



CHAPELTHORPE

plc

Interim Report 2008

# Corporate statement

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Chapelthorpe plc has one principal division, namely Fibres.

The **Fibres** division supplies polypropylene fibre to the automotive, floorcoverings, technical textiles, geotextiles and home furnishings markets and has operations in the United Kingdom, Austria and the United States.

In addition the Company has a joint venture in the **Specialist Coatings** industry, supplying vinyl coated paper and plastisols to the wallcoverings industry.

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# Highlights

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- Disposal of a 60% shareholding in our Specialist Coatings business for total proceeds of £5.6m on 30 October 2008.
- Pre-exceptional operating profit of £0.1m (2007: £Nil).
- Operating result £Nil (2007: loss £0.6m).
- US Fibres volumes and profitability impacted by slowdown in US economy.
- European Fibres volumes up 4%, assisted by the weaker Sterling exchange rate against the Euro.

# Chairman's statement

## Introduction

I am pleased to report that in the first six months of the financial year we have made progress at both operational and strategic levels. Most notably we announced on 31 October 2008 the sale of a majority stake in our Specialist Coatings business. We continue to control and monitor our costs tightly across all operations against a background of extremely challenging trading conditions. We are shortly to close our head office, relocating it to one of our UK Fibres sites.

Sales in continuing operations were £48.8m (2007: £43.0m) generating a pre-exceptional operating profit of £95,000 (2007: £36,000). After exceptional items there is an operating loss of £35,000 compared to a loss of £571,000 for the same period last year. Pre-exceptional earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period were £1,447,000 compared to £1,401,000 in the previous period.

## US Fibres

Sales for the period were £18.4m (2007: £18.1m), generating a pre-exceptional operating loss of £99,000 compared to an operating profit of £329,000 in the previous period. EBITDA for the period was £816,000 compared to £1,222,000 in the previous period.

The US has experienced falls in demand from its key automotive and needlepunch sectors of staple fibre in the first half. Staple fibre output is 26% down year on year and manned capacity has been reduced accordingly. Current headcount has been reduced by 18% from a year ago. The fall in demand has largely been driven by the slowdown in the US economy. Further increases in polymer prices in the summer created additional pressure although over 70% of selling prices are linked to raw material prices, albeit with a lag.

The picture is a little brighter in the filament yarn sector where new business gains have come on stream and have led to additional capacity being added for the second half of the year to meet expected demand.

Following the peak in polymer prices in the summer there has been a rapid fall in prices in recent weeks and prices are expected to remain somewhat volatile over the coming months.

## European Fibres

Sales for the period were £30.4m (2007: £24.9m), generating a pre-exceptional operating profit of £489,000 compared to an operating profit of £50,000 in the previous period. EBITDA for the period was £926,000 compared to £502,000 in the previous period.

In Europe volumes rose by 4% year on year assisted by the weaker Sterling exchange rate against the Euro. Margins have been resilient despite rising polymer prices.

Polymer prices in Europe are also beginning to fall but not to the same degree as in the US. Unsurprisingly, given the economic slowdown across Europe, we are beginning to see some evidence of weakening demand.

## Discontinued operations

### Specialist Coatings

Following the sale of the 60% shareholding in Specialist Coatings, which was completed in October 2008, the results of this division have been reclassified as a discontinued operation.

The sale of a 60% shareholding in Speciality Coatings (Darwen) Limited ("SCD") to Lins Trading Limited ("Lins") and Paul Phillips, the current Managing Director of SCD, was completed for a total cash consideration of £5.6m, being £1.6m for the shares and, in addition, a £4.0m repayment of inter-company loans from SCD. Whilst the Company has provided a guarantee of up to £1.5m in respect of SCD's borrowings, this can only be called upon in certain limited circumstances. Furthermore, the guarantee will reduce on a quarterly basis in amounts of £250,000 over the period ending 1 January 2010.

Although SCD made a significant contribution to profits in the past, the expiry of its royalty agreement with Lins, together with the markedly worsening climate for home improvements in the UK and Western Europe, are likely to have a material adverse effect on SCD's current year profitability.

