

C H A P E L T H O R P E
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CORPORATE STATEMENT

Chapelthorpe plc is a leading manufacturer of industrial products which are supplied to niche markets worldwide. The business is organised into two divisions, namely Fibres and Specialist Coatings.

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 and plastisols to the wallcoverings industry.

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HIGHLIGHTS

| | 31 March 2007 £m | 31 March 2006 £m |
|---|------------------------|------------------------|
| Continuing operations | | |
| Revenue | 108.4 | 115.3 |
| Operating (loss) profit for the year | (15.3) | 0.3 |
| Operating (loss) profit for the year before exceptional items | (1.0) | 3.3 |
| Discontinued operation | | |
| Revenue | 6.1 | 8.3 |
| Operating profit (loss) for the year | 0.6 | (1.4) |
| Operating loss for the year before exceptional items | (1.3) | — |
| Group* | | |
| Revenue | 114.5 | 123.6 |
| Operating loss for the year | (14.7) | (1.1) |
| Operating (loss) profit for the year before exceptional items | (2.3) | 3.3 |
| Earnings (loss) per share | | |
| Basic | | |
| Continuing operations | (8.57)p | (0.06)p |
| Discontinued operation | 0.62p | (0.51)p |
| Dividends per share | | |
| | — | 1.1p |
| Net borrowings | | |
| | 12.7 | 15.2 |

* Non-statutory items.

A period of significant change with trading conditions in the Group's primary markets continuing to be extremely challenging.

Umbrella Frames property sold in February 2007 and business sold in June 2007 for a combined consideration of £10.4m gross proceeds (£8.5m net).

Net debt reduced by £2.5m to £12.7m.

Banking facilities restructured across the Group.

Businesses being restructured and Group better placed to generate satisfactory returns.

Move to Alternative Investment Market ("AIM") being considered.

CHAIRMAN'S STATEMENT

INTRODUCTION

Ian Powell and I joined the Board as Chairman and Chief Executive respectively in March this year. We found a Group suffering from difficult trading conditions and requiring urgent action to stabilise its financial position. The previous Board had started to put in motion some of the required actions; we have added urgency and taken a number of new initiatives designed to secure our longer term future and restore shareholder value.

The immediate priorities were to undertake an urgent review of our cost structure and to complete the negotiation of new banking facilities. We also made it a priority to dispose of the Group's Umbrella business which was a serious drain on cash and management resources. We announced this disposal in June 2007.

We believe that these efforts are beginning to take effect. The financial position is now stable and there are signs that we are making a renewed impact in our key markets. However a major issue for our business remains the continued escalation in raw material prices both as a result of the oil price and of shortage of suppliers' production capacity following plant closures.

From our first day we have been shown unstinting co-operation and support from all those working for the Group at every level. This has continued undiminished throughout this difficult period and we would like to express up front our appreciation for this on behalf of the entire Board.

RESULTS FOR THE YEAR

Revenues for the year ended 31 March 2007 for our continuing operations (Fibres and Specialist Coatings) were £108.4m (2006: £115.3m) which generated an operating loss of £1.0m (2006: profit of £3.3m) pre exceptional items. After exceptional items we show an operating loss of £15.3m (2006: profit of £0.3m). The principal exceptional items are a write off of all goodwill on our balance sheet totalling £9.0m, restructuring costs of £2.8m, bad debts of £1.3m and re-financing costs of £1.1m.

Losses per share on continuing operations before exceptional items were 1.48p, compared to earnings per share of 0.81p last year and after exceptional items 8.57p (2006: 0.06p).

The results of Hoyland Fox Limited have been shown separately. Revenues for the year were £6.1m (2006: £8.3m) on which an operating loss before exceptional items of £1.3m (2006: £Nil) was generated. After exceptional items, which include the profit on the sale of the Penistone site and its associated move costs, the operating profit was £0.6m (2006: loss of £1.4m).

BORROWINGS AND CASH FLOW

Our net debt at the year end was £12.7m compared to £15.2m last year. Notwithstanding difficult trading the continuing operations continued to generate cash before exceptional items totalling £0.9m (2006: £4.8m). However, there was a cash outflow from restructuring and other costs of £1.7m.

Since the year end we have been pleased to be able to obtain new bank facilities in place of previous arrangements. We have obtained new committed facilities in the US and the UK which, together with previously re-negotiated Austrian bank facilities, has resulted in our assets and liabilities being better matched to reflect our geographical spread and provided additional headroom.

BOARD

John Standen and John Biles left the Board in April this year after five years as Chairman and two years as Non-executive Director respectively. I would like to thank them for their efforts on behalf of the Company.

Brian Leckie, who was close to retirement, ceased to be Chief Executive at the same time but has agreed to remain as a Non-executive Director. The Board, therefore, now has four members comprising Ian Powell, Andy Weatherstone our Finance Director, Brian Leckie and myself. We are considering the appointment of an additional Non-executive Director at an appropriate juncture.

EXTRAORDINARY GENERAL MEETING

The Board is actively reviewing its listing on the Official List of the UK Listing Authority and is in discussions with its advisers as to whether the AIM of the London Stock Exchange is a more appropriate market for the Company taking into account its size, market capitalisation and resources. In the event that the Board resolves to proceed with the proposed transfer a Circular will be despatched to shareholders setting out the proposal in further detail and convening an Extraordinary General Meeting at which their consent will be sought to the de-listing from the Official List and subsequent transfer to AIM.

In addition, now that the closed period has expired, it is intended to implement an incentive plan which may include a substantial issue of options over Ordinary Shares to Ian Powell, myself and certain other Senior Executives. It is proposed that this incentive plan will be on terms agreed in principle with major shareholders of the Company at the time of, and subsequent to the appointment of Ian Powell and myself to the Board. Further details of the incentive plan will be announced by the Company in due course and if required, the approval of shareholders will be sought at the Extraordinary General Meeting referred to above.

DIVIDENDS

The Board has decided that it would not be appropriate to declare a dividend for the year.

PROSPECTS

The Company's Fibres business operates in a difficult sector but we have some real strength in our strong technical capabilities and reputation for quality and we have established good positions in a number of significant markets.

However, the pressures this division faces in its industry show no signs of abating. As I mentioned before we are vulnerable to raw material price increases and also to pressure from major customers, some of whom are under pressure in their own markets. Competition is intense not least from vertically integrated operations in Europe. There is considerable over capacity in the industry generally and in a mature area there are few new applications likely to absorb this surplus.

There are some signs of recovery in the Specialist Coatings business with the industries we serve in the home furnishings area showing early signs of growth after years of decline. However the business is exposed to significant risks including vulnerability to raw material prices.

In summary there is still a great deal to do and there are a large number of challenges ahead for the Group, not least in coping with industry issues outside our control; however the Group is now better placed to begin to generate satisfactory returns.

LESLIE GOODMAN

Chairman
12 July 2007

OPERATING REVIEW

OUR ACTIVITIES

Following the disposal of our Umbrella Frames business post year end, the Group's major businesses are Fibres, operating from sites in the UK, Austria and the US and Specialist Coatings, operating from the UK and through partnerships in Eastern Europe.

Recent months have seen significant change throughout the Group and this process of restructuring is due to continue well into the current financial year. In addition to the cost saving measures, debt restructuring and disposal mentioned in the Chairman's Statement we have replaced key members of the Group's senior management, tightened working capital and strengthened our sales and marketing focus.

I comment below on the year under review and prospects for our businesses in the current year.

FIBRES

The Fibres division supplies polypropylene fibre to markets which include automotive, floor coverings, technical, geotextile and home furnishings. In the US it is the largest supplier of coloured polypropylene fibre to the automotive markets as a key tier 2/3 supplier to the major automotive manufacturers.

In the past year polypropylene fibres represented by far the largest part of our business with turnover of £84.5m (2006: £89.2m) from which an operating loss before exceptionals of £0.1m was generated (2006: profit of £2.7m).

Year on year volumes in North America showed a decline of 11% coupled with a change in sales mix. The automotive sector showed no signs of recovery and volumes declined a further 17%. Needle-punch volumes were reasonably robust in the first half of the year but our biggest customer lost some key business which led to a significant fall in demand in the last quarter of the year. These shortfalls were in part mitigated by additional geotextile business.

Filament yarn volumes into home furnishings fell back after the gains made in the previous year. This was principally due to our largest customer for yarn losing market share.

In Europe the overall picture was of declining volumes and erosion of margins. Volumes were down 4% year on year, reflecting not only a fiercely competitive market place but also the impact of product substitution with customers moving to other fibres, such as polyester, due to the high price of polypropylene polymer.

These market conditions coupled with the withdrawal from certain product lines, after it became clear that sales prices could not be increased to an acceptable level, necessitated further reductions in our manned capacity in the UK. Following the reorganisation in 2005/6, head count has fallen by a further 15 personnel in the last three months. Headcount in Asota in Austria has also been reduced over the past six months by 10.

Looking forward, we aim to build on our strong position as the largest producer of coloured polypropylene fibre in the US through new product development to expand the polypropylene content in vehicles. We also plan to target non-automotive sectors by working closely with existing and potential customers to develop new product applications and markets. We have successfully replaced a significant element of the recent falls in automotive volumes with new business in the geotextile sector.

Polymer resin prices have increased by 11% since January 2007, which has squeezed margins as we have been unable to pass on all this increase to customers. However, increased polypropylene production capacity is due to come on stream in the Middle East during 2008 and this could bring some relief on both price and polymer availability, particularly in Europe.

SPECIALIST COATINGS

The Specialist Coatings division supplies vinyl coated paper and plastisols to the wallcoverings industry worldwide.

Turnover during the past year was £23.9m (2006: £26.1m) which generated operating profit before exceptionals of £0.2m (2006: £1.3m).

The continuing market decline led to one of our major customers, Premier Decorative Products Limited ("PDP"), ceasing trading towards the end of the year. As a result we incurred a bad debt charge of £0.6m although this was mitigated in part by trading with the administrator and through elements of PDP's business being secured by other customers.

As a consequence of the above we had to implement a significant redundancy programme with the headcount reducing by 24 in February 2007. We also closed our loss making factory in Poland in May 2007 and intend to withdraw from one support site in the UK.

We continued to benefit during the year from royalty income from the Russian market. This royalty agreement is scheduled to end in 2008, however we are actively developing other royalty and joint venture arrangements outside Europe. There are now signs of increasing demand from Europe and we are well placed to benefit from any sustained recovery in the European wallcoverings markets though we are reliant on a relatively small number of key customers.

UMBRELLAS

Our Umbrella business suffered from weak demand and significant disruption following its relocation in January 2007. This resulted in significant delays to customer deliveries and substantially increased losses. Sales were £6.1m (2006: £8.3m), with a loss of £1.3m before exceptionals, compared to break even last year.

SUMMARY

The first half of this financial year is seeing the continuing implementation of the restructuring referred to above which includes substantial cultural changes based around speed of response, commerciality and accountability.

Trading performance in the first quarter has been in line with expectations and characterised by encouraging levels of activity in US Fibres and Specialist Coatings. European Fibres margins have been squeezed with sales price rises failing to keep pace with polymer prices which continue to increase even from historically high levels.

IAN POWELL

Chief Executive
12 July 2007

FINANCIAL REVIEW

RESULTS

The Company was committed to dispose of Hoyland Fox Limited ("Hoyland Fox") prior to the year end and so, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", this company has been accounted for as a discontinued operation and as a non-current asset held for sale. Consequently the financial statements identify results from both continuing and discontinued operations.

CONTINUING OPERATIONS

Revenue from continuing operations fell by 6% to £108.4m (2006: £115.3m). The Group reported an operating loss of £15.3m compared with a small profit of £0.3m in 2006. Both results include significant exceptional items and excluding these an operating loss of £1.0m was incurred in 2007 compared to a profit of £3.3m in 2006.

Overall, volumes in Fibres were down 6% year on year and a small loss before exceptional items of £0.1m was incurred compared to a profit of £2.7m in the previous year.

The wallcoverings market in the UK declined still further resulting in the failure of one of the largest customers of Specialist Coatings. Demand however was better in Western Europe and royalty income increased reflecting the strong market in Russia.

EXCEPTIONALS

The Group incurred the following exceptional costs as part of its continuing operations during the year:

| | £m | £m |
|-----------------------|-----|------|
| Bad debts | | 1.3 |
| Restructuring: | | |
| – Fibres | 0.4 | |
| – Specialist Coatings | 1.5 | |
| – Central | 0.9 | |
| | | 2.8 |
| Banking restructuring | | 1.1 |
| Goodwill impairment | | 9.0 |
| | | 14.2 |

The bad debt charge reflects the failure of PDP and a number of specific recoverability issues around the Group.

The consequence of the difficult market conditions has been a substantial restructuring of the businesses. A series of cost cutting initiatives were implemented during the year and, following the Board changes at the end of March 2007, further cost reduction plans have been developed and are being implemented. These include a significant reduction in central corporate costs.

The decline in the Group's profitability resulted in a need to refinance the Group and seek financing secured on, and better matched to, the Group's geographical spread of assets. Further details are set out in the Financing and Cash Flows section below.

As required by IFRS, a detailed review of the carrying value of goodwill was performed which resulted in an impairment charge of £9.0m in respect of the goodwill arising on the acquisitions of Asota (Fibres) and Chamberlain Coatings Limited (Specialist Coatings).

Further details of the exceptional items are set out in Note 4 to the accounts.

DISCONTINUED OPERATION

The discontinued operation of Hoyland Fox includes the effect of the sale of the Penistone site during the year. The full impact is explained below highlighting the underlying loss making position of the operation:

| | £m |
|---|-------|
| Operating loss before exceptional items | (1.3) |
| Impairment of assets | (3.5) |
| Loss before sale of Penistone site | (4.8) |
| Profit on sale of Penistone site | 6.8 |
| Restructuring and relocation costs | (1.2) |
| Costs of disposal of company | (0.2) |
| Profit before tax | 0.6 |

DIVIDENDS AND LOSS PER SHARE

The Directors consider it inappropriate to declare a dividend for this financial year given the Group's financial performance (2006: 1.1p per share).

Underlying loss per share (before exceptionals and discontinued operation) was 1.48p (2006: earnings 0.81p). After exceptional items the basic loss per share was 8.57p (2006: 0.06p).

TAXATION

The tax charge relates principally to tax on profits in our US operation and the de-recognition of tax assets in the UK. Our tax rate will continue to be higher than the UK normal rate until such time as profits are earned in the UK. The gain on the sale of the Penistone site was shielded by available losses in the Group.

FINANCING AND CASH FLOWS

Net debt fell to £12.7m from £15.2m, benefiting from the sale of the Penistone site for £9.0m. The impact of this receipt has been offset by the costs associated with the relocation of the Umbrella Frames division, the restructuring of the operations, the costs of re-financing and a tightening of credit terms from a number of suppliers. Cash was also reduced by the 2006 final dividend of £1.5m together with net bank interest paid of £1.6m. The first half of 2008 will see further cash outflows in respect of the restructuring of the Group.

Financing costs of £1.7m (2006: £1.8m) included net bank interest payable of £1.3m (2006: £1.4m) which equates approximately to an effective interest rate of 6.0% (2006: 5.7%) on average daily borrowings of £22.3m (2006: £25.2m).

In January 2007 renewed and extended committed credit facilities were secured in Austria. This was followed by a re-financing in the US in May 2007 with a new \$23.0m (maximum) asset backed term and a revolving credit facility secured against the US assets being put in place. Finally a committed asset backed finance facility of £13.0m (maximum) was secured in the UK in June 2007, resulting in our previous principal banker being repaid in full.

PENSIONS

The Group's pension arrangements are set out on pages 50 to 52. The Group's principal UK pension scheme is a defined benefit scheme and is closed to new members. The gross deficit of the UK scheme calculated in accordance with IAS 19 "Employee Benefits" was £2.8m, £1.3m higher than a year ago due to more prudent mortality assumptions being adopted.

MANAGEMENT AND FINANCIAL RISK

Group policy on treasury and financial risk is set by the Board. Treasury policy is set to ensure that funding requirements minimise commercial risk and are adequate to support the ongoing requirements of the operations.

No transactions of a speculative nature are permitted. The day to day treasury management is controlled centrally with the main risks arising from operations being liquidity risk, interest rate risk and credit risk. The policies for managing these risks are set out in Note 17 of the financial statements.

KEY PERFORMANCE INDICATORS

The Key Performance Indicators ("KPIs") for the Group are those that communicate the financial performance and strength of the Group as a whole to shareholders. The Group's KPIs continue to be:

- free cash flow which for 2006/7 was £4.3m (2005/6: £6.6m);
- underlying operating profit (before exceptionals and discontinued operation) which was a loss of £1.0m for 2006/7 (2005/6: profit £3.3m); and
- the level of the Group's net bank borrowings, which at 31 March 2007 were £12.7m (31 March 2006: £15.2m).

Other non-financial performance indicators used by management in running and assessing the performance of individual businesses within the Group are as follows:

HEALTH AND SAFETY MEASURES

Accident rate is total number of accidents reported in the year per 100 employees. In 2007 this was 25 (2006: 22).

PRODUCTION EFFICIENCY LEVELS

Waste levels are a key indicator of production efficiency in our continuing operations. Waste as a percentage of total production was 5.3% (2006: 6.3%) for Fibres and 5.2% (2006: 6.2%) in respect of Specialist Coatings.

