



CHAPELTHORPE  
plc

Interim Report 2009

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# Corporate Statement

**Chapelthorpe plc** operates within the **fibres sector**.

The Group supplies polypropylene fibre to the floorcoverings, automotive, technical textiles, geotextiles and home furnishings markets.

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

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# Highlights

- Pre-exceptional operating profits increased to £0.4m (2008: £0.1m).
- 12% volume decline mainly in automotive and needlepunch staple fibre.
- Sound performances in technical fibre and filament yarn.
- Revenues fell by 18% to £39.9m (2008: £48.8m) reflecting lower volumes and lower raw material costs.
- Net debt reduced to £3.2m (31 March 2009: £6.7m) assisted by working capital reductions and translation gains.
- IAS 19 UK pension deficit increased to £8.8m from £2.2m with a commensurate reduction in Group net assets. This is mainly as a result of falling corporate bond rates.

# Chairman's Statement

I am pleased to report that our businesses have performed satisfactorily in the first six months of the year, despite a challenging trading environment.

The steps taken in the period leading up to the general economic slowdown have contributed significantly to the resilience the businesses are now showing. We continue to keep a strong focus on operational costs and on ensuring the businesses can react swiftly to changing conditions.

Sales from continuing operations were £39.9m (2008: £48.8m) generating a pre-exceptional profit of £0.4m, compared to £0.1m for the corresponding period last year. After exceptional items an operating profit of £0.55m resulted (2008: loss of £0.04m).

Pre-exceptional earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period were £2.0m, an increase of £0.55m compared to £1.45m for the same period last year.

## US FIBRES

Sales for the period were £15.2m (2008: £18.4m) generating a pre-exceptional operating loss of £0.05m compared to a loss of £0.1m in the previous year. EBITDA for the period was £1.1m compared to £0.8m in the previous period.

The US operation has continued to suffer from reduced demand from two of its primary market sectors, automotive and needlepunch and, as a consequence, staple volumes have fallen by 25% compared to the same period last year. The US operation received some short-term benefit from the US car scrappage programme which boosted car sales over the summer. We have downsized the staple operation to reflect current conditions.

The filament yarn sector, which has better margins than staple, continues to perform well with filament volumes well ahead of the same period last year. Further opportunities exist in this sector and we are investing in additional capacity to support our customers' requirements.

## EUROPEAN FIBRES

Sales for the period were £24.7m (2008: £30.4m) generating a pre-exceptional operating profit of £0.7m compared to a profit of £0.5m in the previous year. EBITDA for the period was £1.2m compared to £0.9m in the previous period.

Sales volumes have fallen by 9% reflecting a general fall in demand across most high volume end markets. However we have been able to increase margins as a result of improved mix and lower raw material prices. In the UK the weakness of Sterling continues to hamper our Continental competitors. However our Austrian business has had to cope with strong competition in Europe and has not been sheltered by the impact of Sterling's weakness.

## RAW MATERIAL PRICES

All operations in the first quarter benefited from a period of relatively low and stable raw material prices. However prices in both the US and Europe rose over the summer and into the autumn, driven in part by reduced output from the polymer suppliers so that prices in October 2009 were approximately 40% higher than the low in February 2009.

We have been doing all we can to maintain our margins but the impact of this price volatility on our margins and volumes in the second half remains to be seen.

## JOINT VENTURE

Specialist Coatings, of which we own 40%, has performed satisfactorily in the first six months and, after a slow first quarter when market demand for wallcoverings was subdued, sales picked up well. Overall, Specialist Coatings contributed £43,000 to profits in the first six months of the year.

A new plastisol mixing plant has been installed in Kaliningrad, Russia and this is expected to be fully operational shortly, serving the Eastern European markets. Work has also commenced in the construction of a larger vinyl base coating operation.

## **ONEROUS LEASES**

We were able to renegotiate the terms of a leasehold property taken on a number of years ago, resulting in a release of £0.3m of provisions previously established and leaving a reduced cost of exit of £0.9m. However, given the current difficulties in the commercial property market, we have increased provisions against another vacant property by £0.15m.

## **BORROWINGS**

At 30 September 2009 our net borrowings were £3.2m compared to £6.7m at 31 March 2009.

Our average borrowings for the first six months were £5.5m which compares to £14.6m for the same period last year.

