



CHAPELTHORPE  
plc

## Corporate statement

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

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

## Highlights of the period

- 
- Underlying\* operating profit of £3.1m (2002: £4.1m)
  - All divisions remain profitable and cash generative
  - Net borrowings reduced from £28.2m to £25.5m
  - Interim dividend of 0.3p, up 20%, covered 1.6 times
  - Underlying\* EPS 0.67p (2002: 0.91p)
  - Conditions in our main markets remain difficult
- 

\*Before exceptionals and goodwill

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# Chairman's interim statement



**"In light of the reduction in borrowings and in anticipation of improved trading in the second half, the Board is declaring a 20% increase in the interim dividend."**

## Introduction

Our goals this year are to meet market expectations of trading performance and to reduce debt. At this point in time we are on course to achieving both of these goals and an increased dividend per share is being declared by your Board.

In my statement at our Annual General Meeting in July, I indicated that operating profits for the first six months of this year would be lower than last year. A sluggish start to the year has been followed by a more encouraging performance recently.

The actions we have taken to develop and maintain our businesses, all of which have leading market positions, have helped mitigate the harsh trading environment and volatility in raw material costs that confronted us in the early part of the year. However, in the absence of growth overall, we have continued to generate cash enabling debt to be reduced.

## Results in brief

Difficult conditions in the important markets of North America and Germany led to Group turnover in the six months ended 30 September 2003 falling by 2% from £60.1m to £58.7m. The decline in volume and the erosion of margins by high raw material costs resulted in underlying operating profits (operating profit before exceptionals and goodwill) falling by £1.0m to £3.1m (2002: £4.1m). Also, during the period the largest UK-based carpet and wallcoverings manufacturers both went into receivership. Whilst these were not key accounts of our businesses the Group nevertheless suffered bad debt write-offs of £0.2m.

Lower interest costs as a result of a reduction in debt and the cost of borrowing, and the absence of any exceptional charges, limited the fall in pre-tax earnings, which were £1.7m compared with £2.3m last year. Consequently underlying earnings per share were 0.67p (2002: 0.91p).

## Dividends

In light of the reduction in borrowings and in anticipation of improved trading in the second half, the Board is declaring a 20% increase in the interim dividend from 0.25p to 0.30p per share. The cost of this dividend is covered 1.6 times by earnings. The interim dividend is payable on 9 February 2004 to shareholders on the register on 12 December 2003.

Shareholders will continue to have the opportunity to reinvest their cash dividends in the purchase of additional shares at competitive dealing rates through the Company's Dividend Reinvestment Plan ("the Plan"). The last date for election to participate in the Plan in respect of this dividend is 19 January 2004.

## Balance sheet and borrowings

The emphasis placed on tight control of working capital and our need at this time for only modest levels of capital investment has ensured that debt has continued to fall. We also had the benefit of a substantial cash receipt in September following an out of court settlement of a long running legal dispute relating to the recovery of costs in respect of remedial drainage works at a site previously owned by us. This had no impact on earnings.

Net borrowings are now down to £25.5m from £28.2m at 31 March 2003, with gearing reduced from 59% to 54%. We remain confident of achieving the target we have set ourselves of borrowings below £20m by the end of 2005.

## Business review

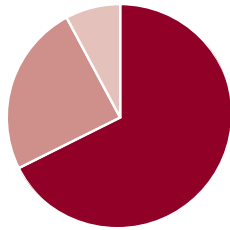
### Fibres

Sales in the period declined by 3% to £39.7m and underlying operating profit was £1.3m (2002: £2.0m).

The uncertain economic climate in both Europe and North America, coupled with high polymer prices in the first three

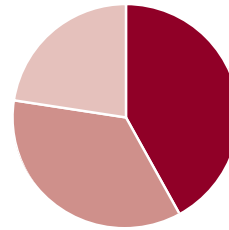
# Chairman's interim statement

Turnover



- £39.7m Fibres
- £14.4m Specialist Coatings
- £4.6m Umbrella Frames

Underlying Operating Profit



- £1.3m Fibres
- £1.1m Specialist Coatings
- £0.7m Umbrella Frames

months of the period, depressed both volumes and margins. Both improved in the second quarter as polymer prices fell back. Despite concerns that the North American automotive market would decline significantly in the year, automotive sales have shrunk by only 4%. We are continuing to aggressively pursue the development of new products for existing and new markets.

