EPS are stated before goodwill and exceptional items

net debt and gearing

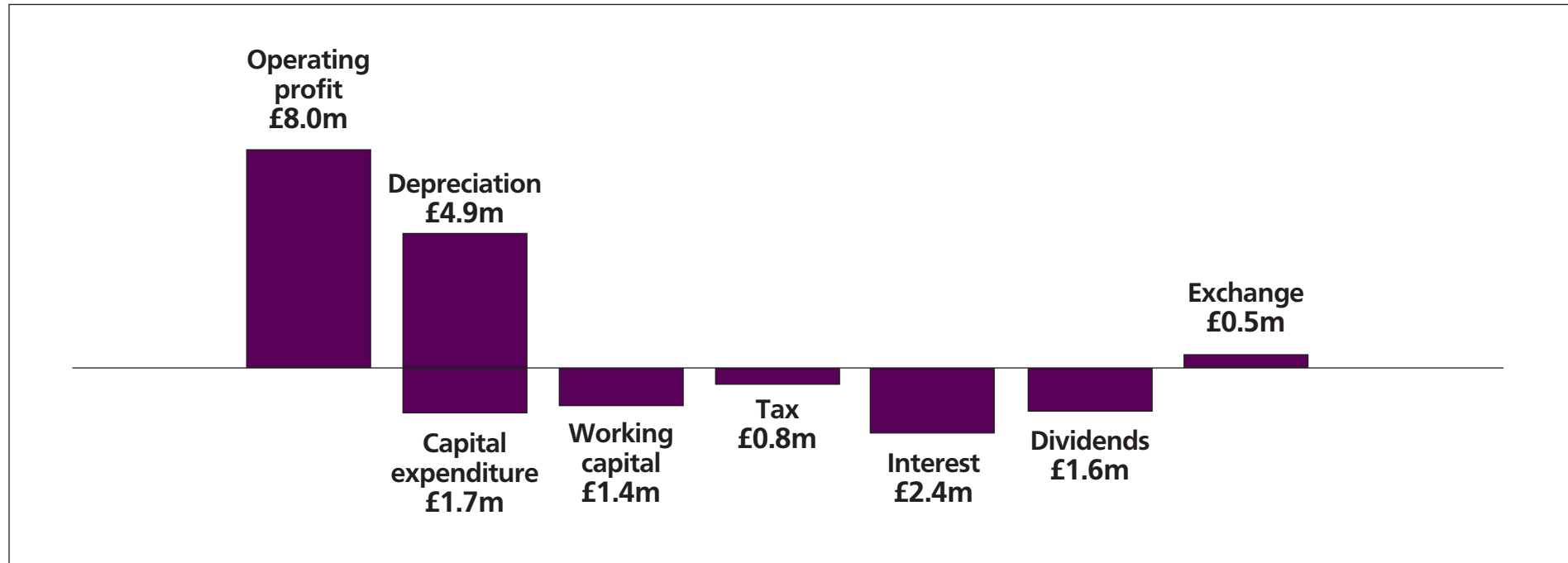
“lowest borrowings for five years”

	31 March 2004 £m	31 March 2003 £m
Shareholders' funds	45.3	47.9
Net debt	22.7	28.2
Gearing	50%	59%

- Ⓒ Debt reduced by over £20m since September 2001
- Ⓒ Exchange impact on net assets reduced shareholders' funds by £4.2m

cash flow summary

“debt down £5.5m”