ANDREW WEATHERSTONE

Finance Director
12 July 2007

DIRECTORS

Leslie Goodman*

Chairman, aged 61

Leslie Goodman was appointed to the Board on 19 March 2007 and on 2 April 2007 became Chairman following the resignation of John Standen. He is a qualified solicitor who has spent over 30 years in the investment banking and insurance industries. He has been a Director of investment banks Hill Samuel and Barclays de Zoete Wedd and Chief Executive Officer of the insurance businesses Jardine Lloyds Advisors and ACE Global Markets. In recent years he has held a number of directorships and consultancies.

Ian Powell†

Chief Executive, aged 45

Ian Powell was appointed to the Board on 19 March 2007 and on 2 April 2007 replaced Brian Leckie as Chief Executive. He qualified as a Chartered Accountant with KPMG before gaining industrial experience with ICI and Courtaulds Textiles. He was the major shareholder and Chief Executive of the sports and outdoor businesses Ronhill and Mountain Equipment and subsequently Managing Director of 4imprint UK Broadway, a business incentives company. Most recently he has been Chairman of Dataforce, a support services business.

Andy Weatherstone

Finance Director, aged 43

Andy Weatherstone was appointed to the Board in 2003. He qualified as a Chartered Accountant with KPMG and was formerly Group Finance Director of Bostrom Plc.

Brian Leckie*

Non-executive Director, aged 60

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 the Chief Executive position in 1997. On 30 March 2007 he resigned as Chief Executive and became a Non-executive Director.

* Member of Nomination, Remuneration and Audit Committees.

† Member of Nomination Committee.

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited accounts of the Company for the year ended 31 March 2007.

PROFITS AND DIVIDENDS

The loss after taxation for the year ended 31 March 2007 was £15,939,000 (2006: £1,135,000). Ordinary dividends totalling £1,539,000 (2006: £2,198,000) were paid in the year. The Chapelthorpe Trust waived dividends of £32,000 (2006: £46,000).

Preference shares are classified as other financial liabilities under IFRS and consequently preference share dividends of £46,000 (2006: £46,000) were paid and recorded as a finance cost.

No interim dividend was paid (2006: 0.33p per share). The Directors do not recommend a payment of a final dividend (2006: 0.77p per share).

PRINCIPAL ACTIVITIES

The Group concentrates its activities on the manufacture of coloured polypropylene fibre, the production of vinyl-base and the manufacture of PVC plastisols for the wallcoverings industry and the manufacture of umbrella frames (business disposed 13 June 2007). The information that fulfils the requirement of the Business Review, which is incorporated in this Directors' Report by reference and includes the review of the Group's business and future prospects is detailed in the Chairman's Statement, Operating Review and the Financial Review on pages 2 to 7. Key performance indicators are shown on page 7.

DIRECTORS

Biographical details of the present Directors are set out on page 8. The Directors who served during the year are shown below:

L D Goodman (appointed 19 March 2007)

I D Powell (appointed 19 March 2007)

A P Weatherstone

B Leckie

J Standen (resigned 2 April 2007)

J A Biles (resigned 2 April 2007)

A B Reeve (retired 21 July 2006)

In accordance with the Articles of Association of the Company, Messrs Goodman and Powell will retire from office at the Annual General Meeting and, being eligible, offer themselves for election.

DIRECTORS' INTERESTS

The interests of the Directors who held office at 31 March 2007 in the ordinary shares of the Company are disclosed in the Board Report on Remuneration.

SHARE CAPITAL

Notes 17 and 23 on pages 41 and 47, respectively, provide information concerning share capital for the year ended 31 March 2007.

At 12 July 2007 the Company had been notified that the following were interested in 3% or more of the ordinary share capital:

| | Number of shares | % |
|--|---------------------|-------|
| AXA S. A. Group | 31,000,000 | 15.19 |
| Credit Agricole Chevreux International Limited | 20,350,000 | 9.97 |
| UBS AG | 16,975,000 | 8.32 |
| P Gyllenhammer | 10,325,000 | 5.06 |
| North Atlantic Value LLP | 9,685,000 | 4.75 |
| Ian Knighton | 8,589,664 | 4.21 |
| Starlight Investments Limited | 7,173,860 | 3.52 |

DIRECTORS' REPORT CONTINUED

DIRECTORS' AUTHORITIES TO ALLOT

The Notice of Annual General Meeting on pages 65 and 66 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 30 November 2008, 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 £2,697,955, 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 (other than a requirement to issue new shares should any of the Group's employees exercise their outstanding share options), 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 30 November 2008, 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. This authority also allows the Directors, within the same aggregate limit, to sell for cash shares that may be held by the Company in treasury.

AUTHORITY TO PURCHASE OWN SHARES

By virtue of Resolution Number 9, the Directors are seeking authority to enable the Company to make market purchases of up to a maximum of 30,600,000 of its own ordinary shares, representing less than 15% of the existing issued ordinary share capital. This is a renewal of the authority granted at the Annual General Meeting of the Company held on 21 July 2006. 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 or, subject to The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and to the UK Listing Authority Rules, held as "treasury shares" as an alternative to cancellation after a share buy back. Companies can use these treasury shares to, amongst other uses, meet obligations under employee share plans if this offers tax or other advantages over alternative means of meeting these obligations. Any use of treasury shares by the Company in connection with Resolution Number 9 would be subject to the UK Listing Authority Rules.

The maximum price per share for any purchase would not be in excess of the higher of (1) 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 and (2) the higher of the price of the last independent trade and the highest current independent bid as derived from the London Stock Exchange Trading System. The minimum price payable would be 5p, 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 15 months after the passing of the Resolution if earlier.

As at 12 July 2007 options to subscribe for a total of 809,000 ordinary shares were outstanding under the Company's employee share schemes representing 0.40% of the issued share capital of the Company (excluding treasury shares) at that date and 0.47% of the issued share capital of the Company (excluding treasury shares) if the authority sought by this Resolution were to be exercised in full. There are currently no outstanding warrants to subscribe for equity shares in the Company and no shares held in treasury.

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.

FIXED ASSETS

Details of the changes in the tangible fixed assets of the Group are shown in Note 12 to the consolidated accounts on pages 38 and 39, and of the Company are shown in Note 5 to the Parent Company accounts on pages 61 and 62.

RESEARCH AND DEVELOPMENT COSTS

The Group has a research and development programme for both new products and markets and the improvement of existing products.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations to UK charitable organisations amounted to £491 (2006: £3,112) for a variety of charities. There were no political contributions (2006: £Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors present below their review of the principal risks and uncertainties facing the business. If any of the following risks materialise, the Company's business, financial condition, prospects and share price could be materially and adversely affected. The Directors consider the following risks the most significant but not necessarily the only ones associated with the Company and its businesses.

COMPETITION

Chapelthorpe operates in highly competitive markets and there are no assurances that Chapelthorpe's competitiveness will improve or that it will win any additional market share from any of its competitors or maintain existing market shares. We review our pricing and take action to control our cost base to ensure that we remain as competitive as possible and protect our margins. Failure to do this may result in materially lower margins and loss of market share.

DEPENDENCE ON KEY CUSTOMERS

Chapelthorpe is dependent on a number of customers in each of its businesses. The loss of one or more of its key customers could result in lower than expected sales and have a significant impact on the scale of its operations. During 2007 this was evidenced by the loss of a major customer in the Specialist Coatings division.

DECLINE IN MARKETS

Chapelthorpe's businesses have exposure to a number of mature business sectors which are also heavily influenced by end consumer demand, in particular, the wallcoverings and carpet sectors. Continued or increased declines in end product demand could adversely affect our business.

PRICES OF RAW MATERIALS

Chapelthorpe's profitability may be reduced due to increases in the price of raw materials, including energy. The principal raw materials are oil derived products such as polypropylene polymer and PVC. These commodities experience price volatility caused by the price of oil, demand and specific commodity market and currency fluctuations. Increased costs may not always be fully recoverable by Chapelthorpe from its customers.

DEPENDENCE ON KEY SUPPLIERS

Chapelthorpe has only a small number of suppliers for certain raw materials and services. It may be difficult to resource such materials and services if suppliers do not continue to supply and, consequently, Chapelthorpe could experience delays in manufacturing its own products. If this delay was prolonged, Chapelthorpe could suffer significant interruptions in supply of products to its customers.

DEPENDENCE ON KEY OPERATING FACILITIES AND EQUIPMENT

Chapelthorpe services its customer base using a number of key production lines in Europe and the US. The loss of one of these production lines and/or operating facilities through failure or natural disaster could potentially adversely affect Chapelthorpe's ability to supply products to its customers. Although Chapelthorpe has a level of downside protection against such potential events in the form of contingency planning, preventative maintenance and insurance cover, the Directors cannot be certain as to the impact of any such event should it occur.

CURRENCIES AND INTEREST RATES

Chapelthorpe operates in, and sells products to, countries other than the UK and conducts business in currencies other than Sterling. Material fluctuations in the exchange rate of Sterling against other currencies, particularly the Euro and US Dollar, could have an impact on Chapelthorpe's operations. Chapelthorpe's interest costs will increase in the event of rising interest rates, although elements of borrowings are fixed to mitigate any such event. However, rising interest rates may also have a more general effect upon consumer confidence resulting in lower demand with a consequential impact on demand for Chapelthorpe's products.

GROUP DEBT

Chapelthorpe's ability to comply with bank covenants and to make scheduled payments or to re-finance its debt will depend on, amongst other things, net assets and operating performance.

If Chapelthorpe's cash flow and capital resources are insufficient to meet its debt service requirement then this could impact significantly on the value of the Group and its ability to continue to operate.

A restructuring of the Group's facilities was completed in June 2007.

PENSION LIABILITIES

The combination of increased life expectancy, equity, market performance and low interest rates over the past several years has had an impact on the funding levels of the Group's UK defined benefit scheme. Further adverse movements could increase the current deficit of £2.8m significantly.

DIRECTORS' REPORT CONTINUED

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 53 days (2006: 66 days). The Company did not have any trade creditors at the year end (2006: Nil).

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. Chapelthorpe makes 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.

POST BALANCE SHEET EVENTS

On 13 June 2007 the entire share capital of Hoyland Fox Limited was sold for £1,050,000 on completion and £350,000 deferred consideration.

INDEMNITIES

By virtue of, and subject to, Article 184 of the current Articles of Association of the Company, the Company has granted an indemnity to every Director, alternate Director, secretary or other officer of the Company. Such provisions remain in force at the date of this report. This indemnity does not cover fraudulent or dishonest actions by the Directors. Copies of the Articles of Association of the Company will be available for inspection at the Annual General Meeting of the Company on 30 August 2007.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

PricewaterhouseCoopers LLP 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 agree their remuneration.

So far as each Director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

A P WEATHERSTONE

Finance Director and Secretary
12 July 2007

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 2003 (the "Combined Code"), which are incorporated into the United Kingdom Listing Authority Rules.

Except for the matters set out below, the Company has complied throughout the financial year with the provisions of good governance of Section 1 of the Combined Code:

- Provision A.3.2 – as the Board did not comprise at least half independent Non-executive Directors for the whole of the year, nor did it contain at least two independent Non-executive Directors. The Board believes that the composition was sufficient for a company of this size;
- Provision A.4.1 – as the Nomination Committee did not comprise a majority of independent Non-executive Directors. The Board believes that the composition of the Nomination Committee is appropriate for a company of this size; and
- Provisions B.2.1 and C.3.1 – as the Chairman, who cannot be considered to be independent, sits on the Remuneration Committee and Audit Committee. The Board, however, considers that his experience makes him a valuable member of these Committees and that his membership is justified in view of the small number of Non-executive Directors.

The situation will be assessed on an ongoing basis.

THE BOARD

As at 12 July 2007, the date of signing these financial statements, the Board of Directors comprises four Directors: the Chairman, the Chief Executive, the Finance Director and the Non-executive Director. The Board considers that the current composition is sufficient for the present requirements of the Company. The post of Chairman and Chief Executive are separate, however, Chapelthorpe is mindful of good corporate governance and is considering the appointment of an additional Non-executive Director. The brief biographies of the Board members shown on page 8 demonstrate the wide range of skills and commercial and professional experience they bring to the Board. 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.

Following the resignation of Mr J A Biles, Mr B Leckie became the Senior Non-executive Director. The Board is supplied with financial and other information in a timely manner. The form and content of this information is constantly reviewed.

The Board is responsible for overseeing strategic, financial, operational and compliance issues and reporting to shareholders where appropriate.

Matters not formally reserved to the Board are delegated to the Executive Directors and Board Committees.

The Board meets formally at least ten times a year. Where a Director is absent he is briefed before the meeting and his views taken into consideration. The record of attendance of the Board meetings during the year is shown below:

| | Possible attendance | Actual attendance |
|------------------|---------------------|-------------------|
| L D Goodman | 2 | 2 |
| I D Powell | 2 | 2 |
| A P Weatherstone | 23 | 23 |
| B Leckie | 23 | 23 |
| J Standen | 23 | 20 |
| J A Biles | 23 | 19 |
| A B Reeve | 7 | 4 |

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 Board has established an annual performance evaluation procedure for the Board, the Committees and the individual Directors. The procedure is in the form of a questionnaire used to assess the effectiveness of the Board, each of its members and Committees and is supplemented by individual performance appraisal meetings. The Non-executive Director is responsible for the performance evaluation of the Chairman. The results of the performance evaluation procedure are reported to the full Board.

THE NOMINATION COMMITTEE

The Nomination Committee was established in 1994. It comprises the Chairman, the Non-executive Director and the Chief Executive and is chaired by Mr L D Goodman following the resignation of Mr J Standen. It is responsible for nominating candidates for the approval of the Board to fill vacancies on the Board of Directors.

During 2006/7 the Committee met twice, with each Committee member attending, in connection with the retirement from the Board of Mr A B Reeve on 21 July 2006 and the appointment of Mr L D Goodman and Mr I D Powell on 19 March 2007.

CORPORATE GOVERNANCE CONTINUED

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. The Company reports formally to shareholders twice a year, when its half year and full year results are announced and an interim report and a full report are issued to shareholders. These reports are posted on Chapelthorpe's website (www.chapelthorpe.com). At the same time the Directors give presentations on the results to institutional investors, analysts and the media. Copies of major presentations are also posted on the Company's website.

The Chairman is always available to shareholders on all matters relating to governance or otherwise and has met with shareholders on a number of occasions during the year.

ACCOUNTABILITY AND AUDIT

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group and of the profit or loss and cash flows of the Group for the financial year. The Directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2007, that applicable accounting standards have been followed and that the financial statements comply with IFRS.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of 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 financial statements.

THE AUDIT COMMITTEE

The Audit Committee was established in 1994 and comprises the Group's Chairman and Non-executive Director. It is now chaired by Mr L D Goodman, following the resignation of Mr J A Biles, who the Board recognises has recent and relevant financial experience. The Committee meets as and when required and at least twice a year. The Chief Executive and Finance Director 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.

The Audit Committee's terms of reference include a responsibility to review the external auditors' independence, objectivity and the effectiveness of the audit process. Its terms of reference are available on request from the Company Secretary. The Committee has developed and implemented a policy for the engagement of the external auditors to supply non-audit services to the Company, with the intention of avoiding the independence and objectivity of the auditors being, or appearing to be, impaired. Details of all audit and non-audit fees charged by PricewaterhouseCoopers LLP are disclosed in Note 6 to the consolidated financial statements on page 33.

During 2006/7 the Committee met twice, with each Committee member attending on each occasion.

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 2007 and up to the date of approval of this Report and Accounts.

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 annual budgets;
- the review of internal and external audit plans; and
- the review of significant issues arising from internal and external audits.

FINANCIAL REPORTING AND MONITORING OF OPERATIONS

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

The Board considers that its Key Performance Indicators ("KPIs") are those that communicate the financial performance and strength of the Group as a whole to its shareholders. These KPIs comprise:

- the level of free cash flow;
- the level of underlying operating profit; and
- the extent of the Group's net bank borrowings.

Management also uses a variety of Other Performance Indicators ("OPIs") in running and assessing the performance of individual businesses within the Group. OPIs include indicators such as manufacturing efficiency measures and health and safety statistics. Details of these are set out in the Financial Review on page 7.

There is a comprehensive system of financial reporting to the Board based on an annual budget, which is 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 quarterly 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

Given the size of the Group, the Group does not maintain a dedicated internal audit function. Group resource is used on a periodic basis to conduct internal audit procedures of which the programme of work is determined with the Audit Committee in liaison with the external auditors.

BOARD REPORT ON REMUNERATION

THE REMUNERATION COMMITTEE

The Remuneration Committee comprises Mr B Leckie and Mr L D Goodman who now chairs the committee following the resignation of Mr J Standen.

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.

During the year the Committee sought advice upon remuneration matters from New Bridge Street Consultants LLP, who are retained by the Company solely for the provision of advice on such matters. The Committee also sought advice upon pension matters from the Company's pensions adviser, KPMG LLP.

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 Rules. During 2006/7 the Committee met six times, with each Committee member attending on each occasion with the exception of two meetings that Mr A B Reeve was unable to attend.

The only information within the Board Report on Remuneration that is required by Part 3 of Schedule 7A to the Companies Act 1985 to be audited is that as shown on pages 19 and 20.

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 remuneration of the Chairman and the Non-executive Director is set by the Board on which matter they play no part.

SERVICE CONTRACTS

Mr I D Powell has a contract which provides for a three months' notice period to be given by the Company and Mr I D Powell. It does not give any right to a pre-determined or liquidated sum by way of damages.