### Specialist Coatings

Sales for the period were similar to last year at £14.4m and underlying operating profit fell by £0.3m to £1.1m. The European wallcoverings business has performed well benefiting from additional volumes on new business. Also, the rate of decline in demand for wallcoverings in Europe is showing signs of slowing. However, conditions still remain competitive as evidenced by Europe's largest wallcoverings producer going into receivership. This has subsequently been consolidated into another major UK wallcoverings operation. The picture in North America remains depressed, with further significant falls in demand being experienced.

Our Russian venture continues to make progress and it made a positive contribution in terms of profit and cash in the first half.

### Umbrella Frames

Despite a good summer in Western Europe, demand for frames fell 6% from the previous year as a result of the inventory pipeline being emptied. Approximately 80% of production is exported and consequently operating profits improved marginally due to the strong Euro.

### Outlook

Chapelthorpe remains committed to reducing financial risk and using its ability to generate cash to allow a progressive dividend return to shareholders. At the same time we are focused on maximising the opportunities open to us from

our market-leading positions and on seeking out new markets, further cost reductions and operational efficiencies.

The second half has started in line with our expected operating pattern and we are anticipating stronger trading in the second half of this year compared with last year.

**John Standen**  
Chairman  
3 December 2003



# Consolidated balance sheet

30 September 2003

	<b>30 September 2003 £000</b>	30 September 2002 £000	31 March 2003 £000
<b>Fixed assets</b>			
Intangible assets	<b>12,720</b>	12,864	13,069
Tangible assets	<b>53,178</b>	56,730	55,873
	<b>65,898</b>	69,594	68,942
<b>Current assets</b>			
Stocks	<b>14,642</b>	13,798	12,855
Debtors	<b>23,986</b>	28,454	30,624
Cash at bank and in hand	<b>5,134</b>	4,003	4,214
	<b>43,762</b>	46,255	47,693
<b>Creditors</b>			
Amounts falling due within one year	<b>(36,872)</b>	(36,061)	(40,481)
<b>Net current assets</b>	<b>6,890</b>	10,194	7,212
<b>Total assets less current liabilities</b>	<b>72,788</b>	79,788	76,154
<b>Creditors</b>			
Amounts falling due after more than one year	<b>(16,696)</b>	(22,739)	(18,984)
Provisions for liabilities and charges	<b>(8,774)</b>	(7,811)	(9,293)
<b>Net assets</b>	<b>47,318</b>	49,238	47,877
<b>Capital and reserves</b>			
Called up share capital	<b>11,002</b>	11,002	11,002
Reserves	<b>36,316</b>	38,236	36,875
<b>Total shareholders' funds</b>	<b>47,318</b>	49,238	47,877
<b>Attributable to:</b>			
Equity interests	<b>46,518</b>	48,438	47,077
Non-equity interests	<b>800</b>	800	800
	<b>47,318</b>	49,238	47,877