The reduction in net debt is largely due to the sale of Specialist Coatings and also to falls in working capital which reflect the impact of lower raw material prices and lower activity levels. In addition, translation adjustments on US borrowings have had a positive overall impact.

Financing costs for the period were £1.0m (2008: £0.7m). The increase is due to an £0.3m increase in interest on pension scheme liabilities reflecting the fall in corporate bond yields which dictate the discount rate used to determine the value of the scheme's liabilities. On the other hand, we are receiving poor rates of interest on our Sterling cash due to the low prevailing UK interest rates.

## **DIVIDENDS**

The Directors do not recommend the payment of an interim dividend (2008: £Nil).

## **PENSIONS**

The IAS 19 valuation of our UK defined benefit scheme has resulted in a deficit of £8.8m, a £6.6m increase from the deficit of £2.2m at 31 March 2009, causing a commensurate reduction in the Group's net assets. This deterioration is principally due to the reduction in the discount rate used to determine the value of the scheme's liabilities. The discount rate is derived from "AA" corporate bond yields which have fallen reflecting the recovery in bond prices since the financial turmoil of 2008.

The size of the deficit and the amount of increase are of concern to us. We continue to discuss with the Trustees ways in which it may be possible to ameliorate the otherwise wholly negative impact of the pension legacy on our business in terms of costs, the ongoing and increasing liabilities and the substantial drain on management time.

## **STRATEGY AND OUTLOOK**

The Group has made progress in the first half in improving operating returns and continuing to reduce debt. This has allowed us to invest to support organic growth and we continue to focus on improving efficiency and margins. With current volatilities impacting the trading environment it is still too early to forecast how the second half will turn out but with our improved financial position we are well placed to examine new opportunities to develop the businesses further.

## **Leslie Goodman**

Chairman

24 November 2009

# Consolidated Income Statement (Unaudited)

half year ended 30 September 2009

		Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
Continuing operations				
Revenue	2	39,929	48,792	86,214
Cost of sales		(34,649)	(44,148)	(77,464)
Gross profit		5,280	4,644	8,750
Operating expenses		(4,729)	(4,679)	(10,477)
<b>Operating profit (loss)</b>				
Operating profit (loss) before exceptional items		387	95	(124)
Exceptional items	3	164	(130)	(1,603)
<b>Operating profit (loss)</b>	2	551	(35)	(1,727)
Financial expenses		(1,015)	(765)	(1,772)
Financial income		30	32	241
Net financing costs	4	(985)	(733)	(1,531)
Share of profit (loss) of joint venture		43	—	(70)
<b>Loss before taxation</b>		(391)	(768)	(3,328)
Taxation		(135)	183	582
<b>Loss for the period from continuing operations</b>		(526)	(585)	(2,746)
Profit from discontinued operations	5	—	180	731
<b>Loss for the period attributable to equity shareholders</b>		(526)	(405)	(2,015)
Loss per share				
Basic and diluted	7	(2.63)p	(2.01)p	(9.99)p

# Statement of Comprehensive Income (Unaudited)

half year ended 30 September 2009

		Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
Actuarial (losses) gains on defined benefit pension schemes		(6,060)	230	(1,819)
Movement in share of joint venture defined benefit pension deficit		(699)	—	—
Movement in restriction of retirement benefit asset		—	8	—
Exchange differences on translation of foreign operations		(882)	713	2,842
Gains (losses) in fair value of hedging derivatives		95	86	(78)
<b>Other comprehensive (expense) income for the period</b>		(7,546)	1,037	945
Loss for the period		(526)	(405)	(2,015)
<b>Total comprehensive (expense) income for the period (attributable to equity shareholders)</b>		(8,072)	632	(1,070)