Mr A P Weatherstone has a contract which provides for a one year notice period to be given by the Company but may be terminated by Mr A P Weatherstone giving six months' notice. It does not give any right to a pre-determined or liquidated sum by way of damages.

Neither the Chairman nor the Non-executive Director have service contracts.

DIRECTORS' EMOLUMENTS

Particulars of Directors' total emoluments are disclosed later within this Board Report on Remuneration. 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.

PERFORMANCE RELATED BONUS

Executive Directors are eligible to participate in an annual cash bonus scheme. Consistent with the Committee's policy for linking performance to delivering improved value for shareholders, the bonus scheme gives the Executive Directors the potential to receive annual benefits up to a maximum value of 100% of basic salary for exceptional performance. The criteria are agreed by the Committee each year and are focused on achieving strategic objectives.

BENEFITS IN KIND

Mr A P Weatherstone is provided with a motor car for business and private use and medical and life insurance. The benefits are valued in accordance with Inland Revenue rules. The Company provides no benefits in kind to Mr I D Powell.

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 Group's business.

PENSIONS

Following his resignation as Chief Executive, Mr B Leckie became a deferred member 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, Mr B Leckie is subject to the Inland Revenue earnings cap.

The Company previously set up the Chapelthorpe plc Funded Unapproved Retirement Benefit Scheme ("FURBS") for the benefit of Mr B Leckie. The FURBS sought to provide Mr B Leckie with the contractual entitlement to the pension to which he would have been entitled but for the Inland Revenue earnings cap. This was replaced by a contribution to a personal pension plan of £85,000 in the year ended 31 March 2007.

In respect of Mr A P Weatherstone the Company contributes at a rate of 20% of basic salary, excluding bonuses, into a personal pension arrangement.

The Company does not have any formal pension arrangements in respect of Mr I D Powell, although by agreement, Mr I D Powell at his choice can elect to sacrifice part of his basic salary and instead receive pension contributions directly into a personal pension arrangement.

OPTIONS AND AWARDS

The Remuneration Committee is responsible for the operation of the Company's share schemes and grants options (or where appropriate awards rights) based upon each Executive's remuneration, performance and contribution to the Group. The Committee considers that these schemes provide a strong link between reward and performance, with an emphasis on producing sustained improvements in the underlying performance of Chapelthorpe plc and in aligning the Executive's performance and reward with the interests of shareholders.

Details of Directors and all outstanding options and awards are shown later within this Board Report on Remuneration, and in Note 30 on pages 53 and 54 respectively.

EXECUTIVE SHARE OPTION SCHEMES

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.

The exercise of options under the Chapelthorpe plc Executive Share Option Plan 2004 is subject to a performance condition requiring the Company's earnings per share to exceed the increase in inflation plus 3% per annum over the three year vesting period. To date no options have been granted under this Plan.

PERFORMANCE RELATED SHARE PLAN

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

In respect of awards made under the 1998 Performance Related Share Plan in 2004, the Remuneration Committee has determined that the awards will vest after the Performance Period:

- i) as to 15% if operating profit grows at an average rate of 7.5% per annum over the Performance Period;
- ii) as to 100% if operating profit grows at an average rate of 15% per annum over the Performance Period; and
- iii) the awards will vest pro rata for operating profit growth between these two points.

If the operating profit performance criteria are achieved, there is a further and pre-determined minimum achievement in respect of underlying earnings per share growth that must also be achieved, prior to an award vesting. Operating profit and underlying earnings per share are calculated before taking account of goodwill amortisation and exceptional items (both operating and non-operating).

BOARD REPORT ON REMUNERATION CONTINUED

OPTIONS AND AWARDS CONTINUED

PERFORMANCE RELATED SHARE PLAN CONTINUED

Awards made in 2003 under the 1998 Performance Related Share Plan matured on 31 March 2007. 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 in 2005 under the 1998 Performance Related Share Plan, the Remuneration Committee has determined that the awards will vest after the Performance Period:

- i) 0% will vest if the total shareholder return of the Company is equal to or less than that of the FTSE Fledgling Index;
- ii) 30% will vest if the total shareholder return of the Company is equal to the FTSE Fledgling Index plus 1% per annum; and
- iii) 100% will vest if the total shareholder return of the Company is equal to the FTSE Fledgling Index plus 7.5% per annum.

A straight line pro rata vesting will exist for performance between the above points.

INVESTED BONUS SHARE PLAN AND SAYE

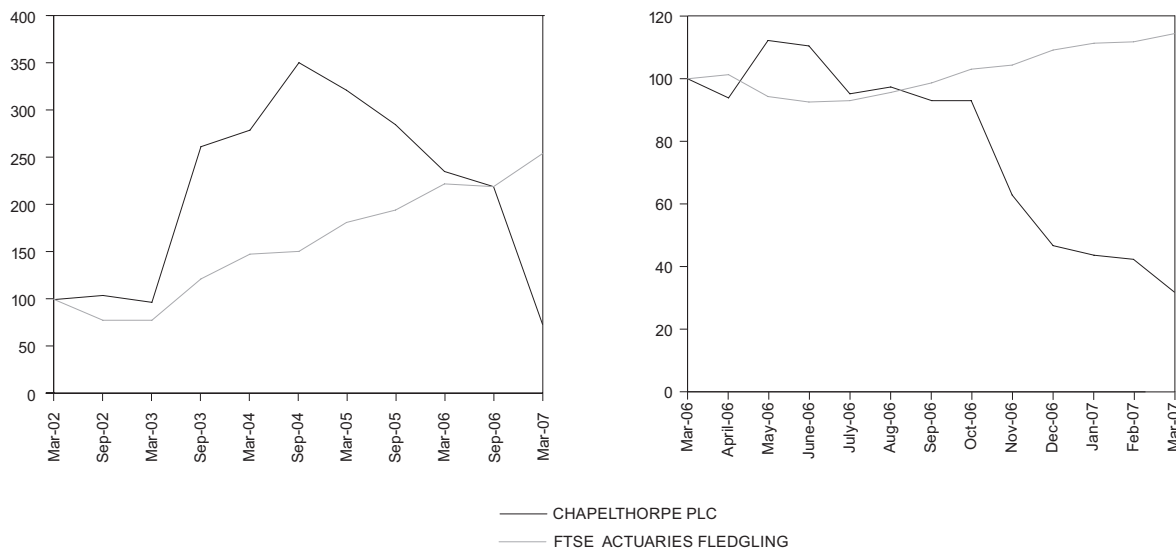
Given the inherent nature of these schemes, the exercise of options granted under the Chapelthorpe plc Savings Related Share Option Scheme 2004 and the award of shares under the Chapelthorpe plc Invested Bonus Share Plan 1997, are not conditional on any performance criteria. To date no options have been granted under the Chapelthorpe plc Savings Related Share Option Scheme 2004.

EMPLOYEE BENEFIT TRUST

In 1996 the Company established the Chapelthorpe plc 1996 Employee Benefit Trust (the "Trust"). Since then, 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 £124,746.

PERFORMANCE GRAPH

Change in value of a hypothetical £100 holding in Chapelthorpe plc ordinary shares:



The graphs illustrate the performance of Chapelthorpe plc ordinary shares measured by total shareholder return (share price growth plus dividends paid) against a broad equity market index over the past five years and over the period since 31 March 2006.

The FTSE Fledgling Index was considered by the Remuneration Committee to be the most relevant in this context as it represents the index within which Chapelthorpe plc is quoted.

DIRECTORS' SHARE 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 2007 in the ordinary shares of the Company were:

HOLDINGS

| | 12 July 2007 | 31 March 2007 | 1 April 2006 (or date of appointment) |
|-----------------------------------|-----------------|------------------|--|
| L D Goodman | 708,187 | 708,187 | 708,187 |
| I D Powell | 524,577 | 524,577 | 524,577 |
| A P Weatherstone | 347,763 | 347,763 | 347,763 |
| B Leckie | 800,459 | 800,459 | 2,306,398 |
| J Standen (resigned 2 April 2007) | | 435,000 | 435,000 |
| J A Biles (resigned 2 April 2007) | | 75,000 | 75,000 |

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

OPTIONS AND AWARDS

AUDITED INFORMATION

| | 1 April 2006 | Lapsed in year | Vested in year | Granted/ awarded in year | 31 March 2007 (or date of retirement) | Lapsed since 31 March 2007 (or date of retirement) | 12 July 2007 | Category (see Note 30 to the accounts) |
|-------------------------|-----------------|-------------------|-------------------|--------------------------------|--|--|-----------------|---|
| A P Weatherstone | | | | | | | | |
| | 378,788 | 378,788 | | | | | | G |
| | 373,236 | | | | 373,236 | | 373,236 | H |
| | 467,500 | | | | 467,500 | | 467,500 | I |
| | 70,510 | | 35,255 | | 35,255 | | 35,255 | L |
| | 207,655 | | | | 207,655 | | 207,655 | M |
| B Leckie | | | | | | | | |
| | 36,100 | 36,100 | | | | | | A |
| | 643,803 | 643,803 | | | | | | G |
| | 599,992 | 599,992 | | | | | | H |
| | 751,523 | 751,523 | | | | | | I |
| | 479,364 | | 239,682 | | 239,682 | | 239,682 | L |
| | 352,936 | | | | 352,936 | | 352,936 | M |

The share awards of 378,788 and 643,803 that lapsed in the year for Mr A P Weatherstone and Mr B Leckie respectively, related to the Performance Related Share Plan. In addition, 36,100 of share options under the 1994 Savings Related Scheme lapsed for Mr Leckie during the year. On his retirement as Chief Executive the share awards of 599,992 and 751,523 related to the Performance Related Share Plan lapsed.

No other Director, who held office during the year ended 31 March 2007, had any interest in options over, or awards of, ordinary shares of the Company.

The market price per ordinary share of the Company at 31 March 2007 was 3.62p (2006: 12.25p). The market price during the year ended 31 March 2007 varied between 13.75p and 3.62p.

No Directors exercised any options at any time during the year (2006: Nil).

BOARD REPORT ON REMUNERATION CONTINUED

DIRECTORS' EMOLUMENTS

AUDITED INFORMATION

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

| | Basic salary and fees £000 | Benefits in kind £000 | Cash bonus £000 | Compensation on leaving office £000 | Total 2007 £000 | Total 2006 £000 |
|---------------------------------------|----------------------------------|-----------------------------|-----------------------|--|--------------------------------|-----------------------|
| L D Goodman (appointed 19 March 2007) | 2 | — | — | — | 2 | — |
| I D Powell (appointed 19 March 2007) | 5 | — | — | — | 5 | — |
| A P Weatherstone | 143 | 19 | 24 | — | 186 | 159 |
| B Leckie | 231 | 28 | — | 217 | 476 | 267 |
| J Standen (resigned 2 April 2007) | 62 | — | — | — | 62 | 61 |
| J A Biles (resigned 2 April 2007) | 31 | — | — | — | 31 | 31 |
| A B Reeve (retired 21 July 2006) | 10 | — | — | — | 10 | 32 |
| Aggregate total emoluments | 484 | 47 | 24 | 217 | 772 | 550 |
| Emoluments of highest paid Director | | | | | 476 | 267 |

As compensation on leaving office Mr B Leckie received a payment of £86,000 and a payment of £26,000 into his personal pension plan in April 2007, followed by further payment of £88,000 together with a further contribution to his personal pension plan of £17,000 in June 2007.

DIRECTORS' PENSIONS

AUDITED INFORMATION

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

| | B Leckie £000 |
|---|------------------|
| Accrued pension at 31 March 2007 | 40 |
| Accrued pension at 31 March 2006 | 38 |
| Increase in accrued pension (excluding inflation) | — |
| Transfer value of increase in accrued pension (less member contribution) | 4 |
| Transfer value of accrued pension at 30 March 2007 (date of cessation as active member) | 610 |
| Transfer value of accrued pension at 31 March 2006 | 549 |
| Increase (decrease) in transfer value of accrued pension (less member contribution) | 61 |

Transfer values are based on advice received from independent, qualified actuaries, in accordance with "Retirement Benefit Schemes – Transfer Values (GN11)" issued by the Institute of Actuaries and the Faculty of Actuaries.

The value of contributions paid or provided by the Company in respect of the year ended 31 March 2007, to personal pension arrangements, was £85,000 (2006: £85,000) in respect of Mr B Leckie and £29,000 (2006: £5,000) in respect of Mr A P Weatherstone.

No pension contributions are made on behalf of the Non-executive Director or the Chairman.

On behalf of the Board

L D GOODMAN

Chairman, Remuneration Committee
12 July 2007

GROUP ACCOUNTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAPELTHORPE PLC

We have audited the Group financial statements of Chapelthorpe plc for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related Notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Chapelthorpe plc for the year ended 31 March 2007 and on the information in the Board Report on Remuneration that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Operating Review and the Financial Review that is cross referenced from the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Operating Review, the Financial Review, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 March 2007 and of its loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors
Manchester
12 July 2007

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH 2007

| | Notes | 2007 £000 | 2006 £000 |
|---|-------|-----------------|--------------|
| Continuing operations | | | |
| Revenue | 2 | 108,429 | 115,329 |
| Cost of sales | | (96,645) | (98,638) |
| Gross profit | | 11,784 | 16,691 |
| Operating expenses | 3 | (27,048) | (16,427) |
| Operating (loss) profit | | | |
| Operating (loss) profit before exceptional items | | (1,040) | 3,252 |
| Exceptional items | 4 | (14,224) | (2,988) |
| Operating (loss) profit | 2 | (15,264) | 264 |
| Financial expense | | (1,817) | (1,904) |
| Financial income | | 102 | 92 |
| Net financing costs | 5 | (1,715) | (1,812) |
| Loss before taxation | 6 | (16,979) | (1,548) |
| Taxation | 7 | (218) | 1,425 |
| Loss for the period from continuing operations | | (17,197) | (123) |
| Profit (loss) from discontinued operation | 8 | 1,258 | (1,012) |
| Loss for the period attributable to equity shareholders | | (15,939) | (1,135) |
| Loss per share | | | |
| Basic and diluted | 10 | (7.95)p | (0.57)p |

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE YEAR ENDED 31 MARCH 2007

| | Notes | 2007 £000 | 2006 £000 |
|--|-------|-----------------|--------------|
| Actuarial (losses) gains net of deferred tax | | (1,258) | 1,476 |
| Exchange differences on translation of foreign operations | 24 | (2,784) | 1,922 |
| Profit (loss) in fair value of hedging derivatives | 24 | 59 | (114) |
| Net (expense) income recognised directly in equity | | (3,983) | 3,284 |
| Loss for the period | | (15,939) | (1,135) |
| Total recognised income and expense for the period (attributable to equity shareholders) | | (19,922) | 2,149 |

CONSOLIDATED BALANCE SHEET 31 MARCH 2007

| | Notes | 2007 £000 | 2006 £000 |
|---|-------|-----------------|--------------|
| Non-current assets | | | |
| Goodwill | 11 | — | 9,274 |
| Property, plant and equipment | 12 | 25,659 | 33,681 |
| Other non-current assets | 13 | 496 | 569 |
| Other financial assets | 17 | — | 11 |
| | | 26,155 | 43,535 |
| Current assets | | | |
| Inventories | 14 | 9,767 | 15,025 |
| Trade and other receivables | 15 | 21,195 | 25,741 |
| Current tax assets | | 33 | 205 |
| Other financial assets | 17 | 139 | 86 |
| Cash and cash equivalents | | 2,256 | 8,133 |
| | | 33,390 | 49,190 |
| Freehold property held for resale | | — | 2,179 |
| Assets classified as held for sale | 8 | 2,067 | — |
| | | 35,457 | 51,369 |
| Current liabilities | | | |
| Trade and other payables | 16 | (19,429) | (23,415) |
| Current tax liabilities | | (546) | (390) |
| Other financial liabilities | 17 | (7) | (73) |
| Borrowings and bank overdrafts | 18 | (12,484) | (9,303) |
| Liabilities directly associated with assets classified as held for sale | 8 | (1,017) | — |
| | | (33,483) | (33,181) |
| Net current assets | | 1,974 | 18,188 |
| Non-current liabilities | | | |
| Retirement benefit obligations | 29 | (4,378) | (3,391) |
| Other financial liabilities | 17 | (800) | (800) |
| Borrowings | 18 | (2,475) | (14,078) |
| Provisions and other liabilities | 19 | (1,341) | (1,546) |
| Deferred tax liabilities | 20 | (4,260) | (5,621) |
| | | (13,254) | (25,436) |
| Net assets | | 14,875 | 36,287 |
| Shareholders' equity | | | |
| Called up share capital | 23 | 10,202 | 10,202 |
| Share premium reserve | 24 | 1,251 | 1,251 |
| Other reserves | 24 | (666) | 2,059 |
| Retained earnings | 24 | 4,088 | 22,775 |
| Total shareholders' funds | | 14,875 | 36,287 |

The financial statements on pages 23 to 56 were approved by the Directors on 12 July 2007 and signed on its behalf by:

L D GOODMAN
Chairman

I D POWELL
Director

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2007

| | Notes | 2007 £000 | 2006 £000 |
|--|-------|-----------------|--------------|
| Cash flows from operating activities | | | |
| Cash (used in) generated from operations | 25 | (1,684) | 2,511 |
| Tax (paid) received | | (12) | 428 |
| Interest received | | 116 | 83 |
| Interest paid | | (1,736) | (1,643) |
| Net cash (used in) generated from operating activities | | (3,316) | 1,379 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (1,539) | (1,006) |
| Proceeds from sale of property, plant and equipment | | 9,115 | 6,214 |
| Net cash generated from investing activities | | 7,576 | 5,208 |
| Cash flows from financing activities | | | |
| Net proceeds from new bank loans | | 2,674 | — |
| Repayment of borrowings | | (10,187) | (2,667) |
| Repayment of capital element of finance leases | | (26) | (18) |
| Dividends paid to ordinary shareholders | | (1,539) | (2,198) |
| Net cash used in financing activities | | (9,078) | (4,883) |
| (Decrease) increase in cash and cash equivalents | | (4,818) | 1,704 |
| Cash and cash equivalents at beginning of the period | | 1,519 | (370) |
| Exchange (losses) gains on cash and cash equivalents | | (219) | 185 |
| Cash and cash equivalents at end of the period | 27 | (3,518) | 1,519 |

NOTES TO THE CONSOLIDATED ACCOUNTS 31 MARCH 2007

1. STATEMENT OF ACCOUNTING POLICIES

CORPORATE INFORMATION

Chapelthorpe plc (the "Company") which is the ultimate Parent Company of the Chapelthorpe Group is incorporated in England and Wales as a public company limited by shares. The shares of the Company are listed on the London Stock Exchange market for listed securities. The consolidated financial statements of the Group were approved by the Board on 12 July 2007.