The transaction with Lins, which has considerable experience of Eastern Europe, will enable Chapelthorpe to continue to participate in SCD's business through its 40% shareholding, without the requirement to finance the significant investment which would otherwise be required to maintain and grow the business in Eastern Europe.

#### **Umbrella Frames**

The Group continues to seek a new tenant for the premises occupied by a former subsidiary, Hoyland Fox Limited, which ceased trading in May 2008. The Group received rentals from the Administrator of Hoyland Fox until August 2008 when the premises were vacated. The Group is also pursuing a guarantee provided by Alexander Seven Marketing Co. Limited, however this company went into administration on 11 November 2008. The annual rentals are £0.3m though there is an option to break the lease in December 2011. We have provided £0.6m in respect of future rentals on this lease.

#### **Borrowings**

At 30 September 2008 our borrowings were £10.7m compared to £11.1m a year ago. Our working capital levels have been under some pressure as we have sought to buy strategically in advance of rising polymer prices during the first half. Our underlying average borrowings for the first six months were £14.6m which compares to £14.7m for the same period a year ago. Average borrowings will fall significantly following the sale of the stake in the Specialist Coatings division.

#### **Dividends**

The Directors do not recommend the payment of an interim dividend (Nil: interim dividend 2007/08, Nil: final dividend 2007/08).

#### **Pensions**

The IAS 19 valuation of our UK defined pension scheme has resulted in a surplus of £1.6m at 30 September 2008. However, under IFRIC 14 which becomes effective for our year ending 31 March 2009, the Company does not have an unconditional right to this surplus under the rules of the scheme and as such cannot recognise it as an asset, consequently this asset has not been recognised and, in addition, the comparative at 31 March 2008 has also been restated.

On 5 September 2008 the Fund was closed to future accrual for the remaining active members of the Fund. The Company will continue to contribute to the Fund in accordance with the schedule of contributions agreed with the Trustees of the Fund and will also be responsible for the expenses of administering the Fund going forward.

The Company has seen a significant increase in the levy it is required to make to the Pension Protection Fund. The increasing amounts of legislation and regulation relating to pensions consume a very great deal of management time at considerable expense to the Company.

#### **Strategy and outlook**

Following the sale of a 60% shareholding in SCD the Group has considerably reduced its level of debt and improved the financial shape of our Group. Consequently the Group is better positioned to concentrate on its fibres businesses and weather the current very poor economic and trading environment.

We expect conditions to become more challenging as the year progresses but the business is currently generating cash and, with a reduced debt level, we are reasonably placed to come through this period and to be able to take advantage of new opportunities.

#### **Leslie Goodman**

Chairman

25 November 2008

# Consolidated income statement (unaudited)

half year ended 30 September 2008

	Notes	Half year 30 September 2008 £000	Half year 30 September 2007 (as restated) £000	Year 31 March 2008 (as restated) £000
Continuing operations				
<b>Revenue</b>	2	<b>48,792</b>	42,971	87,394
Cost of sales		<b>(44,148)</b>	(38,537)	(78,252)
Gross profit		<b>4,644</b>	4,434	9,142
Operating expenses		<b>(4,679)</b>	(5,005)	(9,979)
<b>Operating loss</b>				
Operating profit before exceptional items		<b>95</b>	36	352
Exceptional items	3	<b>(130)</b>	(607)	(1,189)
<b>Operating loss</b>	2	<b>(35)</b>	(571)	(837)
Financial expenses		<b>(765)</b>	(412)	(1,006)
Financial income		<b>32</b>	36	112
Net financing costs	4	<b>(733)</b>	(376)	(894)
<b>Loss before taxation</b>		<b>(768)</b>	(947)	(1,731)
Taxation		<b>183</b>	35	241
<b>Loss for the period from continuing operations</b>		<b>(585)</b>	(912)	(1,490)
<b>Profit from discontinued operations</b>	5	<b>180</b>	467	1,078
<b>Loss for the period attributable to equity shareholders</b>		<b>(405)</b>	(445)	(412)
<b>Loss per share</b>				
Basic and diluted	6	<b>(2.01)p</b>	(2.21)p	(2.05)p