- Ⓒ Future capex to continue at around £2m for 2004/05
- Ⓒ Higher levels of activity in Q4 resulted in increased working capital
- Ⓒ Benefits from historical losses and accelerated allowances reduced tax payments in 2003/04. Expected to reverse going forward

operating cash flow

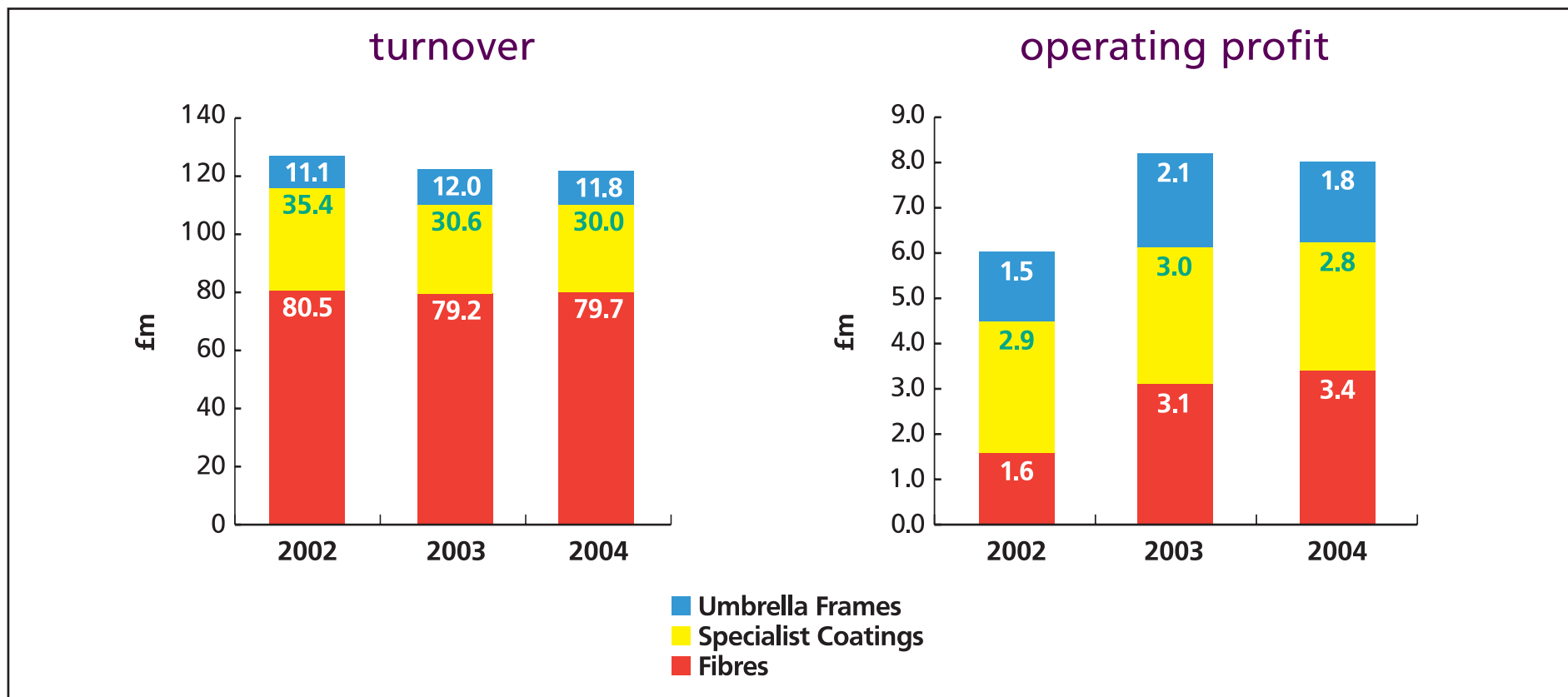
“modest investment”

	Fibres £m	Specialist Coatings £m	Umbrella Frames £m	Total £m
Operating cash inflow	5.1	4.5	1.9	11.5
Operating profit	3.4	2.8	1.8	8.0
Strategic capex	0.1	0.4	—	0.5
Maintenance capex	0.5	0.3	0.4	1.2
Total capex	0.6	0.7	0.4	1.7
Depreciation	3.3	1.1	0.5	4.9
% of depreciation	18%	64%	80%	35%