BASIS OF PREPARATION

In accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU") regulations, these financial statements have been prepared in accordance with IFRS and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention except where IFRS requires an alternative treatment and under the going concern basis. The Company has elected to prepare its Parent Company accounts under UK Generally Accepted Accounting Practices ("UK GAAP").

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

BASIS OF CONSOLIDATION

The Group financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 March 2007.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies of the entity. A shareholding of more than one half of the voting rights will normally be the basis of such control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, including all separately identifiable intangible assets, is goodwill which has been recorded as an intangible asset since 1 April 1998 (see Note 11 on pages 37 and 38).

INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the subsidiary acquired. Goodwill arising prior to 1 April 1998 was written off directly to reserves. Goodwill arising in the period 1 April 1998 to 31 March 2004 was capitalised as an intangible asset in relation to subsidiaries or included as part of the carrying value of associates and amortised on a straight line basis over its estimated useful life, a period not exceeding 20 years. Goodwill, represented by the carrying value at 1 April 2004 under the Group's previous accounting policy together with additional amounts arising since that date, is no longer amortised and is carried at cost less accumulated impairment losses and is included in intangible assets.

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

(b) Research and development

Research expenditure is charged to the income statement in the year in which it is incurred.

Internal development expenditure is charged to income in the year in which it is incurred, unless it meets the recognition criteria of IAS 38 "Intangible Assets", in which case such costs are capitalised and amortised over the estimated useful life of the asset created.

IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Value in use is calculated using cash flows derived from budgets and projections approved by the Board, which are discounted at the Group's risk weighted average cost of capital calculated from equity market data and borrowing rates.

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in first-out basis or the average cost basis. Cost includes expenditure which is incurred in the normal course of business in bringing the product to its present location and condition. Net realisable value is the estimated selling price less all costs to be incurred.

Provision is made to reduce cost to net realisable value having regard to the age, saleability and condition of inventory.

TRADE RECEIVABLES

Trade receivables are recognised initially at the amount receivable (discounted if material) and subsequently reduced by any provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due. The movement in the provision in the year is recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Cash balances and overdrafts are offset where the Group has the ability and intention to settle net.

TAXATION

Taxation is that chargeable on the profits for the period, together with deferred taxation. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred taxation is not provided on temporary differences arising on subsidiaries and associates where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS

The Group accounts for pensions and similar post-retirement benefits under IAS 19 "Employee Benefits".

In respect of defined benefit pension plans, where the amount of pension benefit that an employee will receive on retirement is defined by the plan, the liability recorded in the balance sheet is the present value of the defined obligation at that date less the fair value of the plan assets. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method and updated by independent actuaries on an annual basis for accounting purposes.

Any actuarial gains and losses are recognised immediately in the statement of recognised income and expenditure.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period, in which case the past service costs are spread over that period.

For defined contribution plans, where the Group pays a fixed contribution into a separate entity and has no legal or constructive obligations to pay further contributions if the fund has insufficient assets to pay all employees the benefits relating to service in the current and prior periods, the contributions are recognised as an expense when they are due.

SHARE-BASED PAYMENTS

The Group operates equity-settled share-based compensation plans.

In the case of equity-settled plans the fair value of the employee service is based on the fair value of the equity instruments at the date of grant. This expense is spread over the vesting period of the instrument based on the Group's estimate of the number of shares or options that will eventually vest. The corresponding entry is credited to equity.

In the case of options granted, fair value is measured by an appropriate pricing model.

As permitted by IFRS 1, the Group has adopted IFRS 2 "Share-based Payment" retrospectively only to equity-settled awards that were granted on or after 7 November 2002 and had not vested as at 1 April 2005.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

PROVISIONS

Provisions for disposal and restructuring costs, warranty and product liability and legal and environmental liability are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

REVENUE RECOGNITION

Turnover is based on invoice values to external customers for goods and services and is recorded net of value added tax, rebates and discounts and after eliminating intra-group sales.

Turnover is recognised when a Group entity has fulfilled its contractual obligations to a customer and has obtained the right to receive consideration. This is usually on despatch but is dependent upon the contractual terms that have been agreed with a customer.

EXCEPTIONAL ITEMS

The Group presents as exceptional items on the face of the consolidated income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

SEGMENTAL ANALYSIS

The Group's primary reporting format is by business segments and its secondary format is by geographical segments. A business segment is a Group of assets and operations engaged in providing products that are subject to risks and returns that are different from other business segments. A geographical segment is engaged in providing products within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

LEASES

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the Group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in non-current assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

DIVIDENDS

Dividend distribution to the Company's shareholders is recognised in the period in which the dividends are paid or are approved by the Company's shareholders, whichever is earlier.

FOREIGN CURRENCIES

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, the functional currency and presentation currency of Chapelthorpe plc.

Foreign currency transactions are translated into the functional currency of the Group entities using the exchange rate at the date of transaction. Foreign currency monetary items are translated at the period end rate of exchange. Foreign exchange gains and losses arising from the settlement of transactions and from the translation at year end exchange rates of monetary assets and liabilities are recognised in the income statement, except where deferred in equity as qualifying cash flow or net investment hedges.

The results and net assets of all Group companies that have a non-Sterling functional currency are included in the consolidated financial statements as follows:

- (i) assets and liabilities are translated at the exchange rate at the balance sheet date;
- (ii) income and expenses are translated at average exchange rates for the relevant period; and
- (iii) all resulting exchange differences arising since 1 April 2004 are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of any borrowings designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences arising since 1 April 2004 are recognised in the income statement as part of the gain or loss on sale.

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT

The Group's policy is to value property, plant and equipment on a cost less depreciation basis.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method, spreading the difference between cost and residual value over the estimated useful life as follows:

| | | |
|--------------------------------|---|---------------|
| Buildings | – | 50 years |
| Plant, machinery and equipment | – | 3 to 15 years |
| Motor vehicles | – | 2 to 4 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Impairment of assets on page 26).

AMOUNTS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

FINANCIAL INSTRUMENTS

Derivative financial instruments, principally forward foreign exchange contracts and interest rate swaps, are used as hedges in the financing and financial risk management of the Group and are initially measured at cost on the date a derivative contract is entered into and subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of highly probable forecast transactions (cash flow hedge); or
- hedges of net investments in foreign operations.

For cash flow hedges and net investment hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in shareholders' equity, with any ineffective portion recognised in the income statement. For cash flow hedges, the gains or losses that are recognised in shareholders' equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement. For net investment hedges, gains and losses accumulated in shareholders' equity are included in the income statement when the foreign operation is disposed.

Any gains or losses arising from changes in fair values of derivative financial instruments not designated as hedges are recognised in the income statement in the period that they arise.

PURCHASE OF OWN SHARES

The cost of purchasing own shares held to satisfy obligations under share schemes for employee and Executive remuneration schemes is deducted in arriving at shareholders' funds until these shares vest unconditionally in employees.

REVISIONS TO IFRS NOT APPLICABLE AT 31 MARCH 2007

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board, but not yet applicable, will have a significant impact on the financial statements other than IFRS 8 "Operating Segments". IFRS 8 is effective for periods beginning on or after 1 January 2009 and the Group will apply the standard from 1 April 2009. The standard will require additional disclosure in respect of operating segments.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the above accounting policies, management has made appropriate estimates in a number of areas and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are:

Post-retirement benefits

The Group's defined benefit pension scheme and similar arrangements are assessed annually in accordance with IAS 19. The accounting valuation, which was based on assumptions determined with independent actuarial advice, resulted in a deficit being recognised on the balance sheet at 31 March 2007. The size of the deficit is sensitive to the market value of the assets held by the schemes and to actuarial assumptions, which include inflation, pension and salary increases, the discount rate used in assessing actuarial liabilities, mortality assumptions and the level of contributions. Further details are included in Note 29.

Goodwill

The impairment tests for goodwill are dependent on forecasts of the cash flows of the cash-generating units that give rise to the goodwill and the discount rate applied. Further details are included in Note 11.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

2. SEGMENTAL REPORTING

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

At 31 March 2007, the Group is organised on a worldwide basis into three business segments: Fibres, Specialist Coatings and the discontinued operation of Umbrella Frames.

| | Continuing operations | | | | Discontinued operation |
|--|-----------------------|--------------------------------|---------------------|---------------|----------------------------|
| | Fibres £000 | Specialist Coatings £000 | Unallocated £000 | Total £000 | Umbrella Frames £000 |
| Year ended 31 March 2007 | | | | | |
| Revenue | 84,484 | 23,945 | — | 108,429 | 6,119 |
| Operating (loss) profit before exceptional items | (101) | 192 | (1,131) | (1,040) | (1,285) |
| Exceptional items | (3,790) | (8,481) | (1,953) | (14,224) | 1,922 |
| Operating (loss) profit | (3,891) | (8,289) | (3,084) | (15,264) | 637 |
| Net financing costs | | | (1,715) | (1,715) | — |
| (Loss) profit before taxation | (3,891) | (8,289) | (4,799) | (16,979) | 637 |
| Taxation | | | | (218) | 621 |
| (Loss) profit for the period | | | | (17,197) | 1,258 |
| Segment assets | 47,695 | 9,189 | 2,661 | 59,545 | 2,067 |
| Segment liabilities | (12,973) | (6,553) | (26,194) | (45,720) | (1,017) |
| Other segment items | | | | | |
| Capital expenditure | 788 | 66 | 65 | 919 | 679 |
| Depreciation | 2,808 | 745 | 83 | 3,636 | 303 |
| Impairment of goodwill | 3,379 | 5,573 | — | 8,952 | — |
| Year ended 31 March 2006 | | | | | |
| Revenue | 89,216 | 26,113 | — | 115,329 | 8,329 |
| Operating profit (loss) before exceptional items | 2,743 | 1,254 | (745) | 3,252 | (17) |
| Exceptional items | (2,280) | (708) | — | (2,988) | (1,336) |
| Operating profit (loss) | 463 | 546 | (745) | 264 | (1,353) |
| Net financing costs | | | (1,812) | (1,812) | — |
| Profit (loss) before taxation | 463 | 546 | (2,557) | (1,548) | (1,353) |
| Taxation | | | | 1,425 | 341 |
| Loss for the period | | | | (123) | (1,012) |
| Segment assets | 58,896 | 17,961 | 9,167 | 86,024 | 8,880 |
| Segment liabilities | (17,174) | (6,732) | (33,151) | (57,057) | (1,560) |
| Other segment items | | | | | |
| Capital expenditure | 594 | 359 | 37 | 990 | 29 |
| Depreciation | 3,133 | 702 | 77 | 3,912 | 399 |
| Impairment of goodwill | 3,000 | — | — | 3,000 | — |

Net financing costs have not been allocated. Taxation has been allocated between the continuing operations in total and the discontinued operation.

2. SEGMENTAL REPORTING CONTINUED

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS CONTINUED

Unallocated assets primarily comprise cash, income tax receivable and deferred tax assets as well as those assets which are used for general head office purposes.

Unallocated liabilities primarily comprise interest bearing loans and borrowings, income tax payable, UK retirement benefit obligations and preference shares as well as liabilities relating to general head office activities.

SECONDARY FORMAT – GEOGRAPHICAL SEGMENTS

The Group operations are based in two main geographical regions being Europe and North America. The UK is the home of the parent. The sales analysis in the table below is based on the location of the customer. Segment assets and capital expenditure are based on the geographical location of assets.

| | Revenue | | Segment assets | | Capital expenditure | |
|--------------------------|----------------|--------------|----------------|--------------|---------------------|--------------|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Continuing operations | | | | | | |
| Europe | 65,460 | 68,358 | 37,127 | 53,895 | 766 | 503 |
| North America | 36,284 | 41,889 | 22,418 | 32,129 | 153 | 487 |
| Australasia and Far East | 5,309 | 3,913 | — | — | — | — |
| Rest of the World | 1,376 | 1,169 | — | — | — | — |
| | 108,429 | 115,329 | 59,545 | 86,024 | 919 | 990 |
| Discontinued operation | | | | | | |
| Europe | 5,931 | 8,002 | 2,067 | 8,880 | 679 | 29 |
| North America | 48 | 62 | — | — | — | — |
| Australasia and Far East | 31 | 35 | — | — | — | — |
| Rest of the World | 109 | 230 | — | — | — | — |
| | 6,119 | 8,329 | 2,067 | 8,880 | 679 | 29 |

3. ANALYSIS OF NET OPERATING EXPENSES

| | 2007 £000 | 2006 £000 |
|----------------------------|---------------|--------------|
| Continuing operations | | |
| Distribution costs | 7,801 | 8,389 |
| Administrative expenses | 5,478 | 5,455 |
| Other operating income | (455) | (405) |
| Exceptional items (Note 4) | 14,224 | 2,988 |
| Net operating expenses | 27,048 | 16,427 |

Other operating income relates primarily to royalty income from the Russian venture.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

4. EXCEPTIONAL ITEMS

| | 2007 £000 | 2006 £000 |
|--|---------------|--------------|
| Continuing operations | | |
| European Fibres restructuring | 411 | 1,194 |
| Specialist Coatings restructuring | 1,482 | 353 |
| Head Office restructuring | 860 | — |
| Profit on sale of properties | — | (2,181) |
| Provision for onerous lease in Specialist Coatings operation | 150 | 622 |
| Provision for environmental liabilities | 22 | — |
| Goodwill impairment (Note 11) | 8,952 | 3,000 |
| Bad debts incurred in Specialist Coatings division | 1,276 | — |
| Costs associated with the re-financing of the Group | 1,071 | — |
| | 14,224 | 2,988 |

Restructuring costs are primarily employee related costs, relocation costs and impairment losses arising on equipment surplus to current requirements.

Exceptional items in relation to discontinued activities are shown in Note 8.

5. NET FINANCING COSTS

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Continuing operations | | |
| Interest payable | | |
| Bank loans, overdrafts and short-term facilities | 1,414 | 1,503 |
| Finance lease | 2 | — |
| Preference share dividends | 46 | 46 |
| Other interest | 90 | 91 |
| | 1,552 | 1,640 |
| Interest receivable | | |
| Bank and other deposits | (80) | (67) |
| Other interest | (22) | (25) |
| | (102) | (92) |
| Net borrowing costs | 1,450 | 1,548 |
| Interest on pension scheme liabilities | 265 | 264 |
| Net financing costs | 1,715 | 1,812 |
| Interest payable | 1,552 | 1,640 |
| Interest payable on pension scheme liabilities | 265 | 264 |
| Total financial expense | 1,817 | 1,904 |
| Interest receivable | (102) | (92) |
| Net financing costs | 1,715 | 1,812 |

6. LOSS BEFORE TAXATION

The following items have been included in arriving at loss before taxation:

| | 2007 £000 | 2006 £000 |
|--|---------------|--------------|
| Continuing operations | | |
| Employee benefits expense (Note 28) | 17,041 | 17,396 |
| Depreciation of property, plant and equipment: | | |
| – owned assets | 3,608 | 3,905 |
| – leased assets | 28 | 8 |
| Impairment of goodwill (included in exceptional items) | 8,952 | 3,000 |
| Profit on disposal of non-current assets (included in exceptional items) | — | (2,181) |
| Operating lease rentals recognised as an expense: | | |
| – plant and machinery | 365 | 392 |
| – property | 528 | 303 |

SERVICES PROVIDED BY THE GROUP'S AUDITOR AND NETWORK FIRMS

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Audit services: | | |
| – fees payable to the Company's auditors of the Parent Company and the consolidated financial statements | 59 | 55 |
| – audit of subsidiary companies | 127 | 118 |
| – IFRS transition work | — | 40 |
| Tax services: | | |
| – advisory services | 73 | 95 |
| Corporate finance advice | 78 | 106 |

The above fees in relation to the audit of subsidiary companies include £18,000 (2006: £17,000) in relation to the discontinued operation.

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

ANALYSIS OF CHARGE (CREDIT) IN THE YEAR

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| Continuing operations | | |
| Current tax | | |
| Corporation tax at 30% | — | 212 |
| Overseas tax | 333 | 605 |
| Taxation under (over) provided in previous years: | | |
| – UK | 226 | (345) |
| – overseas | 12 | (227) |
| Total current tax | 571 | 245 |
| Deferred taxation: | | |
| – current year | (674) | (1,595) |
| – relating to prior years | 321 | (75) |
| Tax charge (credit) | 218 | (1,425) |

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

The tax effect in the income statement relating to exceptional items was a credit of £Nil (2006: credit of £1,238,000).