# Consolidated cash flow statement

half-year ended 30 September 2003

	Notes	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000
Net cash inflow from operating activities	3	<b>5,117</b>	8,057	15,549
<b>Returns on investments and servicing of finance</b>				
Interest received		<b>76</b>	72	118
Interest paid		<b>(1,276)</b>	(1,083)	(2,388)
Interest element of finance lease rental payments		<b>(2)</b>	(6)	(9)
Dividends paid on non-equity shares		<b>(23)</b>	(23)	(46)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(1,225)</b>	(1,040)	(2,325)
<b>Taxation</b>		<b>(610)</b>	(581)	603
<b>Capital expenditure</b>				
Purchases of tangible fixed assets		<b>(902)</b>	(517)	(1,817)
Sales of tangible fixed assets		<b>-</b>	19	16
		<b>(902)</b>	(498)	(1,801)
<b>Acquisitions and disposals</b>				
Receipts (payments) relating to prior period disposals of businesses/properties		<b>1,153</b>	-	(1,040)
		<b>1,153</b>	-	(1,040)
<b>Equity dividends paid</b>		<b>(1,001)</b>	(501)	(1,002)
<b>Net cash inflow before financing</b>		<b>2,532</b>	5,437	9,984
<b>Financing</b>				
Repayment of amounts borrowed		<b>(3,075)</b>	(5,970)	(10,079)
Capital element of finance lease rental payments		<b>(26)</b>	(35)	(60)
<b>Net cash outflow from financing</b>		<b>(3,101)</b>	(6,005)	(10,139)
<b>Decrease in cash</b>	4	<b>(569)</b>	(568)	(155)

## Total recognised gains and losses

half-year ended 30 September 2003

	<b>Half-year 30 September 2003 £000</b>	Half-year 30 September 2002 £000	Year 31 March 2003 £000
Profit for the period	<b>975</b>	1,297	209
Exchange translation adjustments on foreign currency net investments	<b>(918)</b>	(2,939)	(2,178)
<b>Total recognised gains and losses for the period</b>	<b>57</b>	(1,642)	(1,969)

## Movement in shareholders' funds

half-year ended 30 September 2003

	<b>Half-year 30 September 2003 £000</b>	Half-year 30 September 2002 £000	Year 31 March 2003 £000
Profit for the period	<b>975</b>	1,297	209
Dividends	<b>(616)</b>	(524)	(1,558)
	<b>359</b>	773	(1,349)
Exchange translation adjustments on foreign currency net investments	<b>(918)</b>	(2,939)	(2,178)
<b>Decrease in shareholders' funds</b>	<b>(559)</b>	(2,166)	(3,527)
Opening shareholders' funds	<b>47,877</b>	51,404	51,404
<b>Closing shareholders' funds</b>	<b>47,318</b>	49,238	47,877

# Notes to the interim accounts

## 1. Basis of preparation

The interim accounts for the half-year ended 30 September 2003 have been prepared using accounting policies consistent with those set out in the 2003 Report & Accounts and are unaudited. The consolidated profit and loss account, cash flow statement and statement of total recognised gains and losses for the year ended 31 March 2003 and the consolidated balance sheet as at that date are an abridged version of the full historical cost accounts which received an unqualified report by the auditors and have been filed with the Registrar of Companies.

## 2. Turnover and pre-exceptional operating profit

### Area of activity

	Turnover			Pre-exceptional operating profit		
	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000
Continuing operations						
Fibres	<b>39,734</b>	40,944	79,183	<b>1,261</b>	2,007	3,066
Specialist Coatings	<b>14,397</b>	14,486	30,606	<b>1,120</b>	1,427	3,045
Umbrella Frames	<b>4,579</b>	4,701	12,014	<b>679</b>	644	2,049
	<b>58,710</b>	60,131	121,803	<b>3,060</b>	4,078	8,160
Goodwill amortised						
Fibres				<b>(198)</b>	(198)	(396)
Specialist Coatings				<b>(186)</b>	(186)	(372)
				<b>(384)</b>	(384)	(768)
	<b>58,710</b>	60,131	121,803	<b>2,676</b>	3,694	7,392

### Geographical area

Region of origin	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000
	Continuing operations					
Europe	<b>37,973</b>	37,233	79,274	<b>2,649</b>	2,271	6,139
North America	<b>20,737</b>	22,898	42,529	<b>411</b>	1,807	2,021
	<b>58,710</b>	60,131	121,803	<b>3,060</b>	4,078	8,160
Goodwill amortised						
Europe				<b>(348)</b>	(348)	(696)
North America				<b>(36)</b>	(36)	(72)
				<b>(384)</b>	(384)	(768)
	<b>58,710</b>	60,131	121,803	<b>2,676</b>	3,694	7,392