# Consolidated statement of recognised income and expense (unaudited)

half year ended 30 September 2008

	Notes	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 (as restated) £000
Actuarial gains on defined benefit pension schemes		<b>230</b>	2,746	4,186
Movement in restriction of retirement benefit asset		<b>8</b>	—	(1,581)
Exchange differences on translation of foreign operations		<b>713</b>	(446)	60
Gains (losses) in fair value of hedging derivatives		<b>86</b>	(134)	(284)
<b>Net income recognised directly in equity</b>		<b>1,037</b>	2,166	2,381
Loss for the period		<b>(405)</b>	(445)	(412)
<b>Total recognised income and expense for the period (attributable to equity shareholders)</b>		<b>632</b>	1,721	1,969

# Consolidated balance sheet (unaudited)

30 September 2008

	30 September 2008	30 September 2007	31 March 2008 (as restated)
	Notes	£000	£000
<b>Non-current assets</b>			
Property, plant and equipment		21,521	23,729
Other non-current assets		568	504
		<b>22,089</b>	<b>23,582</b>
<b>Current assets</b>			
Inventories		7,845	9,021
Trade and other receivables		19,028	18,981
Other financial assets		12	—
Cash and cash equivalents		4,197	4,074
		<b>31,082</b>	<b>32,076</b>
Assets classified as held for sale	5	10,311	—
		<b>41,393</b>	<b>35,169</b>
<b>Current liabilities</b>			
Trade and other payables		(12,118)	(16,237)
Current tax liabilities		(268)	(626)
Other financial liabilities		(101)	(32)
Borrowings and bank overdrafts		(7,812)	(6,110)
Liabilities directly associated with assets classified as held for sale	5	(8,999)	—
		<b>(29,298)</b>	<b>(23,005)</b>
<b>Net current assets</b>		<b>12,095</b>	<b>9,071</b>
<b>Non-current liabilities</b>			
Retirement benefit obligations	9	(1,625)	(1,580)
Other financial liabilities		(866)	(858)
Borrowings		(8,706)	(9,051)
Provisions and other liabilities		(1,278)	(1,172)
Deferred tax liabilities		(4,182)	(3,998)
		<b>(16,657)</b>	<b>(16,659)</b>
<b>Net assets</b>		<b>17,527</b>	<b>16,645</b>
<b>Shareholders' equity</b>			
Called up share capital		10,202	10,202
Share premium reserve		1,251	1,251
Other reserves		(91)	(1,246)
Retained earnings		6,165	6,438
<b>Total shareholders' funds</b>	8	<b>17,527</b>	<b>16,885</b>

# Consolidated cash flow statement (unaudited)

half year ended 30 September 2008

		Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
<b>Cash flows from operating activities</b>				
Cash (used in) generated from operations	7	(892)	1,553	5,951
Tax paid		(162)	(40)	(105)
Interest received		32	37	112
Interest paid		(558)	(546)	(1,145)
Net cash (used in) generated from operating activities		(1,580)	1,004	4,813
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(101)	(173)	(255)
Proceeds from sale of property, plant and equipment		5	2	46
Proceeds from sale of business		—	1,050	1,011
Net cash (used in) generated from investing activities		(96)	879	802
<b>Cash flows from financing activities</b>				
Net proceeds from issue of new bank loans		—	7,613	7,773
Repayment of borrowings		(633)	(6,694)	(7,253)
Repayment of capital element of finance leases		—	(63)	(63)
Dividends paid to shareholders		—	—	—
Net cash (used in) generated from financing activities		(633)	856	457
Net (decrease) increase in cash and cash equivalents		(2,309)	2,739	6,072
Cash and bank overdrafts at beginning of period		1,659	(3,518)	(3,518)
Exchange gains (losses) on cash and bank overdrafts		79	(191)	(897)
<b>Cash and cash equivalents at end of the period</b>		<b>(571)</b>	<b>(970)</b>	<b>1,657</b>