The tax effect of actuarial gains and losses recorded in the Statement of Recognised Income and Expense in respect of the UK defined benefit pension scheme is disclosed in Note 29.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED 31 MARCH 2007

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES CONTINUED

FACTORS AFFECTING THE TAX CHARGE (CREDIT) FOR THE YEAR

| | 2007 £000 | 2006 £000 |
|--|-----------------|--------------|
| Loss on ordinary activities before taxation | (16,979) | (1,548) |
| Tax on loss on ordinary activities at standard rate of 30% (2006: 30%) | (5,094) | (464) |
| Factors affecting charge: | | |
| – expenses not deductible for tax purposes | 37 | 32 |
| – goodwill impairment | 2,820 | 911 |
| – unrelieved losses arising | 1,660 | — |
| – profit on sale of non-current assets | — | (1,284) |
| – overseas dividend received | 389 | — |
| – losses utilised in the year | — | (21) |
| – other differences | (133) | 35 |
| – differing rates of tax on overseas earnings | (20) | 12 |
| – adjustments to tax charge in respect of previous years | 559 | (646) |
| Tax charge (credit) | 218 | (1,425) |

8. DISCONTINUED OPERATION

On 13 June 2007 the entire share capital of Hoyland Fox Limited was sold for £1,050,000 on completion and £350,000 deferred consideration. As the Board was committed to dispose of this subsidiary prior to the year end, Hoyland Fox Limited, in line with IFRS 5, has been accounted for as a non-current asset held for sale and as a discontinued operation.

Financial information relating to this discontinued operation at 31 March 2007 is set out below. Further information is also provided in Note 2, Segmental Reporting, as Hoyland Fox Limited is treated as a separate business segment.

(A) RESULT

The result of the discontinued operation is as follows:

| | 2007 £000 | 2006 £000 |
|--|----------------|--------------|
| Revenue | 6,119 | 8,329 |
| Cost of sales | (5,962) | (6,978) |
| Gross profit | 157 | 1,351 |
| Operating income (expenses) | 480 | (2,704) |
| Operating profit (loss) | | |
| Operating loss before exceptional items | (1,285) | (17) |
| Exceptional items | 1,922 | (1,336) |
| Operating profit (loss) | 637 | (1,353) |
| Taxation | 621 | 341 |
| Profit (loss) for the period from the discontinued operation | 1,258 | (1,012) |

The loss from the discontinued operation includes £3,464,000 (2006: £Nil) post-tax loss from the re-measurement of the disposal assets to fair value.

8. DISCONTINUED OPERATION CONTINUED

(B) EXCEPTIONAL ITEMS

| | 2007 £000 | 2006 £000 |
|---|----------------|--------------|
| Umbrella Frames restructuring | 1,242 | 762 |
| Costs incurred in connection with sale of Umbrella Frames | 170 | 574 |
| Profit on sale of property | (6,798) | — |
| Impairment of Umbrella Frames assets to fair value | 3,464 | — |
| | (1,922) | 1,336 |

(C) CASH FLOWS FROM DISCONTINUED OPERATION

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Net cash flows from operating activities (see Note 25) | (949) | (619) |
| Net cash flows from investing activities | 8,426 | (36) |
| Net increase (decrease) in cash and cash equivalents | 7,477 | (655) |

(D) CARRYING VALUE OF ASSETS AND LIABILITIES

The carrying value of the major classes of assets and liabilities of the discontinued operation, classified as held for sale, are as follows:

| | Carrying value pre re-classification £000 | Impairment expense £000 | Fair value post re-classification £000 |
|-------------------------------|---|-------------------------------|--|
| Property, plant and equipment | 2,085 | (2,085) | — |
| Inventories | 1,661 | (665) | 996 |
| Trade and other receivables | 1,785 | (714) | 1,071 |
| | 3,446 | (1,379) | 2,067 |
| Trade and other payables | (1,017) | — | (1,017) |
| Net current assets | 2,429 | (1,379) | 1,050 |
| Net assets | 4,514 | (3,464) | 1,050 |

9. DIVIDENDS

DIVIDENDS PAID AND PROPOSED

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Declared and paid during the period | | |
| Equity dividends on ordinary shares: | | |
| – final dividend for 2005/6: 0.77p (2004/5: 0.77p) | 1,571 | 1,571 |
| – interim dividend for 2006/7: Nil p (2005/6: 0.33p) | — | 673 |
| – dividends waived by the Chapelthorpe Trust | (32) | (46) |
| | 1,539 | 2,198 |
| Proposed for approval by shareholders at the Annual General Meeting | | |
| Final ordinary dividend for 2006/7: Nil p (2005/6: 0.77p) | — | 1,571 |

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

10. BASIC AND DILUTED (LOSS) EARNINGS PER ORDINARY SHARE

Basic (loss) earnings per share is calculated by dividing the loss or earnings attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Employee Benefit Trust.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. The potential dilutive ordinary shares relate to those options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares at the balance sheet date. At 31 March 2007 the potential dilutive ordinary shares amounted to Nil (2006: Nil).

| | Basic and diluted (loss) per share | | Basic and diluted (loss) earnings before exceptionals per share | |
|---|---------------------------------------|--------------|---|--------------|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Continuing and discontinued operation | | | | |
| Loss for the financial year | (15,939) | (1,135) | (15,939) | (1,135) |
| Exceptional items | — | — | 12,302 | 4,324 |
| Tax effect of exceptional items | — | — | — | (1,467) |
| (Loss) earnings attributable to ordinary shareholders | (15,939) | (1,135) | (3,637) | 1,722 |
| Weighted average number of ordinary shares in issue during the year (000's) | 200,595 | 199,776 | 200,595 | 199,776 |
| Basic and diluted (loss) earnings per ordinary share (pence) | (7.95) | (0.57) | (1.81) | 0.86 |

The effect of the exceptional items on the (loss) per share in 2007 was a loss of 6.14p (2006: 1.43p).

| | Basic and diluted (loss) per share | | Basic and diluted (loss) earnings before exceptionals per share | |
|---|---------------------------------------|--------------|---|--------------|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Continuing operations | | | | |
| Loss for the financial year | (17,197) | (123) | (17,197) | (123) |
| Exceptional items | — | — | 14,224 | 2,988 |
| Tax effect of exceptional items | — | — | — | (1,238) |
| (Loss) earnings attributable to ordinary shareholders | (17,197) | (123) | (2,973) | 1,627 |
| Weighted average number of ordinary shares in issue during the year (000's) | 200,595 | 199,776 | 200,595 | 199,776 |
| Basic and diluted (loss) earnings per ordinary share (pence) | (8.57) | (0.06) | (1.48) | 0.81 |

The effect of exceptional items on the (loss) earnings per share of continuing operations was a loss of 7.09p (2006: 0.87p).

| | Basic and diluted (loss) per share | | Basic and diluted (loss) earnings before exceptionals per share | |
|---|---------------------------------------|--------------|---|--------------|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Discontinued operation | | | | |
| Earnings (loss) for the financial year | 1,258 | (1,012) | 1,258 | (1,012) |
| Exceptional items | — | — | (1,922) | 1,336 |
| Tax effect of exceptional items | — | — | — | (229) |
| Earnings (loss) attributable to ordinary shareholders | 1,258 | (1,012) | (664) | 95 |
| Weighted average number of ordinary shares in issue during the year (000's) | 200,595 | 199,776 | 200,595 | 199,776 |
| Basic and diluted earnings (loss) per ordinary share (pence) | 0.62 | (0.51) | (0.33) | 0.05 |

The effect of the exceptional items on the earnings (loss) per share was earnings of 0.95p (2006: loss of 0.56p).

11. GOODWILL

| | £000 |
|------------------------------------|---------------|
| Cost | |
| At 1 April 2006 | 19,318 |
| Exchange adjustments | (322) |
| At 31 March 2007 | 18,996 |
| Amortisation and impairment | |
| At 1 April 2006 | 10,044 |
| Impairment charged during the year | 8,952 |
| At 31 March 2007 | 18,996 |
| Net book value | |
| At 31 March 2007 | — |
| At 31 March 2006 | 9,274 |
| Cost | |
| At 1 April 2005 | 19,126 |
| Exchange adjustments | 192 |
| At 31 March 2006 | 19,318 |
| Amortisation and impairment | |
| At 1 April 2005 | 7,044 |
| Impairment charged during the year | 3,000 |
| At 31 March 2006 | 10,044 |
| Net book value | |
| At 31 March 2006 | 9,274 |
| At 31 March 2005 | 12,082 |

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGU") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

| | 31 March 2007 £000 | 31 March 2006 £000 |
|--------------------------------------|--------------------------|--------------------------|
| Fibres | | |
| Drake Extrusion Limited (single CGU) | 2,193 | 2,193 |
| Asota GmbH (single CGU) | 420 | 607 |
| Drake Extrusion, Inc. (single CGU) | 766 | 901 |
| | 3,379 | 3,701 |
| Specialist Coatings | | |
| Speciality Coatings (Darwen) Limited | 5,573 | 5,573 |
| | 8,952 | 9,274 |

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

11. GOODWILL CONTINUED

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to gross margins during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based upon approved budgets and management's assessment of each specific market growth rate. Changes in gross margins are based on past experience and expectations of future changes in direct costs (primarily raw materials) and selling prices.

The Group prepares cash flow forecasts derived from the most recent approved budgets and extrapolates these cash flows using estimated growth rates as follows:

| | | |
|---------------------|---|--------------|
| Fibres | – | 3% per annum |
| Specialist Coatings | – | no growth |

The rate used to discount the forecast cash flows of all activities is 10.3%. The discount rate is based upon the risk free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities and investing in the Group's specific sectors.

Based upon the difficult underlying trading conditions being experienced in the fibres markets, typified by high raw material prices and over capacity in Europe and weak automotive demand in the US, a further downward assessment of the future cash flows for these CGUs has been made. In addition, the loss of a significant customer within the Specialist Coatings division has also resulted in reassessment of the future cash flows from this CGU. These reassessments have resulted in an impairment loss equal to the carrying value at 31 March 2006 of £8,952,000 after exchange adjustments.

12. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings £000 | Plant and equipment £000 | Total £000 |
|--|-------------------------------|--------------------------------|---------------|
| Cost | | | |
| At 1 April 2006 | 12,430 | 68,387 | 80,817 |
| Exchange adjustments | (843) | (3,689) | (4,532) |
| Additions | 914 | 684 | 1,598 |
| Disposals | (12) | (3,091) | (3,103) |
| Reclassification to current assets | (488) | (5,973) | (6,461) |
| At 31 March 2007 | 12,001 | 56,318 | 68,319 |
| Accumulated depreciation and impairment | | | |
| At 1 April 2006 | 2,625 | 44,511 | 47,136 |
| Exchange adjustments | (148) | (1,985) | (2,133) |
| Charge for the year – continuing operations | 333 | 3,303 | 3,636 |
| Charge for the year – discontinued operation | 3 | 300 | 303 |
| Impairment loss recognised in income statement – continuing operations | 340 | 474 | 814 |
| Disposals | (12) | (2,708) | (2,720) |
| Reclassification to current assets | (3) | (4,373) | (4,376) |
| At 31 March 2007 | 3,138 | 39,522 | 42,660 |
| Net book value | | | |
| At 31 March 2007 | 8,863 | 16,796 | 25,659 |
| At 31 March 2006 | 9,805 | 23,876 | 33,681 |

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

| | Land and buildings £000 | Plant and equipment £000 | Total £000 |
|---|-------------------------------|--------------------------------|---------------|
| Cost | | | |
| At 1 April 2005 | 19,123 | 73,861 | 92,984 |
| Exchange adjustments | 552 | 3,349 | 3,901 |
| Additions | 434 | 585 | 1,019 |
| Disposals | (4,623) | (9,408) | (14,031) |
| Reclassification to current assets | (3,056) | — | (3,056) |
| At 31 March 2006 | 12,430 | 68,387 | 80,817 |
| Accumulated depreciation and impairment | | | |
| At 1 April 2005 | 4,477 | 47,252 | 51,729 |
| Exchange adjustments | 97 | 1,984 | 2,081 |
| Charge for the year – continuing operations | 380 | 3,532 | 3,912 |
| Charge for the year – discontinued operation | — | 399 | 399 |
| Impairment loss recognised in income statement – continuing operations | — | 504 | 504 |
| Impairment loss recognised in income statement – discontinued operation | — | 80 | 80 |
| Disposals | (1,452) | (9,240) | (10,692) |
| Reclassification to current assets | (877) | — | (877) |
| At 31 March 2006 | 2,625 | 44,511 | 47,136 |
| Net book value | | | |
| At 31 March 2006 | 9,805 | 23,876 | 33,681 |
| At 31 March 2005 | 14,646 | 26,609 | 41,255 |

At 31 March 2006 the Group's property at Penistone, South Yorkshire, with a net book value of £2,179,000, had been reclassified as an asset held for resale and accordingly was included within current assets at that date. It was subsequently sold in February 2007.

The impairment provision charged in the year to 31 March 2007 relates to the write down to net realisable value of fixed assets included in the restructuring of the Specialist Coatings division and the Parent Company.

The impairment provision charged in the year to 31 March 2006 relates to the write down to net realisable value of fixed assets included in the restructuring of the Fibres and Umbrella Frames divisions.

The net book value of land and buildings comprises:

| | 2007 £000 | 2006 £000 |
|--|----------------------|----------------------|
| Freeholds | 8,863 | 9,416 |
| Short leaseholds | — | 389 |
| | 8,863 | 9,805 |
| | 2007 £000 | 2006 £000 |
| Net book value of assets subject to finance leases | 66 | 29 |
| Capital expenditure commitments | — | 148 |

The Group has pledged all of its land and buildings and plant and equipment, with the exception of those assets subject to finance leases, to secure banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

13. OTHER NON-CURRENT ASSETS

Other non-current assets relate to a Euro denominated term deposit held by the Austrian subsidiary as security against its bank loans.

14. INVENTORIES

| | 2007 £000 | 2006 £000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumable stores | 3,863 | 5,535 |
| Work in progress | 105 | 1,260 |
| Finished products | 5,799 | 8,230 |
| | 9,767 | 15,025 |

Inventories with a carrying amount of £5,455,000 (2006: £10,164,000) have been pledged as security for certain of the Group's bank facilities.

During both the current and previous year, inventory was carried at cost less appropriate provisions as this did not exceed the fair value less cost to sell. Provisions held against inventory totalled £1,031,000 (2006: £621,000).

15. TRADE AND OTHER RECEIVABLES

| | 2007 £000 | 2006 £000 |
|--|---------------|--------------|
| Amounts falling due within one year | | |
| Trade receivables | 21,492 | 25,117 |
| Less provision for impairment | (1,623) | (1,005) |
| Trade receivables – net | 19,869 | 24,112 |
| Other receivables | 728 | 757 |
| Prepayments and accrued income | 598 | 872 |
| | 21,195 | 25,741 |

An allowance has been made for estimated irrecoverable amounts from trade receivables. This allowance has been determined by reference to current circumstances and to past default experience.

The Directors consider that the carrying amount of trade receivables approximates their fair value.

16. TRADE AND OTHER PAYABLES

| | 2007 £000 | 2006 £000 |
|---------------------------------------|---------------|--------------|
| Trade payables | 13,291 | 18,968 |
| Other taxes and social security costs | 256 | 864 |
| Other payables | 1,121 | 718 |
| Accruals and deferred income | 4,761 | 2,865 |
| | 19,429 | 23,415 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

17. OTHER FINANCIAL ASSETS AND LIABILITIES

OTHER FINANCIAL INSTRUMENTS

Details of the Group's policies and procedures relating to the use of financial instruments are given in Note 1 in the accounting policies on page 29.

The values of other financial assets and liabilities held by the Group are as follows:

| | Total £000 | Foreign exchange contracts £000 | Interest rate contracts £000 | Preference shares £000 |
|-------------------------|---------------|--|---------------------------------------|------------------------------|
| Current assets | 139 | 139 | — | — |
| Current liabilities | (7) | (7) | — | — |
| Non-current liabilities | (800) | — | — | (800) |
| At 31 March 2007 | (668) | 132 | — | (800) |
| Non-current assets | 11 | 11 | — | — |
| Current assets | 86 | 78 | 8 | — |
| Current liabilities | (73) | (65) | (8) | — |
| Non-current liabilities | (800) | — | — | (800) |
| At 31 March 2006 | (776) | 24 | — | (800) |

The Group uses various financial instruments to manage its exposure to movements in foreign exchange rates and swaps to manage its exposure to movements in interest rates. Foreign exchange contracts mature over the period to 28 December 2007. Interest rate swaps expired on 29 December 2006.

The Group had Euro denominated borrowings which it designated as a hedge of the net investment in its subsidiary in Austria. The fair value of the Euro borrowings at 31 March 2007 was £2,224,000 (2006: £2,287,000).

The foreign exchange gain of £63,000 (2006: loss of £31,000) on translation of the borrowings into Sterling has been recognised in the foreign currency translation reserve.

PREFERENCE SHARES

| | Authorised | | Allotted and fully paid | |
|---|------------|------------|-------------------------|------------|
| | Number | £000 | Number | £000 |
| First cumulative preference shares of 50p | 100,000 | 50 | 100,000 | 50 |
| Second cumulative preference shares of £1 | 750,000 | 750 | 750,000 | 750 |
| At 31 March 2006 and 31 March 2007 | | 800 | | 800 |

Profits of the Company to be distributed by way of a 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% to the holders of the first cumulative preference shares of 50p 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.