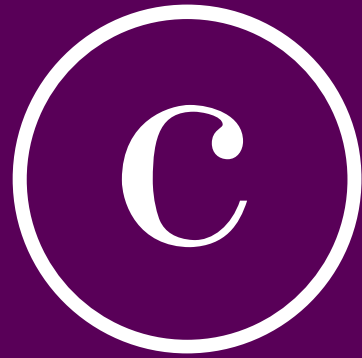
- © Future capex anticipated to be at levels well below depreciation
- © Figures exclude exceptional cash flows

segmental statistics

“solid performance”



© Weak US Dollar impacted profits in second half



fibres

“improved operational performance”

North America

- Ⓒ No improvement in general market conditions, but home furnishings sector particularly weak
- Ⓒ Automotive production down by 3% against 2002, slightly better than general industry expectations – 2004 predicted to improve marginally
- Ⓒ Average polymer prices higher than last year, but careful buying reduced impact in final quarter
- Ⓒ Operational improvements continue to be delivered
- Ⓒ Successfully concluded negotiation of one of our two largest automotive contracts. Negotiations continue on the other
- Ⓒ New floorcovering construction agreed in principle for 2006 models with GM and Daimler-Chrysler
- Ⓒ Cautiously optimistic for current year despite uncertainty in polymer prices

fibres

“variable demand”