# Consolidated reconciliation of net cash flow to movement in net debt (unaudited)

half year ended 30 September 2008

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,309)</b>	2,739	6,072
Decrease (increase) in debt and lease financing	<b>633</b>	(856)	(457)
Change in net debt from cash flows	<b>(1,676)</b>	1,883	5,615
Exchange adjustments	<b>(601)</b>	(267)	(1,332)
Movement in net debt in the period	<b>(2,277)</b>	1,616	4,283
Net debt at start of period	<b>(8,420)</b>	(12,703)	(12,703)
Net debt at end of period	<b>(10,697)</b>	(11,087)	(8,420)

# Notes to the interim accounts

half year ended 30 September 2008

## 1. Basis of preparation

The interim financial statements of Chapelthorpe plc for the half year ended 30 September 2008 are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The financial information has been prepared on the basis of the accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 March 2008.

IFRIC 14 "IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction" has been adopted from 1 April 2008. The affect of this has been to restrict the pension asset relating to the defined benefit scheme (see Note 8 and Note 9) and the net assets at 31 March 2008 have been restated accordingly. The effect of this change in accounting policy is to reduce net assets by £1,130,000 at 30 September 2008 (£1,138,000 at 31 March 2008). There is no effect on the income statement.

The comparative results for the year ended 31 March 2008 are abridged and as such do not represent statutory accounts. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditors' report was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The comparative figures in the Consolidated Income Statement have been restated to remove the Specialist Coatings operation which is now classified as a discontinued operation.

## 2. Segmental reporting

### Primary reporting format – business segments

Until 13 June 2007, the Group was organised on a worldwide basis into three business segments: Fibres, Specialist Coatings and Umbrella Frames. On 13 June 2007 the Umbrella Frames operation was sold and on 30 October 2008, the Group sold a 60% holding in the Specialist Coatings operation, leaving Fibres as the sole remaining business segment. The Fibres operation is organised into a European and a US segment.

Half year ended 30 September 2008	Continuing operations					Discontinued operations		
	European Fibres £000	US Fibres £000	Total Fibres £000	Un-allocated £000	Total £000	Umbrella Frames £000	Specialist Coatings £000	Total £000
Revenue	30,404	18,388	48,792	—	48,792	—	11,892	11,892
Operating profit (loss) before exceptional items	489	(99)	390	(295)	95	—	643	643
Exceptional items	—	—	—	(130)	(130)	—	(179)	(179)
Operating profit (loss)	489	(99)	390	(425)	(35)	—	464	464
Net financial expense	(206)	(247)	(453)	(280)	(733)	—	(159)	(159)
Profit (loss) before taxation	283	(346)	(63)	(705)	(768)	—	305	305
Taxation					183			(125)
(Loss) profit for the period					(585)			180

## 2. Segmental reporting continued

### Primary reporting format – business segments continued

Half year ended 30 September 2007	Continuing operations					Discontinued operations		
	European Fibres £000	US Fibres £000	Total Fibres £000	Un-allocated £000	Total £000	Umbrella Frames £000	Specialist Coatings £000	Total £000
Revenue	24,859	18,112	42,971	—	42,971	1,581	11,864	13,445
Operating profit (loss) before exceptional items	50	329	379	(343)	36	25	709	734
Exceptional items	(357)	—	(357)	(250)	(607)	64	—	64
Operating (loss) profit	(307)	329	22	(593)	(571)	89	709	798
Net financial expense	(201)	(202)	(403)	27	(376)	1	(269)	(268)
(Loss) profit before taxation	(508)	127	(381)	(566)	(947)	90	440	530
Taxation					35			(63)
(Loss) profit for the period					(912)			467
Year ended 31 March 2008								
Revenue	52,579	34,815	87,394	—	87,394	1,581	23,842	25,423
Operating profit (loss) before exceptional items	1,174	72	1,246	(894)	352	25	1,841	1,866
Exceptional items	(461)	(292)	(753)	(436)	(1,189)	(511)	—	(511)
Operating profit (loss)	713	(220)	493	(1,330)	(837)	(486)	1,841	1,355
Net financial expense	(437)	(393)	(830)	(64)	(894)	1	(498)	(497)
Profit (loss) before taxation	276	(613)	(337)	(1,394)	(1,731)	(485)	1,343	858
Taxation					241			220
(Loss) profit for the period					(1,490)			1,078