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

Holders of the First Preference Shares and 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, 20 votes for every First Preference Share or Second Preference Share held.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

17. OTHER FINANCIAL ASSETS AND LIABILITIES CONTINUED

PREFERENCE SHARES CONTINUED

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 5p 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 5p per share and a sum equal to any arrears of the fixed dividend.

FINANCIAL INSTRUMENTS

The principal financial risks to which the Group is exposed are foreign currency exchange risk and interest rate risk. The Board has approved policies for the management of these risks.

RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

Foreign currency exchange rate risk

The foreign currency transaction exposure in the business is protected with forward currency purchases and sales. All contracts are placed by the Group centrally. At 31 March 2007 the Group had hedged over 20% of foreign currency sales in the present financial year. It is intended to increase coverage following completion of new banking facilities.

It is the Group's policy not to hedge foreign currency profit and loss translation exposures and the Group is subject to the risk of currency fluctuation, particularly the US Dollar.

Interest rate risk

The Group tries to minimise its exposure to interest rate fluctuations by having a mix of fixed rates and interest rate swaps. The UK interest rate swaps expired on 29 December 2006 and it is the Group's intention to place new swaps on the completion of new banking facilities.

Liquidity risk

Borrowing facilities are monitored against the Group's forecast requirements and it is the Group's policy to mitigate risk by staggering the maturity of borrowings and by maintaining undrawn committed facilities, principally overdrafts.

Credit risk

The Group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments. The Group has credit policies covering both trading and financial exposures.

DERIVATIVE FINANCIAL INSTRUMENTS

Set out below is a comparison by category of book values and fair values of the Group's derivative financial assets and liabilities, all of which are designated as cash flow hedges:

| | 2007 | | 2006 | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | Book value £000 | Fair value £000 | Book value £000 | Fair value £000 |
| Non-current assets | | | | |
| Foreign exchange contracts | — | — | 11 | 11 |
| Current assets | | | | |
| Foreign exchange contracts | 139 | 139 | 78 | 78 |
| Interest rate contracts | — | — | 8 | 8 |
| Current liabilities | | | | |
| Foreign exchange contracts | (7) | (7) | (65) | (65) |
| Interest rate contracts | — | — | (8) | (8) |
| At 31 March 2007 | 132 | 132 | 24 | 24 |

17. OTHER FINANCIAL ASSETS AND LIABILITIES 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:

| | 2007 | | 2006 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Book value £000 | Fair value £000 | Book value £000 | Fair value £000 |
| Non-current assets | | | | |
| Investments | 496 | 496 | 569 | 569 |
| Derivative financial assets | — | — | 11 | 11 |
| Current assets | | | | |
| Cash at bank and in hand | 2,256 | 2,256 | 8,133 | 8,133 |
| Trade and other receivables | 20,597 | 20,597 | 24,869 | 24,869 |
| Derivative financial assets | 139 | 139 | 86 | 86 |
| Assets classified as held for sale | 2,067 | 2,067 | — | — |
| Current liabilities | | | | |
| Trade and other payables | (14,668) | (14,668) | (20,550) | (20,550) |
| Borrowings | (12,484) | (12,484) | (9,303) | (9,308) |
| Derivative financial liabilities | (7) | (7) | (73) | (73) |
| Liabilities directly associated with assets classified as held for sale | (1,017) | (1,017) | — | — |
| Non-current liabilities | | | | |
| Borrowings | (2,475) | (2,475) | (14,078) | (14,078) |
| Preference shares | (800) | (800) | (800) | (800) |
| Provisions and other liabilities | (1,341) | (1,341) | (1,546) | (1,546) |

Investments – these comprise Euro denominated term deposits that receive interest based on the Eurozone base rate. Fair value approximates to book value.

Trade and other receivables, trade and other payables, held for sale assets and liabilities – fair values are assumed to approximate to cost due to the short-term maturity of the instruments.

Borrowings and provisions and other liabilities – fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

The net fair value gains at 31 March 2007 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales are £44,000 (31 March 2006: losses of £15,000). These will be transferred to the income statement when the forecast sales occur over the period to December 2007.

MATURITY OF FINANCIAL LIABILITIES

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

| | Total | | Debt | | Finance leases | | Provisions and other liabilities | |
|---|--------------|--------------|--------------|--------------|----------------|--------------|----------------------------------|--------------|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| In one year or less, or on demand | 12,832 | 9,707 | 12,466 | 9,285 | 18 | 18 | 348 | 404 |
| In more than one year but not more than two years | 672 | 7,298 | 388 | 7,000 | 13 | — | 271 | 298 |
| In more than two years but not more than five years | 1,920 | 7,595 | 1,166 | 7,078 | 32 | — | 722 | 517 |
| In more than five years | 1,676 | 1,127 | 1,676 | 800 | — | — | — | 327 |
| | 17,100 | 25,727 | 15,696 | 24,163 | 63 | 18 | 1,341 | 1,546 |

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

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17. OTHER FINANCIAL ASSETS AND LIABILITIES CONTINUED

BORROWING FACILITIES

The Group has various undrawn facilities which are at floating rates of interest. The facilities available at 31 March 2007 in respect of which all conditions precedent had been met were as follows:

| | 2007 £000 | 2006 £000 |
|------------------------------|--------------|--------------|
| Expiring in one year or less | 8,191 | 10,024 |

The minimum lease payments under finance leases fall due in one year or less.

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| No later than one year | 23 | 18 |
| Later than one year but not more than five years | 52 | — |
| | 75 | 18 |
| Future finance charge on finance leases | (12) | — |
| | 63 | 18 |

18. BORROWINGS

| | 2007 £000 | 2006 £000 |
|--|-----------------|--------------|
| Bank overdrafts (unsecured) | 820 | 1,779 |
| Bank overdrafts (secured) | 4,954 | 4,835 |
| Bank loans (secured) | 9,122 | 16,749 |
| Obligations under finance leases | 63 | 18 |
| | 14,959 | 23,381 |
| Repayable: | | |
| – on demand or within one year | 12,484 | 9,303 |
| – between one and five years | 2,475 | 14,078 |
| | 14,959 | 23,381 |
| Less amounts due for settlement within 12 months (shown under current liabilities) | (12,484) | (9,303) |
| Amount due for settlement after 12 months | 2,475 | 14,078 |

The Group has the following loans outstanding:

| | | |
|--|--------------|--------|
| UK bank loan repayable by ten semi-annual instalments of £1,000,000 commencing 30 September 2004 | — | 6,000 |
| UK revolving bank loan denominated in Sterling, Euro and US Dollar repayable in May 2007 (see below) | 6,400 | 10,078 |
| Austrian bank loans repayable by semi-annual instalments of €487,000 on 1 July 2006 and a final instalment of €472,000 on 1 January 2007 | — | 671 |
| Austrian bank loan repayable by quarterly instalments of €143,000 commencing on 1 July 2007 | 2,722 | — |
| | 9,122 | 16,749 |

The UK loan carried interest at LIBOR, with the exception of any Euro element of the revolving bank loan, which carries interest at EURIBOR. At 31 March 2007 all UK loans were denominated in Sterling.

While discussions were ongoing concerning the re-financing of the Group, the maturity date of the principal committed revolving bank loan in the UK was accelerated to May 2007. Following completion of re-financing with a US lender this loan was repaid in full on 4 May 2007.

18. BORROWINGS CONTINUED

Chapelthorpe plc and certain subsidiary companies have given fixed and floating charges over their assets as security for the UK loans. Certain bank overdrafts are secured against the assets of the relevant Group companies.

Obligations under finance leases are secured against the related leased assets.

The Austrian loan carries interest at EURIBOR and is secured on the freehold property of Asota GmbH.

The carrying amount of the Group's borrowings is denominated in the following currencies:

| | 2007 £000 | 2006 £000 |
|-----------|---------------|---------------|
| Sterling | 7,232 | 12,794 |
| Euro | 7,727 | 9,130 |
| US Dollar | — | 1,457 |
| | 14,959 | 23,381 |

Since the year end the Group implemented a restructuring of its bank facilities. A facility of up to \$23m was secured in the US, comprising an asset based revolving credit facility of up to \$10m and a \$13m term loan facility, all secured against the business and assets of the Group's US operation. The revolving credit loan is committed until May 2009 and the term loan is repayable over a period to May 2012. The loans carry interest at LIBOR plus 2%.

On 28 June 2007 the Group secured new UK facilities of up to £13m, comprising a term loan of £1.25m and an asset backed revolving facility of up to £11.75m, secured on the business and assets of the UK operations. The facility is committed until June 2009 and attracts interest at LIBOR plus 2.5%.

No cross guarantees exist between the ongoing US, UK or Austrian facilities.

19. PROVISIONS

| | Total £000 | Provision for vacant lease £000 | Provision for environmental liabilities £000 |
|-------------------------|---------------|--|---|
| At 1 April 2005 | 1,317 | 1,225 | 92 |
| Exchange adjustment | 7 | — | 7 |
| Charged during the year | 622 | 622 | — |
| Utilised | (400) | (377) | (23) |
| At 31 March 2006 | 1,546 | 1,470 | 76 |
| Exchange adjustment | (5) | — | (5) |
| Charged during the year | 172 | 150 | 22 |
| Utilised | (372) | (329) | (43) |
| At 31 March 2007 | 1,341 | 1,291 | 50 |

The provision for the vacant lease relates to a commitment in respect of vacant leasehold premises in the Specialist Coatings division. As the lease expires in October 2011, this provision will be fully utilised by 31 March 2012.

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

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

20. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2006: 30%):

| | Total | | Deferred tax asset | | Deferred tax liability | |
|---|----------------|--------------|--------------------|--------------|------------------------|--------------|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| At 1 April | (5,621) | (5,716) | — | 1,303 | (5,621) | (7,019) |
| Amount charged to income statement – continuing operations | 353 | 1,661 | — | (9) | 353 | 1,670 |
| Amount charged to income statement – discontinued operation | 397 | 211 | — | — | 397 | 211 |
| Amount credited/charged to statement of recognised income and expense | — | (1,294) | — | (1,294) | — | — |
| Exchange movements | 611 | (483) | — | — | 611 | (483) |
| At 31 March | (4,260) | (5,621) | — | — | (4,260) | (5,621) |

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

The analysis of the deferred tax position is as follows:

| | Potential liability 2007 £000 | Amount provided 2007 £000 | Potential liability 2006 £000 | Amount provided 2006 £000 |
|--------------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Accelerated capital allowances | 5,133 | 5,350 | 5,750 | 5,750 |
| Other temporary differences | (919) | (722) | (258) | (258) |
| Losses | (2,722) | (394) | (160) | (160) |
| Unremitted earnings | 26 | 26 | 289 | 289 |
| | 1,518 | 4,260 | 5,621 | 5,621 |

Deferred tax assets for unused losses are only recognised to the extent that there is sufficient evidence that these assets will be recoverable. A deferred tax asset of £1,313,000 (2006: £1,017,000) has not been recognised in relation to the retirement benefit liabilities as there is insufficient evidence that this asset will be recoverable.

Deferred tax asset balances for capital losses in the UK amounting to £1,002,000 (2006: £1,616,000) have not been recognised but would be available in the event of future capital gains being incurred by the Group. The Group has recognised a £26,000 (2006: £289,000) deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries based upon estimates of the remittances in the foreseeable future.

On 21 March 2007 the Chancellor of the Exchequer announced that the standard rate of Corporation Tax would be reduced from 30% to 28% with effect from 1 April 2008. As this reduction has not been enacted at the balance sheet date, the effect of the proposed change has not been recognised in the financial statements.

21. OPERATING LEASE COMMITMENTS

At the balance sheet date, future minimum commitments under non-cancellable operating leases due over the life of the lease are as follows:

| | Land and buildings | | Other | |
|----------------------------|--------------------|--------------|--------------|--------------|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Leases which expire: | | | | |
| – within one year | — | 10 | 44 | 50 |
| – within two to five years | 2,972 | 84 | 537 | 817 |
| – after five years | 5,969 | 8,715 | — | — |
| | 8,941 | 8,809 | 581 | 867 |

Included above are commitments of £1,744,000 (2006: £1,713,000), the present value of which are already provided in the accounts.

22. CONTINGENT LIABILITIES

At 31 March 2007 Group guarantees to third parties and other contingent liabilities amounted to £Nil (2006: £143,000).

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 2007 amounted to £6,293,000 (2006: £14,341,000). These facilities have been replaced since the end of the financial year. The new US and UK facilities are also secured by fixed and floating charges over the accounts in their respective geographical areas. Asota GmbH has given fixed and floating charges over certain of its assets as security for its loans, as disclosed in Note 18.

23. CALLED UP SHARE CAPITAL

| | Authorised | | Allotted and fully paid | |
|-----------------------------|-------------|---------------|-------------------------|---------------|
| | Number | £000 | Number | £000 |
| Equity share capital | | | | |
| Ordinary shares of 5p | 258,000,000 | 12,900 | 204,040,900 | 10,202 |
| At 31 March 2007 | | 12,900 | | 10,202 |
| At 31 March 2006 | | 12,900 | | 10,202 |

Preference shares are classified as other financial liabilities.

24. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Share capital £000 | Share premium reserve £000 | Cash flow hedging reserve £000 | Foreign currency translation reserve £000 | Capital redemption reserve £000 | Retained earnings £000 | Total £000 |
|---|-----------------------|-------------------------------|-----------------------------------|--|------------------------------------|---------------------------|---------------|
| Balance at 1 April 2005 | 10,202 | 1,251 | 99 | (335) | 487 | 24,524 | 36,228 |
| Loss for the period | — | — | — | — | — | (1,135) | (1,135) |
| Currency translation adjustments | — | — | — | 1,922 | — | — | 1,922 |
| Hedging reserve transfers | — | — | (114) | — | — | — | (114) |
| Employee share schemes | — | — | — | — | — | 108 | 108 |
| Actuarial gains on pension scheme | — | — | — | — | — | 2,770 | 2,770 |
| Deferred tax on actuarial gains | — | — | — | — | — | (1,294) | (1,294) |
| Dividends paid | — | — | — | — | — | (2,198) | (2,198) |
| Balance at 31 March 2006 | 10,202 | 1,251 | (15) | 1,587 | 487 | 22,775 | 36,287 |
| Loss for the period | — | — | — | — | — | (15,939) | (15,939) |
| Currency translation adjustments | — | — | — | (2,784) | — | — | (2,784) |
| Increase in fair value of hedging derivatives | — | — | 59 | — | — | — | 59 |
| Employee share schemes | — | — | — | — | — | 49 | 49 |
| Actuarial losses on pension scheme | — | — | — | — | — | (1,258) | (1,258) |
| Dividends paid | — | — | — | — | — | (1,539) | (1,539) |
| Balance at 31 March 2007 | 10,202 | 1,251 | 44 | (1,197) | 487 | 4,088 | 14,875 |

Goodwill arising prior to 1998/99 of £36,887,000 in aggregate has been charged against Group reserves.