# Consolidated Statement of Financial Position (Unaudited)

half year ended 30 September 2009

	30 September 2009 Notes	30 September 2008 £000	31 March 2009 £000
<b>Non-current assets</b>			
Property, plant and equipment	<b>21,373</b>	21,521	24,358
Investments – joint ventures	6	—	656
Other non-current assets	<b>661</b>	568	668
	<b>22,034</b>	22,089	25,682
<b>Current assets</b>			
Inventories	<b>6,061</b>	7,845	6,949
Trade and other receivables	<b>12,731</b>	19,028	11,975
Current tax assets	—	—	357
Other financial assets	—	12	1
Cash and cash equivalents	<b>12,151</b>	4,197	10,611
	<b>30,943</b>	31,082	29,893
Assets classified as held for sale	—	10,311	—
	<b>30,943</b>	41,393	29,893
<b>Current liabilities</b>			
Trade and other payables	<b>(11,400)</b>	(12,118)	(9,674)
Current tax liabilities	<b>(248)</b>	(268)	(294)
Other financial liabilities	<b>(256)</b>	(101)	(295)
Borrowings and bank overdrafts	<b>(7,140)</b>	(7,812)	(7,056)
Liabilities directly associated with assets classified as held for sale	—	(8,999)	—
	<b>(19,044)</b>	(29,298)	(17,319)
<b>Net current assets</b>	<b>11,899</b>	12,095	12,574
<b>Non-current liabilities</b>			
Retirement benefit obligations	9	<b>(10,722)</b>	(1,625)
Other financial liabilities		<b>(800)</b>	(866)
Borrowings		<b>(8,260)</b>	(8,706)
Provisions and other liabilities		<b>(2,179)</b>	(1,278)
Deferred tax liabilities		<b>(4,256)</b>	(4,182)
		<b>(26,217)</b>	(16,657)
<b>Net assets</b>	<b>7,716</b>	17,527	15,825
<b>Shareholders' equity</b>			
Called up share capital	<b>10,202</b>	10,202	10,202
Share premium reserve	<b>1,251</b>	1,251	1,251
Other reserves	<b>1,118</b>	(91)	1,874
Retained earnings	<b>(4,855)</b>	6,165	2,498
<b>Total shareholders' funds</b>	<b>7,716</b>	17,527	15,825

# Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

half year ended 30 September 2009

	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 2008	10,202	1,251	(240)	(1,137)	487	6,322	16,885
Loss for the period	—	—	—	—	—	(405)	(405)
<b>Other comprehensive income:</b>							
Currency translation adjustments	—	—	—	713	—	—	713
Actuarial gains on pension scheme	—	—	—	—	—	230	230
Movement in restriction of retirement benefit assets	—	—	—	—	—	8	8
Increase in fair value of hedging derivatives	—	—	86	—	—	—	86
<b>Total comprehensive income for the period ended 30 September 2008</b>	<b>10,202</b>	<b>1,251</b>	<b>(154)</b>	<b>(424)</b>	<b>487</b>	<b>6,155</b>	<b>17,517</b>
<b>Transactions with owners:</b>							
Share options – value of employee services	—	—	—	—	—	10	10
<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>
Balance at 1 April 2008	10,202	1,251	(240)	(1,137)	487	6,322	16,885
Loss for the period	—	—	—	—	—	(2,015)	(2,015)
<b>Other comprehensive income:</b>							
Currency translation adjustments	—	—	—	2,842	—	—	2,842
Actuarial losses on pension scheme	—	—	—	—	—	(1,819)	(1,819)
Decrease in fair value of hedging derivatives	—	—	(78)	—	—	—	(78)
<b>Total comprehensive income for the period ended 31 March 2009</b>	<b>10,202</b>	<b>1,251</b>	<b>(318)</b>	<b>1,705</b>	<b>487</b>	<b>2,488</b>	<b>15,815</b>
<b>Transactions with owners:</b>							
Share options – value of employee services	—	—	—	—	—	10	10
<b>Balance at 31 March 2009</b>	<b>10,202</b>	<b>1,251</b>	<b>(318)</b>	<b>1,705</b>	<b>487</b>	<b>2,498</b>	<b>15,825</b>
Balance at 1 April 2009	10,202	1,251	(318)	1,705	487	2,498	15,825
Loss for the period	—	—	—	—	—	(526)	(526)
<b>Other comprehensive income:</b>							
Currency translation adjustments	—	—	31	(882)	—	—	(851)
Actuarial losses on pension scheme	—	—	—	—	—	(6,060)	(6,060)
Movement in share of joint venture defined benefit pension deficit	—	—	—	—	—	(699)	(699)
Increase in fair value of hedging derivatives	—	—	95	—	—	—	95
<b>Total comprehensive income for the period ended 30 September 2009</b>	<b>10,202</b>	<b>1,251</b>	<b>(192)</b>	<b>823</b>	<b>487</b>	<b>(4,787)</b>	<b>7,784</b>
<b>Transactions with owners:</b>							
Share options – value of employee services	—	—	—	—	—	10	10
– purchase of shares	—	—	—	—	—	(78)	(78)
<b>Balance at 30 September 2009</b>	<b>10,202</b>	<b>1,251</b>	<b>(192)</b>	<b>823</b>	<b>487</b>	<b>(4,855)</b>	<b>7,716</b>