### Secondary reporting 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 revenue analysis in the table below is based on the location of the customer:

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Continuing operations			
Europe	26,605	21,857	46,545
North America	18,764	18,918	36,183
Australasia and Far East	3,169	1,931	4,140
Rest of the World	254	265	526
	48,792	42,971	87,394

# Notes to the interim accounts continued

half year ended 30 September 2008

## 2. Segmental reporting continued

Secondary reporting format – geographical segments continued

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Discontinued operations			
Europe	11,735	13,161	25,034
North America	—	55	54
Australasia and Far East	—	18	272
Rest of the World	157	211	63
	<b>11,892</b>	<b>13,445</b>	<b>25,423</b>

## 3. Exceptional items

During the period, the Group has incurred a number of exceptional costs. These costs represent the following items:

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Continuing operations			
Fibres restructuring	—	357	753
Head office restructuring	—	65	60
Cost associated with transfer to AIM	—	67	67
Costs associated with re-financing the Group	—	118	128
Strategic corporate and pension advice	130	—	181
Net costs relating to exceptional items	<b>130</b>	<b>607</b>	<b>1,189</b>

Exceptional items in relation to the discontinued operations are shown in Note 5.

## 4. Net financing costs

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Continuing operations			
<b>Interest payable</b>			
Bank loans, overdrafts and short term facilities	370	254	579
Preference share dividends	23	23	46
Finance leases	—	9	2
Other interest	42	36	91
	<b>435</b>	<b>322</b>	<b>718</b>
<b>Interest receivable</b>			
Bank and other deposits	(31)	(29)	(75)
Other interest	(1)	(7)	(37)
	<b>(32)</b>	<b>(36)</b>	<b>(112)</b>
Net borrowing costs	<b>403</b>	<b>286</b>	<b>606</b>
Interest on pension scheme liabilities	<b>330</b>	<b>90</b>	<b>288</b>
<b>Net financing costs</b>	<b>733</b>	<b>376</b>	<b>894</b>
Interest payable	435	322	718
Interest payable on pension scheme liabilities	330	90	288
Total financial expense	<b>765</b>	<b>412</b>	<b>1,006</b>
Interest receivable	<b>(32)</b>	<b>(36)</b>	<b>(112)</b>
<b>Net financing costs</b>	<b>733</b>	<b>376</b>	<b>894</b>

## 5. Discontinued operations

On 30 October 2008, 60% of the share capital of Speciality Coatings (Darwen) Limited was sold for £1,600,000. In addition, Speciality Coatings (Darwen) Limited repaid £4,000,000 of inter-company borrowings at completion. The Group has provided a guarantee of up to £1.5m in respect of Speciality Coatings (Darwen) Limited borrowings. This guarantee can only be called upon in certain limited circumstances and will reduce on a quarterly basis in amounts of £250,000 over the period ending 1 January 2010.

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

As a result, the Specialist Coatings and the Umbrella Frames operations, in accordance with IFRS 5, have been accounted for as discontinued operations.

Financial information relating to these discontinued operations is set out below. Further information is also provided in Note 2, Segmental reporting, as Speciality Coatings (Darwen) Limited and Hoyland Fox Limited are treated as separate business segments.

### (i) Result

The results of the discontinued operations which have been included in the Consolidated Income Statement are as follows:

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Revenue	11,892	13,445	25,423
Cost of sales	(10,395)	(11,557)	(21,537)
<b>Gross profit</b>	<b>1,497</b>	1,888	3,886
Operating expense	(1,033)	(1,090)	(2,531)
<b>Operating profit</b>			
Operating profit before exceptional items	643	734	1,866
Exceptional items (see Note 5 (ii) on page 12)	(179)	64	(511)
<b>Operating profit</b>	<b>464</b>	798	1,355
Net financing costs	(159)	(268)	(497)
<b>Profit before taxation</b>	<b>305</b>	530	858
Taxation	(125)	(63)	220
<b>Profit for the period from discontinued operations</b>	<b>180</b>	467	1,078

The discontinued results for the half year ended 30 September 2008 relate only to the Specialist Coatings operation. The discontinued result for the half year ended 30 September 2007 and the year ended 31 March 2008 include both the Umbrella Frames and Specialist Coatings operations. The split between these is shown in Note 2 to the accounts.