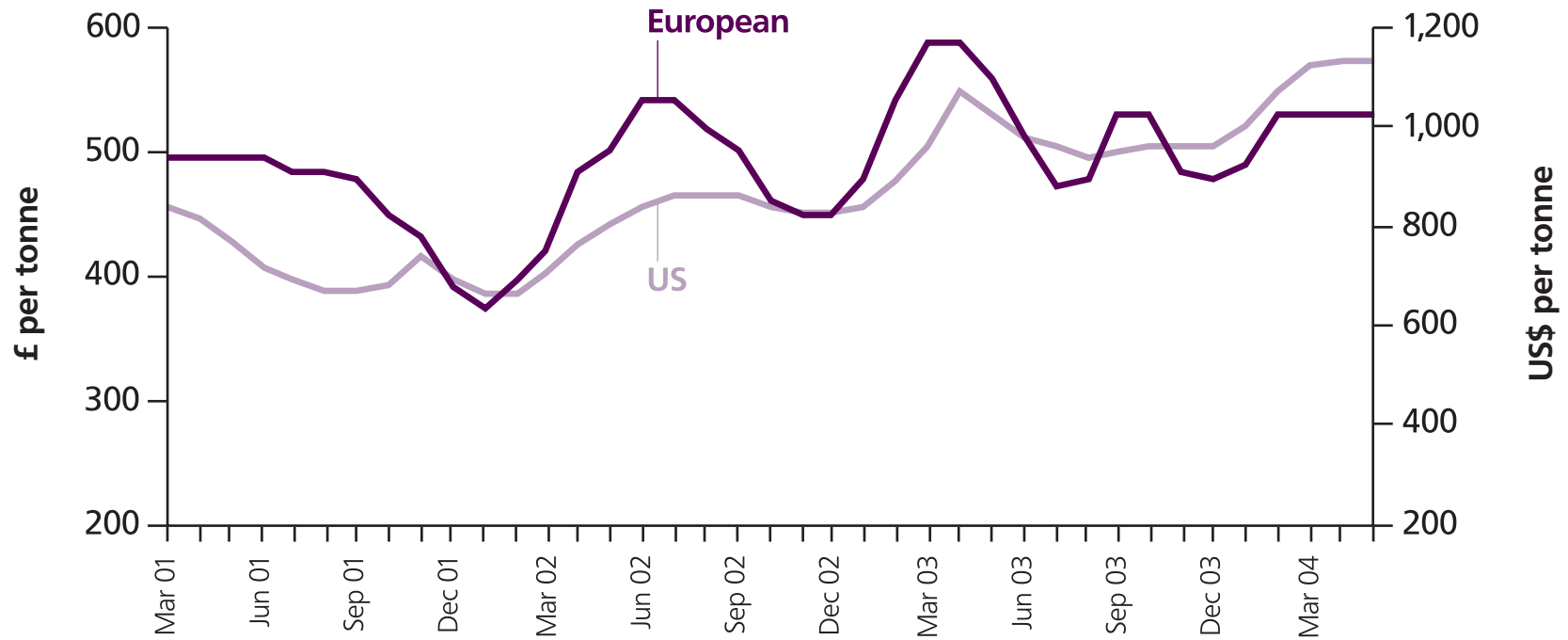
Europe

- Ⓒ Much improved performance from UK operation more than offset impact of weak German market on Austrian operation
- Ⓒ Weak US Dollar in second half hit margins on exports to US from Austria
- Ⓒ Bad debts of approximately £200k were incurred in traditional sectors
- Ⓒ New business won in specialist higher value added applications, such as tea bags and concrete reinforcement, where strategic supply contracts have been signed
- Ⓒ Expect new product areas to increase contribution in current year although polymer price outlook uncertain

fibres

“outlook uncertain”

European and US polymer prices



specialist coatings

“consolidation continues”

Europe

- ③ Business continues to perform well against a UK market decline of 8%
- ③ Further consolidation has taken place in UK wallcoverings industry
- ③ Successfully secured two long-term solus supply agreements with major European manufacturers in final quarter (Graham & Brown and CWV/Crown)
- ③ Full year’s benefit of these new contracts in 2004/05
- ③ Russian business has continued to develop and contributed in excess of £300k of royalty income. Contribution will grow in current year

specialist coatings

“demand deteriorated”

North America

- Ⓒ Residential wallcoverings market down 12%
- Ⓒ Costs managed down to achieve break even result at 2003/04 turnover levels
- Ⓒ Home Depot currently reviewing their wallcoverings strategy
- Ⓒ Wide-width coating line generated sales in second half and trialling at advanced stages with a number of other potential customers
- Ⓒ In absence of a market recovery, viability of our operation dependent on success of wide-width project

umbrella frames

“lacklustre season”

- ③ No significant volume uplift from good summer weather
- ③ 8% fall in overall volumes, but new “Rotilt” product and aluminium market frame launched
- ③ Investment in R&D has produced a number of new patented products. Too early to predict likely returns as currently being marketed for next selling season
- ③ Initiatives also underway to expand geographical markets
- ③ Evaluation of sub-assembly options in low-cost labour countries

strategy

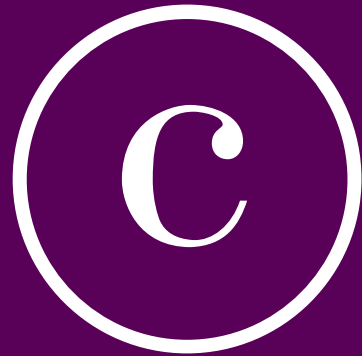
“sound platform”

- ③ The Group has three divisions supplying carefully chosen niche markets
- ③ Financial risk reduced materially over last two years
- ③ We have a sound platform on which to target improved growth and returns for shareholders
- ③ We are now examining our businesses closely to identify those that can deliver these objectives
- ③ This review will determine the optimum shape and scale of the business going forward

outlook

“cautiously optimistic”

- ③ Positive cash generation and low capex requirement to further reduce borrowings and deliver enhanced shareholder returns
- ③ Unchanged target debt level of £20m by March 2005
- ③ Despite an environment of uncertain raw material costs we expect the benefit of new products and business to assist our performance and we remain cautiously optimistic of the outlook for the current year