# Consolidated Statement of Cash Flows (Unaudited)

half year ended 30 September 2009

		Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
<b>Cash flows from operating activities</b>				
Cash generated from (used in) operations	8	3,497	(892)	1,313
Tax paid		(94)	(162)	(205)
Interest received		30	32	91
Interest paid		(347)	(558)	(1,037)
Net cash generated from (used in) operating activities		3,086	(1,580)	162
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(501)	(101)	(241)
Proceeds from sale of property, plant and equipment		7	5	5
Proceeds from sale of business		—	—	5,199
Net cash (used in) generated from investing activities		(494)	(96)	4,963
<b>Cash flows from financing activities</b>				
Net proceeds from issue of new bank loans		—	—	439
Repayment of borrowings		(1,100)	(633)	(1,422)
Purchase of own shares by employee benefit trust		(78)	—	—
Net cash used in financing activities		(1,178)	(633)	(983)
Net increase (decrease) in cash and cash equivalents		1,414	(2,309)	4,142
Cash and bank overdrafts at beginning of the period		4,957	1,659	1,657
Exchange gains (losses) on cash and bank overdrafts		36	79	(842)
Cash and cash equivalents at end of the period		6,407	(571)	4,957

# Consolidated Reconciliation of Net Cash Flow to Movement in Net Debt (Unaudited)

half year ended 30 September 2009

		Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
Net increase (decrease) in cash and cash equivalents		1,414	(2,309)	4,142
Decrease in debt and lease financing		1,100	633	1,111
Change in net debt from cash flows		2,514	(1,676)	5,253
Exchange adjustments		931	(601)	(3,527)
Movement in net debt in the period		3,445	(2,277)	1,726
Net debt at start of period		(6,694)	(8,420)	(8,420)
Net debt at end of period		(3,249)	(10,697)	(6,694)

# Notes to the Interim Accounts

half year ended 30 September 2009

## 1. BASIS OF PREPARATION

The interim financial statements of Chapelthorpe plc for the half year ended 30 September 2009 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 2009 which is available on the Company's website at [www.chapelthorpe.com](http://www.chapelthorpe.com).

The comparative results for the year ended 31 March 2009 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 Independent Auditors' Report was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The following new standards, and amendments to standards, are mandatory for the first time for the financial year beginning 1 April 2009 and have been adopted during the period:

IAS 1 (revised) "Presentation of Financial Statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can decide whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to present two statements and these interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8 "Operating Segments". IFRS 8 replaces IAS 14 "Segment Reporting" and requires a "management approach" under which segmental information is presented on the same basis as that used for internal reporting purposes. As a result, EBITDA has now been included in the segmental disclosure.

## 2. SEGMENTAL REPORTING

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 2009	Continuing operations				Total £000	Discontinued operations Specialist Coatings £000
	European Fibres £000	US Fibres £000	Total Fibres £000	Un-allocated £000		
Revenue	24,730	15,199	39,929	—	39,929	—
EBITDA*	1,176	1,099	2,275	(275)	2,000	—
Operating profit (loss) before exceptional items	711	(49)	662	(275)	387	—
Exceptional items	—	—	—	164	164	—
Operating profit (loss)	711	(49)	662	(111)	551	—
Net financial expense	32	(131)	(99)	(886)	(985)	—
Share of joint venture profits	—	—	—	43	43	—
Profit (loss) before taxation	743	(180)	563	(954)	(391)	—
Taxation	—	—	—	—	(135)	—
Loss for the period	—	—	—	—	(526)	—

\* EBITDA is pre-exceptional earnings before interest, tax, depreciation and amortisation.