The cost of sales relating to the Umbrella Frames operation is £1,293,000 in both the half year ended 30 September 2007 and the year ended 31 March 2008.

# Notes to the interim accounts continued

half year ended 30 September 2008

## 5. Discontinued operations continued

### (ii) Exceptional items

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Costs incurred in connection with ongoing sale of Specialist Coatings business and assets	179	—	—
Release of excess provisions in respect of costs incurred in connection with ongoing sale of Umbrella Frames business and assets	—	(55)	(55)
Provision for Umbrella Frames onerous lease	—	—	575
Adjustment to impairment of Umbrella Frames assets to fair value	—	(9)	(9)
	<b>179</b>	<b>(64)</b>	<b>511</b>

### (iii) Cash flows from discontinued operations

Net cash flows from operating activities	(896)	809	3,094
Net cash flows from investing activities	(26)	(63)	(32)
Net cash flows from financing activities	(25)	243	217
Net (decrease) increase in cash and cash equivalents	<b>(947)</b>	<b>989</b>	<b>3,279</b>

Net cash flows from operating activities include £166,000 cash outflow for the half year ended 30 September 2007 and the year ended 31 March 2008 in respect of Umbrella Frames.

### (iv) Carrying value of assets and liabilities

The carrying value of the major classes of assets and liabilities of the discontinued Specialist Coatings operation at 30 September 2008:

	Fair value of assets at 30 September 2008 £000
Deferred tax assets	233
Property, plant and equipment	1,536
Non-current assets	<b>1,769</b>
Inventories	1,107
Trade and other receivables	5,619
Cash at bank and in hand	1,816
Assets classified as held for sale	<b>10,311</b>
Trade and other payables (including inter-company amounts of £4,418,000)	(8,678)
Current tax liabilities	(129)
Borrowings due within one year	(51)
Borrowings due after one year	(141)
Liabilities directly associated with assets classified as held for sale	<b>(8,999)</b>
Net assets	<b>1,312</b>

## 6. Earnings per share

### Continuing and discontinued operations

	Basic and diluted loss per share			Basic and diluted earnings (loss) before exceptionals per share		
	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Loss for the period	(405)	(445)	(412)	(405)	(445)	(412)
Exceptional items	—	—	—	309	543	1,700
Tax effect of exceptional items	—	—	—	(36)	—	(103)
(Loss) earnings attributable to ordinary shareholders	(405)	(445)	(412)	(132)	98	1,185
Weighted average number of ordinary shares in issue during the period *	20,157	20,126	20,120	20,157	20,126	20,120
Basic and diluted (loss) earnings per ordinary share	(2.01)p	(2.21)p	(2.05)p	(0.65)p	0.49p	5.89p

\* excluding shares held by the Chapelthorpe plc 1996 Employee Benefit Trust.

The effect of the exceptional items on the earnings per share for the current period is a loss of 1.36p (loss of 2.7p: half year ended 30 September 2007; loss of 7.94p: year ended 31 March 2008).

### Continuing operations

	Basic and diluted loss per share			Basic and diluted loss before exceptionals per share		
	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Loss for the period	(585)	(912)	(1,490)	(585)	(912)	(1,490)
Exceptional items	—	—	—	130	607	1,189
Tax effect of exceptional items	—	—	—	(36)	—	(103)
Loss attributable to ordinary shareholders	(585)	(912)	(1,490)	(491)	(305)	(404)
Weighted average number of ordinary shares in issue during the period *	20,157	20,126	20,120	20,157	20,126	20,120
Basic and diluted loss per ordinary share	(2.90)p	(4.53)p	(7.41)p	(2.44)p	(1.52)p	(2.01)p

\* excluding shares held by the Chapelthorpe plc 1996 Employee Benefit Trust.

The effect of the exceptional items on the earnings per share for the current period is a loss of 0.46p (loss of 3.01p: half year ended 30 September 2007; loss of 5.4p: year ended 31 March 2008).