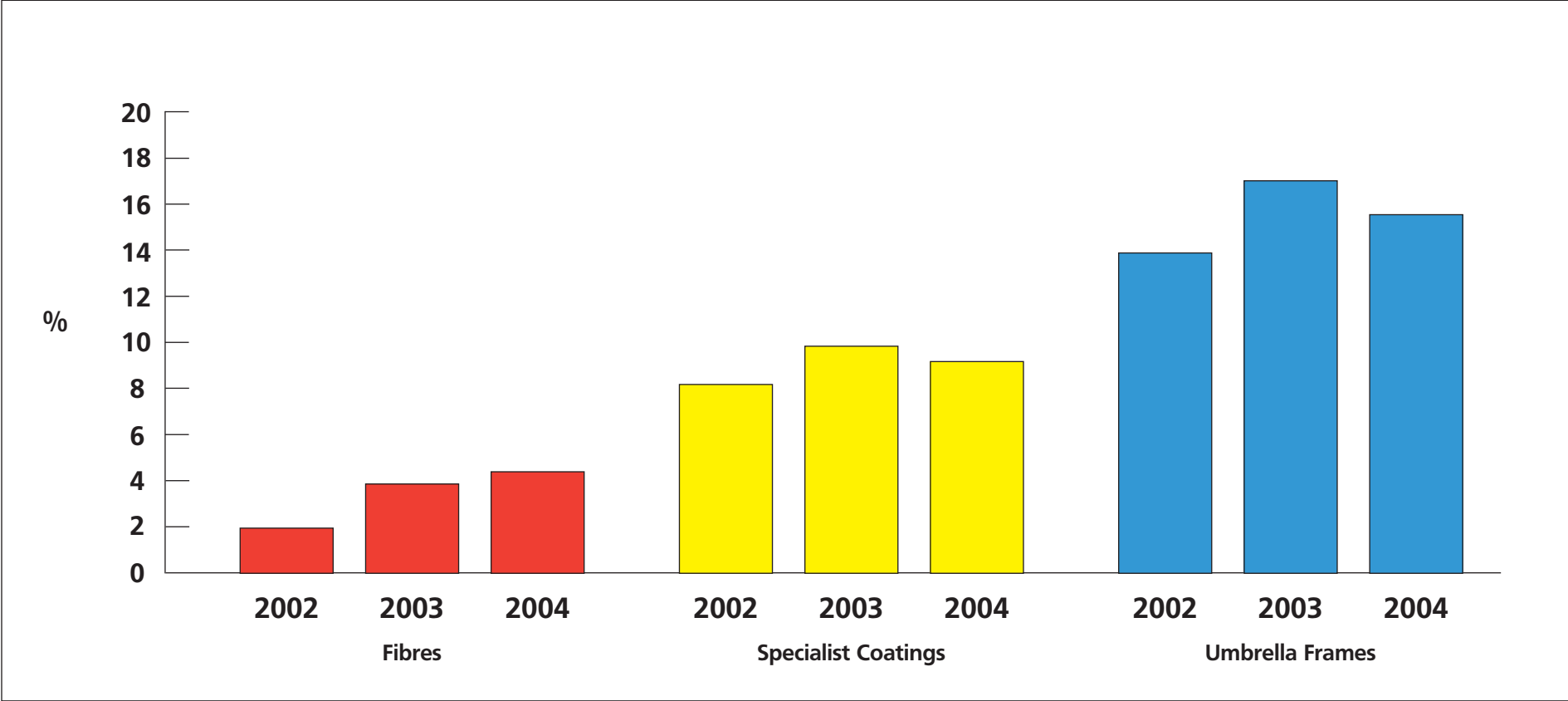


group structure



operating profit statistics

operating profit %



© Operating profit excludes goodwill amortisation and exceptional items

net borrowings

	£m
Net borrowings at 31 March 2003	28.2
Operating cash inflow	(11.5)
Interest	2.4
Taxation	0.8
Capex (strategic £0.5m; maintenance £1.2m)	1.7
Dividends	1.6
Exchange movement	(0.5)
Net borrowings at 31 March 2004	22.7

currency rates

Balance sheet translation:	31 March 2004	31 March 2003
US\$	1.84	1.58
C\$	2.42	2.33
€	1.50	1.45

Profit and loss average rates:	Year 2004	Year 2003
US\$	1.69	1.55
C\$	2.30	2.40
€	1.44	1.55