## 2. SEGMENTAL REPORTING CONTINUED

Half year ended 30 September 2008	Continuing operations					Discontinued operations
	European Fibres £000	US Fibres £000	Total Fibres £000	Un-allocated £000	Total £000	Specialist Coatings £000
Revenue	30,404	18,388	48,792	—	48,792	11,892
EBITDA*	926	816	1,742	(295)	1,447	839
Operating profit (loss) before exceptional items	489	(99)	390	(295)	95	643
Exceptional items	—	—	—	(130)	(130)	(179)
Operating profit (loss)	489	(99)	390	(425)	(35)	464
Net financial expense	(206)	(247)	(453)	(280)	(733)	(159)
Profit (loss) before taxation	283	(346)	(63)	(705)	(768)	305
Taxation					183	(125)
(Loss) profit for the period					(585)	180

Year ended 31 March 2009	Continuing operations					Discontinued operations
	European Fibres £000	US Fibres £000	Total Fibres £000	Un-allocated £000	Total £000	Specialist Coatings £000
Revenue	53,720	32,494	86,214	—	86,214	13,919
EBITDA*	2,061	1,412	3,473	(632)	2,841	1,069
Operating profit (loss) before exceptional items	1,160	(652)	508	(632)	(124)	837
Exceptional items	(217)	—	(217)	(1,386)	(1,603)	—
Operating profit (loss)	943	(652)	291	(2,018)	(1,727)	837
Net financial expense	(310)	(490)	(800)	(731)	(1,531)	(160)
Share of joint venture losses	—	—	—	(70)	(70)	—
Profit (loss) before taxation	633	(1,142)	(509)	(2,819)	(3,328)	677
Taxation					582	(160)
Group profit on sale of discontinued operations					—	214
(Loss) profit for the period					(2,746)	731

\* EBITDA is pre-exceptional earnings before interest, tax, depreciation and amortisation.

# Notes to the Interim Accounts continued

half year ended 30 September 2009

## 2. SEGMENTAL REPORTING CONTINUED

The Group operations are based in two main geographical regions being Europe and North America. The UK is the home of the Parent Company.

The revenue analysis in the table below is based on the location of the customer:

	<b>Half year 30 September 2009 £000</b>	Half year 30 September 2008 £000	Year 31 March 2009 £000
Continuing operations			
Europe	<b>22,506</b>	26,605	47,200
North America	<b>15,428</b>	18,764	33,263
Australasia and Far East	<b>1,787</b>	3,169	4,768
Rest of the World	<b>208</b>	254	983
	<b>39,929</b>	48,792	86,214
Discontinued operations			
Europe	—	11,735	13,713
North America	—	—	—
Australasia and Far East	—	—	206
Rest of the World	—	157	—
	—	11,892	13,919

## 3. EXCEPTIONAL ITEMS

During the period, the Group has incurred a number of exceptional items, analysed as follows:

	<b>Half year 30 September 2009 £000</b>	Half year 30 September 2008 £000	Year 31 March 2009 £000
Continuing operations			
Fibres restructuring	—	—	217
Head office restructuring	—	—	124
Provision for onerous leases	<b>(164)</b>	—	1,150
Strategic corporate and pension advice	—	130	112
Net (credit) charge relating to exceptional items	<b>(164)</b>	130	1,603

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

#### 4. NET FINANCING COSTS

	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
Continuing operations			
<b>Interest payable</b>			
Bank loans, overdrafts and short-term facilities	313	370	1,014
Preference share dividends	23	23	46
Finance leases	—	—	—
Other interest	59	42	95
	<b>395</b>	435	1,155
<b>Interest receivable</b>			
Bank and other deposits	(30)	(31)	(80)
Interest receivable from discontinued operations	—	—	(158)
Other interest	—	(1)	(3)
	<b>(30)</b>	(32)	(241)
Net borrowing costs	365	403	914
Interest on pension scheme liabilities	620	330	617
<b>Net financing costs</b>	<b>985</b>	733	1,531
Interest payable	395	435	1,155
Interest payable on pension scheme liabilities	620	330	617
Total financial expense	1,015	765	1,772
Interest receivable	(30)	(32)	(241)
<b>Net financing costs</b>	<b>985</b>	733	1,531

#### 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 £1,500,000 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.

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 overleaf.