# Notes to the interim accounts continued

half year ended 30 September 2008

## 7. Cash (used in) generated from operations

	Half year 30 September 2008	Half year 30 September 2007 (as restated)	Year 31 March 2008 (as restated)
	£000	£000	£000
<b>Continuing operations:</b>			
Operating loss	(35)	(571)	(837)
Depreciation	1,352	1,365	2,702
Charge in respect of employee share scheme	10	49	41
Profit on disposal of fixed assets	(5)	(2)	(4)
Working capital:			
– (increase) decrease in inventories	(463)	1,080	1,954
– decrease in debtors	252	2,359	1,197
– (decrease) in creditors	(963)	(2,247)	(716)
(Decrease) in provisions	—	(10)	—
(Decrease) in retirement benefit obligations	(148)	(187)	(639)
	—	1,836	3,698
Exceptional items:			
– Fibres restructuring			
– amount recognised in period	—	357	753
– amount paid in period	(127)	(553)	(575)
– Head Office restructuring			
– amount recognised in period	—	65	60
– amount paid in period	(36)	(288)	(425)
– costs associated with transfer to AIM			
– amount recognised in period	—	67	67
– amount paid in period	—	(2)	(57)
– provision for onerous lease costs	(8)	(194)	(448)
– provision for environmental liabilities	—	(5)	—
– costs associated with re-financing of Group			
– amount recognised in period	—	118	128
– amount paid in period	—	(925)	(935)
– strategic advice			
– amount recognised in period	130	—	181
– amount paid in period	(114)	—	(87)
Cash (used in) generated from continuing operations	(155)	476	2,360
<b>Discontinued operations:</b>			
Operating profit	464	798	1,355
Depreciation	196	255	447
Working capital:			
– decrease (increase) in inventories	448	(288)	(241)
– (increase) decrease in debtors	(775)	(53)	1,660
– increase (decrease) in creditors	(1,088)	1,035	538
	(755)	1,747	3,759
Exceptional items:			
– Specialist Coatings restructuring			
– amount paid in period	(29)	(259)	(332)
– costs incurred in connection with ongoing sale of Specialist Coatings business and assets			
– amount recognised in period	179	—	—
– amount paid in period	(48)	—	—
– Umbrella Frames restructuring			
– amount paid in period	—	(232)	(232)
– costs incurred in connection with ongoing sale of Umbrella Frames business and assets			
– amount recognised in period	—	(55)	(55)
– amount paid in period	—	(115)	(115)
– provision for onerous lease costs	—	—	575
– amount paid in period	(84)	—	—
– impairment of Umbrella Frames assets			
– amount recognised in period	—	(9)	(9)
Cash (used in) generated from discontinued operations	(737)	1,077	3,591
<b>Cash (used in) generated from operations</b>	<b>(892)</b>	<b>1,553</b>	<b>5,951</b>