Region of destination	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000
Turnover – continuing operations			
Europe	<b>34,975</b>	34,522	73,670
North America	<b>21,595</b>	23,582	44,151
Africa and Middle East	<b>386</b>	330	573
Australasia and Far East	<b>1,754</b>	1,697	3,409
	<b>58,710</b>	60,131	121,803

## Notes to the interim accounts

### 3. Reconciliation of operating profit to net cash inflow from operating activities

	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000
Operating profit	<b>2,676</b>	3,469	5,891
Depreciation	<b>2,595</b>	2,570	5,077
Amortisation of goodwill	<b>384</b>	384	768
(Increase) decrease in stocks	<b>(1,936)</b>	103	1,337
Decrease (increase) in debtors	<b>4,975</b>	2,357	(882)
(Decrease) increase in creditors	<b>(3,334)</b>	(626)	2,707
(Decrease) increase in provisions	<b>(243)</b>	(200)	651
Net cash inflow from operating activities	<b>5,117</b>	8,057	15,549

The cash flow impact of the operating exceptional items for which provision was made in prior periods is a cash outflow of £299,000 (2002: £514,000).

### 4. Reconciliation to net debt

	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000
Decrease in cash in the period	<b>(569)</b>	(568)	(155)
Decrease in debt and finance leasing	<b>3,101</b>	6,005	10,139
Change in net debt from cash flows	<b>2,532</b>	5,437	9,984
New finance leases	–	(127)	(127)
Exchange adjustments	<b>216</b>	1,144	478
Movement in net debt in the period	<b>2,748</b>	6,454	10,335
Opening net debt	<b>(28,219)</b>	(38,554)	(38,554)
Closing net debt	<b>(25,471)</b>	(32,100)	(28,219)

### 5. Analysis of net debt

	1 April 2003 £000	Cash flow £000	Other non-cash £000	Exchange movement £000	30 September 2003 £000
Cash at bank and in hand	4,214	<b>977</b>		<b>(57)</b>	<b>5,134</b>
Overdrafts and short-term facilities	(5,207)	<b>(1,546)</b>		<b>(24)</b>	<b>(6,777)</b>
		<b>(569)</b>			
Debt due after 1 year	(18,956)	–	<b>2,075</b>	<b>185</b>	<b>(16,696)</b>
Debt due within 1 year	(8,203)	<b>3,075</b>	<b>(2,075)</b>	<b>112</b>	<b>(7,091)</b>
Finance leases	(67)	<b>26</b>	–	–	<b>(41)</b>
		<b>3,101</b>			
Total	(28,219)	<b>2,532</b>	–	<b>216</b>	<b>(25,471)</b>

# Notes to the interim accounts

## 6. Basic and diluted earnings per ordinary share

	Basic and diluted earnings per share			Underlying earnings per share		
	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000	Half-year 30 September 2003 £000	Half-year 30 September 2002 £000	Year 31 March 2003 £000
Profit for the period	975	1,297	209	975	1,297	209
Goodwill amortisation	–	–	–	384	384	768
Dividends on preference shares	(23)	(23)	(46)	(23)	(23)	(46)
Exceptional items	–	–	–	–	225	2,637
Tax effect of exceptional items	–	–	–	–	(68)	(186)
Earnings attributable to ordinary shareholders	952	1,274	163	1,336	1,815	3,382
Weighted average number of ordinary shares in issue during the period (000's)	200,138	200,200	200,122	200,138	200,200	200,122
Basic and diluted earnings per ordinary share (pence)	0.48	0.64	0.08	0.67	0.91	1.69

The effect of the exceptional items on the earnings per share for the current period is nil (2002: (0.07) pence).

## Directors and advisers

### **John Standen\***

Non-executive Chairman, aged 55

### **Brian Leckie†**

Chief Executive, aged 56

### **Andy Weatherstone**

Finance Director, aged 39

### **Allan Thompson**

Executive Director, aged 54

### **Alan Reeve\***

Non-executive Director, aged 66

\* Member of Nomination, Remuneration and Audit Committees

† Member of Nomination Committee

### **Registered office**

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### **Registered number**

468624

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### **Solicitors**

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