CASH FLOW HEDGING RESERVE

The cash flow hedging reserve is used to record the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

CAPITAL REDEMPTION RESERVE

The capital redemption reserve was created in the year ended 31 March 2001 in connection with a purchase of own shares by the Company.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

25. CASH (USED IN) GENERATED FROM OPERATIONS

| | 2007 £000 | 2006 £000 | |
|--|-----------------------------|----------------|---------|
| Continuing operations: | | | |
| – operating (loss) profit | (15,264) | 264 | |
| – depreciation | 3,636 | 3,913 | |
| – charge in respect of employee share scheme | 49 | 108 | |
| Working capital: | | | |
| – decrease (increase) in inventories | 2,524 | (1,702) | |
| – (increase) in debtors | (99) | (1,189) | |
| – (decrease) increase in creditors | (3,645) | 688 | |
| – (decrease) in provisions | — | (23) | |
| – (decrease) in retirement benefit obligations | (483) | (216) | |
| | (13,282) | 1,843 | |
| Exceptional items: | | | |
| – European Fibres restructuring: | Amount recognised in period | 411 | 1,194 |
| | Amount paid in period | (591) | (315) |
| – Specialist Coatings restructuring: | Amount recognised in period | 1,482 | 353 |
| | Amount paid in period | (331) | (562) |
| – head office restructuring: | Amount recognised in period | 860 | — |
| | Amount paid in period | (47) | — |
| – provision for onerous lease costs: | Amount recognised in period | 150 | 622 |
| | Amount paid in period | (401) | (474) |
| – provision for environmental liabilities: | Amount recognised in period | 22 | — |
| | Amount paid in period | (43) | — |
| – goodwill impairment: | Amount recognised in period | 8,952 | 3,000 |
| – bad debts incurred in Specialist Coatings division: | Amount recognised in period | 1,276 | — |
| – costs associated with re-financing of Group: | Amount recognised in period | 1,071 | — |
| | Amount paid in period | (264) | — |
| – costs of EGM held on 18 March 2005: | Amount paid in period | — | (350) |
| – profit on sale of properties: | Amount recognised in period | — | (2,181) |
| Net cash (used in) generated from continuing operations | (735) | 3,130 | |
| Discontinued operation: | | | |
| – operating profit (loss) | 637 | (1,353) | |
| – depreciation | 303 | 398 | |
| – profit on disposal of fixed assets | — | (13) | |
| Working capital: | | | |
| – decrease in inventories | 358 | 1,083 | |
| – decrease (increase) in debtors | 690 | (85) | |
| – (decrease) in creditors | (405) | (495) | |
| | 1,583 | (465) | |
| Exceptional items: | | | |
| – Umbrella Frames restructuring: | Amount recognised in period | 1,242 | 762 |
| | Amount paid in period | (610) | (682) |
| – costs incurred in connection with sale of Umbrella Frames: | Amount recognised in period | 170 | 574 |
| | Amount paid in period | — | (808) |
| – profit on sale of properties: | Amount recognised in period | (6,798) | — |
| – impairment of Umbrella Frames assets: | Amount recognised in period | 3,464 | — |
| Net cash (used in) discontinued operation | (949) | (619) | |
| Cash (used in) generated from operations | (1,684) | 2,511 | |

26. RECONCILIATION TO NET DEBT

| | 2007 £000 | 2006 £000 |
|---|-----------------|--------------|
| (Decrease) increase in cash in the year | (4,818) | 1,704 |
| Decrease in debt and finance leasing | 7,468 | 2,649 |
| Change in net debt from cash flows | 2,650 | 4,353 |
| Exchange adjustments | (105) | 112 |
| Movement in net debt in the year | 2,545 | 4,465 |
| Net debt at 1 April | (15,248) | (19,713) |
| Net debt at 31 March | (12,703) | (15,248) |

27. ANALYSIS OF NET DEBT

| | 1 April 2006 £000 | Cash flow £000 | Other non-cash £000 | Exchange movement £000 | 31 March 2007 £000 |
|--------------------------------------|-------------------------|----------------------|---------------------------|------------------------------|--------------------------|
| Cash at bank and in hand | 8,133 | (5,490) | — | (387) | 2,256 |
| Overdrafts and short-term facilities | (6,614) | 672 | — | 168 | (5,774) |
| | 1,519 | (4,818) | — | (219) | (3,518) |
| Debt due after one year | (14,078) | (2,387) | 13,936 | 99 | (2,430) |
| Debt due within one year | (2,671) | 9,900 | (13,936) | 15 | (6,692) |
| Finance leases | (18) | 26 | (71) | — | (63) |
| | (16,767) | 7,539 | (71) | 114 | (9,185) |
| Total | (15,248) | 2,721 | (71) | (105) | (12,703) |

28. EMPLOYEES

| | Continuing operations | | Discontinued operation | | Total | |
|---------------------------------------|-----------------------|--------------|------------------------|--------------|---------------|--------------|
| | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 | 2007 £000 | 2006 £000 |
| Employee costs (including Directors): | | | | | | |
| – wages and salaries | 12,422 | 13,202 | 1,527 | 1,933 | 13,949 | 15,135 |
| – social security costs | 2,442 | 2,564 | 142 | 172 | 2,584 | 2,736 |
| – other pension costs | 1,154 | 1,031 | 88 | 112 | 1,242 | 1,143 |
| – redundancy costs | 1,023 | 599 | 347 | 580 | 1,370 | 1,179 |
| | 17,041 | 17,396 | 2,104 | 2,797 | 19,145 | 20,193 |

KEY MANAGEMENT COMPENSATION

| | 2007 £000 | 2006 £000 |
|-----------------------|--------------|--------------|
| Salaries | 682 | 535 |
| Social security costs | 86 | 65 |
| Pension contributions | 176 | 215 |
| | 944 | 815 |

Key management compensation includes the emoluments of the Executive and Non-executive Directors (which are disclosed separately in the Board Report on Remuneration).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED 31 MARCH 2007

28. EMPLOYEES CONTINUED

The average number of employees during the year was:

| | 2007 Number | 2006 Number |
|--|----------------|----------------|
| Fibres | 405 | 435 |
| Specialist Coatings | 69 | 76 |
| Umbrella Frames (discontinued operation) | 99 | 136 |
| | 573 | 647 |

29. RETIREMENT BENEFIT OBLIGATIONS

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

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. A full actuarial valuation was carried out at 5 April 2005 and updated to 31 March 2007.

The pension cost relating to the Austrian scheme is assessed in accordance with the advice of an independent, professional qualified actuary, using the projected unit method.

PRINCIPAL ACTUARIAL ASSUMPTIONS

UK Scheme

The principal actuarial assumptions used at the balance sheet date were as follows:

| | 2007 | 2006 |
|---|-----------|-----------|
| Discount rate | 5.35% | 5.05% |
| Expected return on assets | 6.20% | 5.60% |
| Inflation rate | 3.05% | 2.95% |
| Increases to deferred benefits during deferment | 3.05% | 2.95% |
| Future pension increases | 2.50% | 2.50% |
| Salary increases | 3.55% | 3.45% |
| Mortality assumptions: | | |
| Current pensioners – actuarial tables used | PA92YOB+1 | PA921992 |
| Current pensioners – life expectancy at age 65 | 18.9 | 16.9 |
| Future pensioners – actuarial tables used | PA92YOB+1 | PA92c2020 |
| Future pensioners – life expectancy at age 65 | 19.8 | 19.8 |

Where investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on returns that have been available historically. The overall expected long-term rate of return is then the average of these rates taking into account the underlying asset portfolio of the pension plan.

In 2006 it was recommended that employer contributions should be 13% of gross earnings, plus one payment of £20,000 followed by 23 monthly payments of £10,000 commencing in April 2006.

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.

29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

PRINCIPAL ACTUARIAL ASSUMPTIONS CONTINUED

Austrian scheme

The principal actuarial assumptions used at the balance sheet date were as follows:

| | 2007 | 2006 |
|--|-----------------|----------|
| Discount rate | 4.75% | 4.75% |
| Salary increases | 2.50% | 2.50% |
| Probability of dying – actuarial tables used | AVO1999P | AVO1999P |
| Annuity age – actuarial tables used | PSR 03 | PSR 03 |
| Average remaining working life of active employees – jubilee payments | 20.71 | 21.37 |
| Average remaining working life of active employees – severance indemnity | 17.97 | 18.64 |

AMOUNTS RECOGNISED IN THE BALANCE SHEET

| | 2007 | | | 2006 | | |
|---|----------------------|----------------------------|---------------|----------------------|----------------------------|---------------|
| | UK scheme £000 | Overseas scheme £000 | Total £000 | UK scheme £000 | Overseas scheme £000 | Total £000 |
| Present value of pension obligation | 52,482 | 1,622 | 54,104 | 52,184 | 1,848 | 54,032 |
| Fair value of scheme assets | 49,726 | — | 49,726 | 50,641 | — | 50,641 |
| Net liability recognised in the balance sheet | 2,756 | 1,622 | 4,378 | 1,543 | 1,848 | 3,391 |

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

| | 2007 | | | 2006 | | |
|--|----------------------|----------------------------|----------------|----------------------|----------------------------|---------------|
| | UK scheme £000 | Overseas scheme £000 | Total £000 | UK scheme £000 | Overseas scheme £000 | Total £000 |
| Current service cost | 402 | 97 | 499 | 482 | 125 | 607 |
| Interest on pension scheme liabilities | 2,582 | 82 | 2,664 | 2,681 | 88 | 2,769 |
| Expected return on pension scheme assets | (2,399) | — | (2,399) | (2,505) | — | (2,505) |
| Past service cost | — | — | — | 332 | — | 332 |
| Curtailement gains | — | — | — | (46) | — | (46) |
| Total included in income statement | 585 | 179 | 764 | 944 | 213 | 1,157 |

The net of “interest on pension scheme liabilities” and “expected return on pension scheme assets” in the above table amounting to a charge of £265,000 (2006: £264,000) has been included within “interest on pension scheme liabilities” in net financing costs (Note 5). All other amounts are included within operating costs.

The actual returns on the UK scheme assets were £1,312,000 (2006: £7,770,000).

AMOUNTS RECOGNISED IN THE STATEMENT OF RECOGNISED INCOME AND EXPENSE

The total amount of actuarial losses recognised in the Statement of Recognised Income and Expense in the year was a loss of £1,258,000 (2006: a gain of £2,770,000).

The cumulative amount of actuarial gains recognised in the Statement of Recognised Income and Expense at the year end was £838,000 (2006: £2,096,000).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED 31 MARCH 2007

29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

| | 2007 | | | 2006 | | |
|---|-------------------|-------------------------|---------------|-------------------|-------------------------|---------------|
| | UK scheme £000 | Overseas scheme £000 | Total £000 | UK scheme £000 | Overseas scheme £000 | Total £000 |
| Defined benefit obligation at start of year | 52,184 | 1,848 | 54,032 | 50,343 | 1,768 | 52,111 |
| Exchange | — | (50) | (50) | — | — | — |
| Current service cost | 402 | 97 | 499 | 482 | 125 | 607 |
| Contributions by employees | 257 | — | 257 | 251 | — | 251 |
| Interest cost | 2,582 | 82 | 2,664 | 2,681 | 88 | 2,769 |
| Actuarial losses (gains) | (250) | (65) | (315) | (3,863) | — | (3,863) |
| Benefits paid | (3,179) | (290) | (3,469) | (4,163) | (133) | (4,296) |
| Curtailement gains | — | — | — | (46) | — | (46) |
| Past service cost | — | — | — | 332 | — | 332 |
| Changes in assumptions | 486 | — | 486 | 6,167 | — | 6,167 |
| Defined benefit obligation at end of year | 52,482 | 1,622 | 54,104 | 52,184 | 1,848 | 54,032 |

CHANGES IN THE FAIR VALUE OF SCHEME ASSETS

| | 2007 | | | 2006 | | |
|---------------------------------------|-------------------|-------------------------|---------------|-------------------|-------------------------|---------------|
| | UK scheme £000 | Overseas scheme £000 | Total £000 | UK scheme £000 | Overseas scheme £000 | Total £000 |
| Fair value of assets at start of year | 50,641 | — | 50,641 | 46,000 | — | 46,000 |
| Expected return on assets | 2,399 | — | 2,399 | 2,505 | — | 2,505 |
| Actuarial gains | (1,087) | — | (1,087) | 5,074 | — | 5,074 |
| Contributions by employer | 695 | — | 695 | 974 | — | 974 |
| Contributions by employees | 257 | — | 257 | 251 | — | 251 |
| Benefits paid | (3,179) | — | (3,179) | (4,163) | — | (4,163) |
| Fair value of assets at end of year | 49,726 | — | 49,726 | 50,641 | — | 50,641 |

None of the UK scheme assets were invested in Chapelthorpe plc or property occupied by Chapelthorpe plc.

CATEGORIES OF SCHEME ASSETS

The major categories of scheme assets as a percentage of total scheme assets are as follows:

| | 2007 % | 2006 % |
|-------------|-----------|-----------|
| Equities | 28 | 36.3 |
| Bonds | 55.6 | 63.6 |
| Cash | 5.5 | 0.1 |
| Hedge funds | 10.9 | — |

AMOUNTS FOR THE CURRENT AND PREVIOUS THREE PERIODS FOR ALL DEFINED BENEFIT SCHEMES

| | 2007 £000 | 2006 £000 | 2005 £000 | 2004 £000 |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Defined benefit obligation | 54,104 | 54,032 | 52,085 | 50,114 |
| Scheme assets | (49,726) | (50,641) | (46,000) | (44,700) |
| Deficit | (4,378) | (3,391) | (6,085) | (5,414) |
| Experience gains on plan liabilities | 315 | 3,863 | — | — |
| Experience gains on plan assets | (1,087) | 5,074 | 792 | 3,900 |

30. SHARE-BASED PAYMENTS

The Group operated the following share-based payment plans during the year.

1998 PERFORMANCE RELATED SHARE PLAN

This plan involves the award of shares to participants subject to performance conditions. Vesting of the shares is based on the achievement of certain specified performance criteria, which are detailed in the Board Report on Remuneration.

INVESTED BONUS SHARE PLAN 1997

Awards made under this plan require employees to invest half of their post-tax bonus in ordinary shares of Chapelthorpe plc. The vesting of the award shares is not dependent on the achievement of performance conditions except that the participant remains an employee of the Group throughout the vesting period and that he retains his invested shares throughout that period. Half of the award shares vest three years after the date of the award and the remaining award shares vest five years after the date of the award.

EXECUTIVE SHARE OPTION SCHEME 1994 AND 1996 PARALLEL EXECUTIVE SHARE OPTION SCHEME

No new options can be granted under these schemes. Remaining options are exercisable in the event that certain performance criteria are achieved over a relevant three year performance period, as described in the Board Report on Remuneration.

EXECUTIVE SHARE OPTION PLAN 2004

No options have been granted under this scheme to date. The performance criteria that will attach to such options are described in the Board Report on Remuneration.

SAVINGS RELATED SHARE OPTION SCHEME 1994 AND SAVINGS RELATED SHARE OPTION SCHEME 2004

The final options under the 1994 scheme expired in the year and no options have yet been granted under the 2004 scheme.

Under the 2004 scheme eligible employees may be granted share options with an exercise price of up to 20% below the share price when the three or five year savings contract is entered into. Vesting of the option is not subject to the achievement of a performance target.

The following options and awards were outstanding at 31 March 2007:

| Category | | Date of grant | Number of options/ awards | Exercise price (pence) | Exercise period |
|----------------|-------------------------------------|---------------|---------------------------|------------------------|---------------------------------|
| Options | | | | | |
| | 1994 Executive Scheme | | | | |
| B | | 21/06/99 | 240,000 | 34.50 | June 2002 – June 2009 |
| C | | 16/09/99 | 74,000 | 40.50 | September 2002 – September 2009 |
| D | | 26/06/00 | 253,000 | 30.75 | June 2003 – June 2010 |
| | Parallel Scheme | | | | |
| F | | 26/06/00 | 242,000 | 30.75 | June 2003 – June 2007 |
| Awards | | | | | |
| | 1998 Performance Related Share Plan | | | | |
| H | | 11/06/04 | 746,472 | Nil | From April 2007 |
| I | | 22/12/05 | 935,000 | Nil | From April 2008 |
| | Invested Bonus Share Plan 1997 | | | | |
| K | | 26/07/02 | 17,742 | Nil | From July 2005 |
| L | | 31/07/03 | 658,087 | Nil | From July 2006 |
| M | | 28/06/04 | 974,933 | Nil | From June 2007 |

In accordance with the transitional provisions of IFRS 2 the Group has recognised an expense in respect of all grants under the above plans made after 7 November 2002 and unvested at 1 April 2005. The expense recognised by the Group in the year ended 31 March 2007 was £49,000 (2006: £108,000).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

31 MARCH 2007

30. SHARE-BASED PAYMENTS CONTINUED

SAVINGS RELATED SHARE OPTION SCHEME 1994 AND SAVINGS RELATED SHARE OPTION SCHEME 2004 CONTINUED

The movement in options and awards under the Group's various share plans in the year was as follows:

| | Number of options/awards | |
|--|--------------------------|-------------|
| | 2007 | 2006 |
| 1994 Executive Scheme | | |
| Outstanding at beginning of year | 733,200 | 800,600 |
| Expired during the year | (166,200) | (67,400) |
| Outstanding at end of year | 567,000 | 733,200 |
| 1994 Savings Related Scheme | | |
| Outstanding at beginning of year | — | 278,721 |
| Expired during the year | — | (278,721) |
| Outstanding at end of year | — | — |
| Parallel Scheme | | |
| Outstanding at beginning of year | 352,000 | 762,000 |
| Forfeited during the year | — | (25,000) |
| Expired during the year | (110,000) | (385,000) |
| Outstanding at end of year | 242,000 | 352,000 |
| 1998 Performance Related Share Plan | | |
| Outstanding at beginning of year | 4,449,969 | 4,220,092 |
| Granted during the year | — | 1,686,523 |
| Lapsed during the year | (1,351,515) | — |
| Expired during the year | (1,416,982) | (1,456,646) |
| Outstanding at end of year | 1,681,472 | 4,449,969 |
| Invested Bonus Share Plan 1997 | | |
| Outstanding at beginning of year | 2,452,832 | 2,596,287 |
| Vested during the year | (774,763) | (143,455) |
| Lapsed during the year | (27,307) | — |
| Outstanding at end of year | 1,650,762 | 2,452,832 |

Options granted under the 1994 Executive Scheme, 1994 Savings Related Scheme and the Parallel Scheme were all made prior to 7 November 2002 and consequently under the transitional provisions of IFRS 2 no expense has been recognised in the profit and loss account. No fair value of these options has therefore been assessed.

The fair values of shares awarded under the 1998 Performance Related Share Plan and the Invested Bonus Share Plan 1997 are calculated using the market value of shares at the time of the award. An estimate is made of the number of shares that will eventually vest and the expense is spread on a straight line basis over the vesting period of the award.

The assumptions used in the calculation are as follows:

| | 1998 Performance Related Share Plan | | Invested Bonus Share Plan 1997 | | |
|--|-------------------------------------|----------|--------------------------------|----------|----------|
| | 11/06/04 | 22/12/05 | 26/07/02 | 31/07/03 | 28/06/04 |
| Grant date | 11/06/04 | 22/12/05 | 26/07/02 | 31/07/03 | 28/06/04 |
| Share price at grant date | 19.75p | 12.00p | 8.25p | 11.00p | 19.75p |
| Exercise price | Nil | Nil | Nil | Nil | Nil |
| Shares awarded and outstanding | 746,472 | 935,000 | 17,742 | 658,087 | 974,933 |
| Vesting period (years) | 3 | 3 | 5 | 5 | 5 |
| Possibility of ceasing employment before vesting | 0% | 0% | 0% | 0% | 0% |
| Expectations of meeting performance criteria | 0% | 0% | 100% | 100% | 100% |

PRINCIPAL GROUP COMPANIES

| Company | Country of incorporation | Business activity |
|---------------------------------------|--------------------------|---|
| Chapelthorpe plc | England | Holding and management company |
| Fibres | | |
| Asota GmbH* | Austria | |
| Drake Extrusion, Inc.* | US | |
| Drake Extrusion Limited | England | Producers of polypropylene staple fibre and filament |
| Specialist Coatings | | |
| Speciality Coatings (Darwen) Limited* | England | Manufacturers of vinyl-base and plastisols for the wallcoverings industry |
| Umbrella Frames | | |
| Hoyland Fox Limited (sold June 2007) | England | 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.