# Notes to the Interim Accounts continued

half year ended 30 September 2009

## 5. DISCONTINUED OPERATIONS CONTINUED

### (i) Result

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

	<b>Half year 30 September 2009 £000</b>	Half year 30 September 2008 £000	Year 31 March 2009 £000
Revenue	—	11,892	13,919
Cost of sales	—	(10,395)	(12,087)
<b>Gross profit</b>	<b>—</b>	<b>1,497</b>	<b>1,832</b>
Operating expense	—	(1,033)	(995)
<b>Operating profit</b>	<b>—</b>	<b>464</b>	<b>837</b>
Operating profit before exceptional items	—	643	837
Exceptional items (see Note 5(ii))	—	(179)	—
<b>Operating profit</b>	<b>—</b>	<b>464</b>	<b>837</b>
Net financing costs	—	(159)	(160)
<b>Profit before taxation</b>	<b>—</b>	<b>305</b>	<b>677</b>
Taxation	—	(125)	(160)
<b>Profit for the period</b>	<b>—</b>	<b>180</b>	<b>517</b>
<b>Group profit on sale of discontinued operations</b>	<b>—</b>	<b>—</b>	<b>214</b>
<b>Profit for the period from discontinued operations</b>	<b>—</b>	<b>180</b>	<b>731</b>

The discontinued results relate only to the Specialist Coatings operation.

### (ii) Exceptional items

	<b>Half year 30 September 2009 £000</b>	Half year 30 September 2008 £000	Year 31 March 2009 £000
Costs incurred in connection with ongoing sale of Specialist Coatings business and assets	—	179	—
	—	179	—

### (iii) Cash flows from discontinued operations

	<b>Half year 30 September 2009 £000</b>	Half year 30 September 2008 £000	Year 31 March 2009 £000
Net cash flows from operating activities	—	(896)	(2,280)
Net cash flows from investing activities	—	(26)	(4,026)
Net cash flows from financing activities	—	(25)	(38)
<b>Net decrease in cash and cash equivalents</b>	<b>—</b>	<b>(947)</b>	<b>(6,344)</b>

## 6. INVESTMENTS – JOINT VENTURES

	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
Opening balance	656	—	—
Additions	—	—	726
Share of retained profit (loss)	43	—	(70)
Movement in share of defined benefit pension deficit	(699)	—	—
Closing balance	—	—	656

The joint venture represents the Group's 40% remaining investment in Speciality Coatings (Darwen) Limited following the sale of a 60% stake on 30 October 2008.

## 7. EARNINGS PER SHARE

### Continuing and discontinued operations

	Basic and diluted loss per share			Basic and diluted loss before exceptionals per share		
	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
Loss for the period	(526)	(405)	(2,015)	(526)	(405)	(2,015)
Exceptional items	—	—	—	(164)	309	1,389
Tax effect of exceptional items	—	—	—	—	(36)	(27)
Loss attributable to ordinary shareholders	(526)	(405)	(2,015)	(690)	(132)	(653)
Weighted average number of ordinary shares in issue during the period*	19,985	20,157	20,172	19,985	20,157	20,172
Basic and diluted loss per ordinary share	(2.63)p	(2.01)p	(9.99)p	(3.45)p	(0.65)p	(3.24)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 profit of 0.82p (loss of 1.36p: half year ended 30 September 2008; loss of 6.75p: year ended 31 March 2009).

### Continuing operations

	Basic and diluted loss per share			Basic and diluted loss before exceptionals per share		
	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
Loss for the period	(526)	(585)	(2,746)	(526)	(585)	(2,746)
Exceptional items	—	—	—	(164)	130	1,603
Tax effect of exceptional items	—	—	—	—	(36)	(27)
Loss attributable to ordinary shareholders	(526)	(585)	(2,746)	(690)	(491)	(1,170)
Weighted average number of ordinary shares in issue during the period*	19,985	20,157	20,172	19,985	20,157	20,172
Basic and diluted loss per ordinary share	(2.63)p	(2.90)p	(13.61)p	(3.45)p	(2.44)p	(5.80)p

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

# Notes to the Interim Accounts continued

## half year ended 30 September 2009

### 7. EARNINGS PER SHARE CONTINUED

#### Continuing operations continued

The effect of the exceptional items on the earnings per share for the current period is a profit of 0.82p (loss of 0.46p: half year ended 30 September 2008; loss of 7.81p: year ended 31 March 2009).

