

## Chairman's Statement

I am pleased to report that 2006 has been another year of continued progress and substantial growth, which included a step change in the size and market position of the Group following the purchase of Colbond.

This acquisition brings a number of leading technical textile niche market positions, diversifies our raw material purchase base, and gives us important new capability to support organic growth.

Our Technical Textiles Division (previously known as Yarns & Fabrics) has shown strong sales and profit growth despite a high level of cost price inflation in polyethylene, polypropylene and polyester — its primary raw materials.

Our Floors business has continued its momentum of recent years and operating profit before amortisation of non-current assets, and non-recurring items has increased markedly. It has succeeded in improving margins whilst building still further a good base for continued organic growth.

### IFRS

These are the first full accounts published under IFRS. Our preliminary restatement of last year's figures was published on 16 June 2006. The principal differences outlined in that document remain the key items, and where appropriate data for the year ended 30 November 2005 has been restated.

### FINANCIAL PERFORMANCE

Total revenue increased by 28.0% to £224.5m (2005: £175.4m) reflecting the maiden sales contribution of the Colbond and Geo-Tiptex businesses as well as organic growth.

Profit before tax, amortisation and non-recurring items increased by 20.5% to £14.7m from £12.2m last year.

Non-recurring items of £2.5m (2005: £9.3m) were incurred in the year, being redundancy and restructuring costs within the existing specialist yarns and construction fibres businesses and redundancies within the recently acquired Colbond business, as well as aborted transaction costs in regard to the bid approach in the first half of the year. The total for 2005 included the £8.5m fine imposed by the EU. We have appealed against the EU verdict, but a decision on the appeal is not expected within the short term.

Earnings per share (EPS) were 5.80p (2005: loss, 6.39p) on a statutory basis. EPS before amortisation and non-recurring items were 8.75p (2005: 9.50p). Both of the comparative figures have been restated to take account of the bonus adjustment factor from the rights issue completed in August, and announced with the Colbond acquisition. Both earnings per share figures were higher than normal in 2005 due to a lower than usual tax charge arising from resolution of prior year items.

### CASH FLOW

The rights issue in August 2006 raised £41.1m net of expenses, and allowed us both to acquire Colbond and retain a strong balance sheet to take advantage of future investment opportunities.

Cash inflow from operations was £15.6m. During the year we invested £82.6m on acquisitions (including acquired debt) made a one-off contribution to the pension fund (£6.0m) and paid the EU fine (£8.5m) which together contributed to a closing net debt of £46.1m compared with cash of £12.8m in the prior year.

Committed bank facilities of £175m have been arranged during the year, with a geographically diverse group of high quality banks, led by The Royal Bank of Scotland plc. Unutilised committed facilities at the end of the period were in excess of £125m.



Duncan Clegg Chairman



Middle: Axminster carpet with Bonar backing yarn.  
Right: Bontec SG 36/40 woven textiles for a pipeline project. Grijpskerk-Wurkum, The Netherlands.

**DIVIDENDS**

The Board is recommending a final ordinary dividend of 2.80p (2005: 2.64p, when adjusted for the bonus adjustment factor relating to the rights issue) to shareholders on the register on 20 April 2007. This makes a total dividend for the year of 4.38p (2005: 4.15p when adjusted for the bonus adjustment factor relating to the rights issue).

Dividend cover is 2.0 times, calculated on an earnings before amortisation and non-recurring items basis.

The payment of the dividend will be made on 16 May, subject to the approval of the shareholders at the AGM on 9 May 2007.

**BOARD CHANGES**

I would like to welcome Kevin Higginson who was appointed to the Board as Group Finance Director on 5 September 2006, replacing Jon Kempster who left the Group on 28 February 2006. Caroline Thomas occupied the post in the interim.

Folkert Blaisse and Martin Flower joined as non-executive Directors on 1 January 2007, and Chris Davies retired from the Board on 31 December 2006. I would like to thank Chris for his significant contribution in his time as a Director.

**EMPLOYEES**

I would like to thank our employees for their continued efforts and enthusiasm throughout the year. I also welcome our new colleagues who have joined the Group from Colbond and Geo-Tiptex. As we continue on our growth path the skills and knowledge of our employees will be a key factor in achieving our aims and we actively encourage and require all staff to improve their skills.

**OUTLOOK**

Market conditions and the trading performance of our business in the first two months of the year are in line with our expectations. I am confident we have the financial and commercial base to continue our recent record of significant growth both organically and through acquisitions.

Raw material prices are not expected to change significantly during 2007. However, during 2008 increased capacity amongst suppliers is expected to provide a downward pressure on prices.

Our focus remains on driving value creation for shareholders through profitable cash generative growth, both from existing businesses and new acquisitions. The Board believes we are well positioned, in diverse marketplaces and with a strong balance sheet, to take advantage of opportunities as they arise.

**Duncan Clegg**  
Chairman  
20 February 2007

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Colback non-woven product mix for use in Automotive and Construction products.