## 8. Consolidated statement of changes in shareholders' equity (unaudited)

	Share capital £000	Share premium reserve £000	Cash flow hedging reserve £000	Foreign currency translation reserve £000	Capital redemption reserve £000	Retained earnings (as restated) £000	Total (as restated) £000
Balance at 1 April 2007	10,202	1,251	44	(1,197)	487	4,088	14,875
Loss for the period	—	—	—	—	—	(445)	(445)
Currency translation adjustments	—	—	—	(446)	—	—	(446)
Employee share schemes	—	—	—	—	—	49	49
Actuarial gains on pension scheme	—	—	—	—	—	2,746	2,746
Hedging reserve transfers	—	—	(134)	—	—	—	(134)
<b>Balance at 30 September 2007</b>	<b>10,202</b>	<b>1,251</b>	<b>(90)</b>	<b>(1,643)</b>	<b>487</b>	<b>6,438</b>	<b>16,645</b>
Balance at 1 April 2007	10,202	1,251	44	(1,197)	487	4,088	14,875
Loss for the period	—	—	—	—	—	(412)	(412)
Currency translation adjustments	—	—	—	60	—	—	60
Employee share schemes	—	—	—	—	—	41	41
Actuarial gains on pension scheme	—	—	—	—	—	4,186	4,186
Deferred tax on pension surplus	—	—	—	—	—	(443)	(443)
Hedging reserve transfers	—	—	(284)	—	—	—	(284)
<b>Balance at 31 March 2008</b>	<b>10,202</b>	<b>1,251</b>	<b>(240)</b>	<b>(1,137)</b>	<b>487</b>	<b>7,460</b>	<b>18,023</b>
Adjustment in respect of restriction of retirement benefit asset	—	—	—	—	—	(1,138)	(1,138)
Balance at 1 April 2008	10,202	1,251	(240)	(1,137)	487	6,322	16,885
Loss for the period	—	—	—	—	—	(405)	(405)
Currency translation adjustments	—	—	—	713	—	—	713
Employee share schemes	—	—	—	—	—	10	10
Actuarial gains on pension scheme	—	—	—	—	—	230	230
Movement in restriction of retirement benefit assets	—	—	—	—	—	8	8
Hedging reserve transfers	—	—	86	—	—	—	86
<b>Balance at 30 September 2008</b>	<b>10,202</b>	<b>1,251</b>	<b>(154)</b>	<b>(424)</b>	<b>487</b>	<b>6,165</b>	<b>17,527</b>

# Notes to the interim accounts continued

half year ended 30 September 2008

## 9. Retirement benefits

The Group operates a number of pension schemes. The major scheme is in the UK and is of the defined benefit type. With effect from 5 September 2008 this scheme was closed to future accrual.

In addition, in Austria there are leaving indemnities which represent a defined benefit on retirement.

All other pension schemes which are operated by the Group are of a defined contribution type.

The last full actuarial valuation of the UK defined benefit scheme was carried out by a qualified independent actuary at 5 April 2007 and this has been updated to 30 September 2008.

The amounts recognised in the Consolidated Income Statement for the UK defined benefit scheme are analysed as follows:

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Current service cost	(60)	(130)	(176)
Interest on pension scheme liabilities	(1,470)	(1,360)	(2,715)
Expected return on pension scheme assets	1,140	1,270	2,517
Curtailement gains	—	100	100
	<b>(390)</b>	<b>(120)</b>	<b>(274)</b>

The net of "interest on pension scheme liabilities" and "expected return on pension scheme assets" above has been included within "interest on pension scheme liabilities" in net financing costs. All other amounts are included in operating expenses.

The amount of actuarial gains recognised in the Statement of Recognised Income and Expenses in respect of the UK scheme is £230,000 (£2,746,000: half year ended 30 September 2007; £4,186,000: year ended 31 March 2008).

The net assets recognised in the Consolidated Balance Sheet in respect of the UK scheme are as follows:

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
UK Scheme – surplus	1,573	—	1,581
– restriction of surplus	(1,573)	—	(1,581)
Net asset on Consolidated Balance Sheet	—	—	—

IFRIC 14 has been adopted from 1 April 2008 and as a result the surplus on the UK defined benefit scheme has been restricted to £Nil (£Nil: year ended 31 March 2008).

The net liabilities recognised in the balance sheet in respect of retirement benefit obligations are analysed as follows:

	Half year 30 September 2008 £000	Half year 30 September 2007 £000	Year 31 March 2008 £000
Asota leaving indemnities	(1,625)	(1,580)	(1,708)
Net liability on Consolidated Balance Sheet	<b>(1,625)</b>	<b>(1,580)</b>	<b>(1,708)</b>

## 10. Post balance sheet events

On 30 October 2008 the Group sold a 60% holding in Speciality Coatings (Darwen) Ltd for £1,600,000 (see Note 5).

# Corporate information

## Registered office

Chapelthorpe plc  
Old Mills  
Drighlington  
Bradford BD11 1BY

## Registered number

468624

## Directors

Leslie Goodman\*  
Chairman

Andy Weatherstone  
Finance Director

Ian Powell  
Chief Executive

Brian Leckie \*  
Non-executive Director

\* Member of Remuneration and Audit Committees.

## Auditors

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## Nominated adviser and broker

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