FIVE YEAR RECORD

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH

| | IFRS 2007 £000 | IFRS 2006 £000 | IFRS 2005 £000 | UK GAAP 2004 £000 | UK GAAP 2003 £000 |
|---|----------------------|----------------------|----------------------|-------------------------|-------------------------|
| Turnover | 108,429 | 115,329 | 121,912 | 121,460 | 121,803 |
| Operating (loss) profit | (15,264) | 264 | (2,383) | 7,142 | 5,891 |
| Exceptional items | — | — | — | — | (1,136) |
| Interest | (1,715) | (1,812) | (1,485) | (1,782) | (2,454) |
| (Loss) profit before taxation | (16,979) | (1,548) | (3,868) | 5,360 | 2,301 |
| Taxation on (loss) profit | (218) | 1,425 | 460 | (1,766) | (2,092) |
| (Loss) profit for the financial year from continuing operations | (17,197) | (123) | (3,408) | 3,594 | 209 |
| Profit (loss) for the period from discontinued operation | 1,258 | (1,012) | — | — | — |
| (Loss) profit for the period | (15,939) | (1,135) | (3,408) | 3,594 | 209 |
| Basic and diluted (loss) earnings per ordinary share (pence) | (7.95) | (0.57) | (1.73) | 1.82 | 0.08 |
| Underlying earnings per ordinary share (pence) | (1.81) | 0.86 | 1.48 | 2.21 | 1.69 |
| Dividends in respect of the financial year per ordinary share (pence) | 0.77 | 1.10 | 1.10 | 1.00 | 0.75 |

BALANCE SHEET

31 MARCH

| | 2007 £000 | 2006 £000 | 2005 £000 | 2004 £000 | 2003 £000 |
|--|----------------|--------------|--------------|--------------|--------------|
| Fixed assets | 26,155 | 43,535 | 55,201 | 60,189 | 68,942 |
| Net current assets less amounts due after more than one year | (5,679) | (81) | (9,886) | (7,074) | (11,772) |
| Provisions for liabilities and charges | (5,601) | (7,167) | (8,336) | (8,135) | (9,293) |
| Total shareholders' funds | 14,875 | 36,287 | 36,979 | 44,980 | 47,877 |

PARENT COMPANY ACCOUNTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAPELTHORPE PLC

We have audited the Parent Company financial statements of Chapelthorpe plc for the year ended 31 March 2007 which comprise the Balance Sheet and the related Notes. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Board Report on Remuneration that is described as having been audited.

We have reported separately on the Group financial statements of Chapelthorpe plc for the year ended 31 March 2007.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Board Report on Remuneration and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements and the part of the Board Report on Remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Parent Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements and the part of the Board Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion, the Directors' Report is consistent with the Parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Operating Review and the Financial Review that is cross referred to the Directors' Report.

In addition we report to you if, in our opinion, 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 regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises only the Chairman's Statement, the Operating Review, the Financial Review, the Directors' Report, the unaudited part of the Board Report on Remuneration and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements and the part of the Board Report on Remuneration to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Parent 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 Parent Company financial statements and the part of the Board Report on Remuneration to be audited 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 Parent Company financial statements and the part of the Board Report on Remuneration to be audited.

OPINION

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 March 2007;
- the Parent Company financial statements and the part of the Board Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors
Manchester
12 July 2007

PARENT COMPANY BALANCE SHEET
31 MARCH 2007

| | Notes | 2007 £000 | 2006 £000 |
|--|-------|-----------------|--------------|
| Fixed assets | | | |
| Tangible assets | 5 | 71 | 429 |
| Investments | 11 | 42,844 | 55,905 |
| | | 42,915 | 56,334 |
| Current assets | | | |
| Debtors | 6 | 5,321 | 7,078 |
| Cash at bank and in hand | | 95 | 6,340 |
| | | 5,416 | 13,418 |
| Creditors | | | |
| Amounts falling due within one year | 7 | (20,466) | (15,841) |
| Net current liabilities | | (15,050) | (2,423) |
| Total assets less current liabilities | | 27,865 | 53,911 |
| Creditors | | | |
| Amounts falling due after more than one year | 7 | (845) | (14,878) |
| Net assets | | 27,020 | 39,033 |
| Capital and reserves | | | |
| Called up share capital | 12 | 10,202 | 10,202 |
| Share premium account | | 1,251 | 1,251 |
| Capital redemption reserve | | 487 | 487 |
| Capital reserve | | 9,204 | 9,204 |
| Merger reserve | 10 | 3,593 | 3,593 |
| Profit and loss account | 10 | 2,283 | 14,296 |
| Total shareholders' funds | | 27,020 | 39,033 |

The financial statements on pages 59 to 64 were approved by the Directors on 12 July 2007 and were signed on behalf of the Board by:

L D GOODMAN
Chairman

I D POWELL
Director

NOTES TO THE PARENT COMPANY ACCOUNTS 31 MARCH 2007

1. STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

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

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.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation and provision for any impairment.

Depreciation on tangible fixed assets is provided on a straight line basis spreading the difference between cost and residual value over the estimated lives of assets as follows:

| | | |
|------------------------------|---|--------------------|
| Plant and equipment | – | 3 to 15 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 Company, are shown as fixed assets and depreciated over the shorter of the lease term or 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.

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 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.

PENSIONS

The Company and other subsidiaries of the Group participate in a multi-employer defined benefit pension plan. This plan is operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities and in accordance with FRS 17 the Company accounts for its contributions to the plan as if it were a defined contribution plan.

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

EMPLOYEE SHARE OWNERSHIP PLANS

The Company operates equity-settled, share-based compensation plans.

In the case of equity-settled plans the fair value of the employee service is based on the fair value of the equity instruments at the date of grant. This expense is spread over the vesting period of the instrument based on the Group's estimate of the number of shares or options that will eventually vest. The corresponding entry is credited to equity.

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS

FRS 25 "Financial Instruments: Disclosure and Presentation" and FRS 26 "Financial Instruments: Measurement" have been adopted with effect from 1 April 2005.

The Company uses interest rate swaps to manage interest rate exposure.

The Company does not hold or issue derivatives for speculative or trading purposes. Under previous UK GAAP, such derivative contracts were not recognised as assets or liabilities on the balance sheet and gains or losses arising on them were not recognised until the hedged item is itself recognised in the financial statements.

Derivative financial instruments are now recognised as assets and liabilities measured at their fair value at the balance sheet date. The fair value of interest rate swaps is calculated by reference to the market value. Changes in their fair values have been recognised in shareholders' equity. The gains and losses that are recognised in shareholders' equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement.

2. OPERATING PROFIT

Operating profit is after charging the following items:

| | 2007 £000 | 2006 £000 |
|----------------------------|--------------|--------------|
| Auditors' remuneration: | | |
| – audit services | 59 | 55 |
| – IFRS transition work | — | 40 |
| – tax services | 45 | 41 |
| – corporate finance advice | 66 | 106 |

3. EMPLOYEES

The average number of employees employed by the Company during the year was 14 (2006: 14).

Details of Directors' remuneration, pension benefits and share options are included in the audited sections of the Board Report on Remuneration on pages 19 and 20.

4. DIVIDENDS

Details of the dividends paid in the year are shown in Note 9 to the consolidated accounts.

5. TANGIBLE ASSETS

| | Short leasehold property £000 | Plant and equipment £000 | Total £000 |
|---|--|--------------------------------|---------------|
| Cost | | | |
| At 1 April 2006 | 733 | 343 | 1,076 |
| Additions | — | 65 | 65 |
| At 31 March 2007 | 733 | 408 | 1,141 |
| Depreciation | | | |
| At 1 April 2006 | 344 | 303 | 647 |
| Charge for the year | 49 | 34 | 83 |
| Impairment loss recognised in profit and loss account | 340 | — | 340 |
| At 31 March 2007 | 733 | 337 | 1,070 |
| Net book value | | | |
| At 31 March 2007 | — | 71 | 71 |
| At 31 March 2006 | 389 | 40 | 429 |

NOTES TO THE PARENT COMPANY ACCOUNTS CONTINUED

31 MARCH 2007

5. TANGIBLE ASSETS CONTINUED

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Net book value of assets subject to finance leases | 66 | 29 |
| Capital expenditure commitments | — | — |

6. DEBTORS

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Amounts falling due within one year | | |
| Subsidiary companies | 5,154 | 6,413 |
| Other debtors | 53 | 100 |
| Prepayments and accrued income | 114 | 271 |
| Taxation recoverable | — | 294 |
| | 5,321 | 7,078 |

7. CREDITORS

| | 2007 £000 | 2006 £000 |
|---|---------------|---------------|
| Amounts falling due within one year | | |
| Bank overdrafts, loans and other borrowings | 7,062 | 2,000 |
| Subsidiary companies | 11,010 | 12,559 |
| Other taxes and social security costs | 29 | 80 |
| Finance leases | 18 | 18 |
| Other creditors | 570 | 375 |
| Accruals and deferred income | 1,777 | 809 |
| | 20,466 | 15,841 |

| | 2007 £000 | 2006 £000 |
|---|--------------|---------------|
| Amounts falling due after more than one year | | |
| Bank loans | — | 14,078 |
| Finance leases | 45 | — |
| Preference shares | 800 | 800 |
| | 845 | 14,878 |

Details of the preference shares can be found in Note 17 of the consolidated accounts.

8. BORROWINGS

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| UK bank loan repayable by ten semi-annual instalments of £1,000,000 commencing 30 September 2004 | — | 6,000 |
| UK revolving bank loan denominated in Sterling, Euro and US Dollar repayable May 2007 | 6,400 | 10,078 |
| Total | 6,400 | 16,078 |
| Repayment of bank loans: | | |
| – in one year or less or on demand | 6,400 | 2,000 |
| – in more than one year but not more than two years | — | 2,000 |
| – In more than two years but not more than five years | — | 12,078 |
| Total | 6,400 | 16,078 |
| | £000 | £000 |
| The minimum lease payments under finance leases fall due as follows: | | |
| Not later than one year | 23 | 18 |
| Later than one year but not more than five years | 52 | — |
| | 75 | 18 |
| Future finance charges on finance leases | (12) | — |
| | 63 | 18 |

As part of the re-financing of the Group, the maturity of the principal committed revolving bank loan was accelerated to and repaid in May 2007. Details of the UK re-financing are set out in Note 18 of the consolidated accounts.

9. PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year

| | Deferred taxation £000 |
|--------------------------|------------------------------|
| At 1 April 2006 | (48) |
| Credited during the year | 33 |
| At 31 March 2007 | (15) |

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

| | Potential liability 2007 £000 | Amount provided 2007 £000 | Potential liability 2006 £000 | Amount provided 2006 £000 |
|--|--|------------------------------------|--|------------------------------------|
| Accelerated tax allowances on plant, equipment and buildings | (15) | (15) | (9) | (9) |
| Other timing differences | 51 | 51 | (39) | (39) |
| Losses | (1,899) | (51) | (191) | — |
| | (1,863) | (15) | (239) | (48) |

The deferred tax asset of the Parent Company at 31 March 2007 is included within other debtors in Note 6.

Deferred tax assets for unused losses are only recognised to the extent that there is sufficient evidence that these assets will be recoverable.

Deferred tax asset balances for capital losses in the UK amounting to £1,002,000 (2006: £1,616,000) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

NOTES TO PARENT COMPANY ACCOUNTS CONTINUED

31 MARCH 2007

10. RESERVES

| | Capital reserve £000 | Merger reserve £000 | Profit and loss account £000 |
|--|----------------------------|---------------------------|---------------------------------------|
| At 1 April 2006 | 9,204 | 3,593 | 14,296 |
| Exchange adjustments | — | — | (122) |
| Loss for the year | — | — | (10,401) |
| Dividends paid | — | — | (1,539) |
| Adjustment in respect of employee share scheme | — | — | 49 |
| At 31 March 2007 | 9,204 | 3,593 | 2,283 |

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 after taxation for the year of the Parent Company was £10,401,000 (2006: profit of £4,870,000).

The capital reserve and the merger reserve cannot be distributed.

11. INVESTMENTS

| | Shares £000 | Loans £000 | Total £000 |
|--------------------------|----------------|---------------|----------------|
| Cost | | | |
| At 1 April 2006 | 84,780 | 19,421 | 104,201 |
| Exchange adjustments | (185) | — | (185) |
| Repayments | — | (84) | (84) |
| At 31 March 2007 | 84,595 | 19,337 | 103,932 |
| Amount provided | | | |
| At 1 April 2006 | 39,591 | 8,705 | 48,296 |
| Provided during the year | 8,775 | 4,017 | 12,792 |
| At 31 March 2007 | 48,366 | 12,722 | 61,088 |
| Net book value | | | |
| At 31 March 2007 | 36,229 | 6,615 | 42,844 |
| At 31 March 2006 | 45,189 | 10,716 | 55,905 |

The amounts provided during the year are based on the Directors' assessment of the net realisable value of the investments.

Details of the principal subsidiary companies are listed on page 55.

12. SHARE CAPITAL

Details of share capital and share options are shown in Notes 23 and 30 to the consolidated accounts.

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A description of the Group's financial risk management objectives and policies is provided in the Financial Review on page 7.

These objectives and policies also apply to the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the fifty-eighth Annual General Meeting of the Company will be held at the offices of PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW at 11.00am on 30 August 2007 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 2007.
2. To approve the Board Report on Remuneration for the year ended 31 March 2007.
3. To elect Mr Leslie Goodman as a Director.
4. To elect Mr Ian Powell as a Director.
5. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
6. To authorise the Directors to fix the remuneration of the auditors.

AS SPECIAL BUSINESS

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

ORDINARY RESOLUTION

7. That in substitution for any existing authority to allot relevant securities, 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 £2,697,955 provided that this authority shall expire on 30 November 2008 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) for cash pursuant to the authority conferred by the said Ordinary Resolution and sell relevant shares (as defined in Section 94 of that Act) held by the Company as treasury shares (as defined in Section 162A of that Act) for cash, as if sub-section (1) of Section 89 of that Act did not apply to any such allotment or sale provided that this power shall be limited:
 - (a) to the allotment of equity securities and the sale of treasury shares 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 and the sale of treasury shares up to an aggregate nominal value of £510,000

and shall expire on 30 November 2008 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 or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of such offer or agreement as if the power conferred hereby had not expired.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

AS SPECIAL BUSINESS CONTINUED

SPECIAL RESOLUTIONS CONTINUED

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 5p 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 5p per share (exclusive of expenses);
 - (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is not more than the higher of (1) 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, and (2) the higher of the price of the last independent trade and the highest current independent bid as derived from the London Stock Exchange Trading System;
 - (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 15 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

A P WEATHERSTONE
Finance Director and Secretary
12 July 2007

Chapelthorpe Hall
Church Lane
Chapelthorpe
Wakefield
West Yorkshire
WF4 3JB

NOTES

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 of proxy (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 Investor Services PLC, by 11.00am on 28 August 2007. 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 by close of business on 28 August 2007.

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 10.45am until its conclusion:

- a) the Register of Directors' share interests kept pursuant to Section 325 of the Companies Act 1985;
- b) copies of Directors' service contracts; and
- c) a copy of the current Articles of Association of the Company, which include (at Article 184), subject to the terms thereof, an indemnity in favour of every Director, alternate Director, secretary or other officer of the Company.

As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 6.00pm on 28 August 2007 in order to be entitled to attend and vote at the Annual General Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

CORPORATE INFORMATION

REGISTERED OFFICE

CHAPELTHORPE PLC
Chapelthorpe Hall
Church Lane
Chapelthorpe
Wakefield
West Yorkshire WF4 3JB

REGISTERED NUMBER

468624

AUDITORS

PRICEWATERHOUSECOOPERS LLP
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

STOCKBROKERS AND FINANCIAL ADVISERS

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

SHAREHOLDER INFORMATION

INTERNET

The Company operates a website which can be found at www.chapelthorpe.com. This site is regularly updated to provide information about the Company. In particular all of 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 or other details. In order to facilitate this, shareholders are able to download forms to change their details via the Registrar Services page of the Chapelthorpe website.

Shareholders may also check their shareholdings via the Registrar Services page of the Chapelthorpe website and in order 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 can be obtained from the Company's website and on FT Cityline by dialling 0906 843 3786 (calls cost 60p 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
81 George Street
Edinburgh EH2 3ES

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 either contact the Company's Registrar or visit the Registrar Services page of the Chapelthorpe website in order to obtain a dividend mandate form.

Dividends are paid as follows:

| | | |
|------------------------------------|---|--------------|
| First and Second Preference Shares | – | 31 March |
| | – | 30 September |

INVESTOR RELATIONS

For further copies of the Report and 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: aweatherstone@chapelthorpe.com



CHAPELTHORPE
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