### 8. CASH GENERATED FROM (USED IN) OPERATIONS

	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
<b>Continuing operations:</b>			
Operating profit (loss)	551	(35)	(1,727)
Depreciation	1,613	1,352	2,965
Charge in respect of employee share scheme	10	10	10
Profit on disposal of fixed assets	(1)	(5)	(5)
Working capital:			
– decrease (increase) in inventories	660	(463)	1,582
– (Increase) decrease in debtors	(1,202)	252	4,820
– increase (decrease) in creditors	2,589	(963)	(5,270)
Increase (decrease) in retirement benefit obligations	14	(148)	(368)
	<b>4,234</b>	—	2,007
<b>Exceptional items:</b>			
– Fibres restructuring			
		– amount recognised in period	217
	(94)	– amount paid in period	(132)
– head office restructuring		– amount recognised in period	124
	(128)	– amount paid in period	—
– provision for onerous lease costs		– amount (released) recognised in period	1,150
	(164)	– amount paid in period	(210)
– strategic advice		– amount recognised in period	112
	(10)	– amount paid in period	(112)
Cash generated from (used in) continuing operations	<b>3,497</b>	(155)	3,156
<b>Discontinued operations:</b>			
Operating profit	—	464	837
Depreciation	—	196	232
Working capital:			
– decrease in inventories	—	448	413
– increase in debtors	—	(775)	(1,546)
– decrease in creditors	—	(1,088)	(1,779)
	—	(755)	(1,843)
<b>Exceptional items:</b>			
– Specialist Coatings restructuring		– amount paid in period	—
– costs incurred in connection with ongoing sale of Specialist Coatings business and assets		– amount recognised in period	179
	—	– amount paid in period	(48)
– provision for onerous lease costs		– amount paid in period	(84)
	—		—
Cash used in discontinued operations	—	(737)	(1,843)
<b>Cash generated from (used in) operations</b>	<b>3,497</b>	<b>(892)</b>	<b>1,313</b>

## 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 2009.

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

	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
Current service cost	—	(60)	(81)
Interest on pension scheme liabilities	<b>(1,410)</b>	(1,470)	(2,929)
Expected return on pension scheme assets	<b>790</b>	1,140	2,412
Curtailment gains	—	—	—
	<b>(620)</b>	(390)	(598)

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 losses recognised in the Statement of Comprehensive Income in respect of the UK scheme is £6,060,000 (gain of £230,000: half year ended 30 September 2008; loss of £1,819,000: year ended 31 March 2009).

The net liability recognised in the Consolidated Statement of Financial Position in respect of the UK scheme is as follows:

	Half year 30 September 2009 £000	Half year 30 September 2008 £000	Year 31 March 2009 £000
UK scheme – (deficit) surplus	<b>(8,834)</b>	1,573	(2,214)
– restriction of surplus	—	(1,573)	—
Austrian scheme – leaving indemnity	<b>(1,888)</b>	(1,625)	(1,831)
Net liability on Consolidated Statement of Financial Position	<b>(10,722)</b>	(1,625)	(4,045)

Under the terms of the sale of the 60% stake in Speciality Coatings (Darwen) Limited (SCD), SCD was to remain a participating employer of the UK scheme and be obligated to contribute to the scheme’s funding and running expenses. Consequently, the UK scheme’s deficit recognises a discounted value of deficit contributions receivable from SCD of £1.8m, on the assumption that SCD continues to make contributions over a future ten year period.

# Notes to the Interim Accounts continued

half year ended 30 September 2009

## 9. RETIREMENT BENEFITS CONTINUED

### Principal actuarial assumptions

UK scheme

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

	Half year 30 September 2009	Half year 30 September 2008	Year 31 March 2009
Discount rate	<b>5.60%</b>	7.50%	7.15%
Expected return on assets	<b>4.80%</b>	5.55%	4.70%
Inflation rate	<b>3.20%</b>	3.75%	2.90%
Increases to deferred benefits during deferment	<b>3.20%</b>	3.75%	2.90%
Future pension increases	<b>3.20%</b>	2.50%	2.20%
Salary increases	—	3.75%	—
Mortality assumptions:			
Current pensioners – actuarial tables used	<b>PAY92YOB+MC</b>	PAY92YOB+MC	PAY92YOB+MC
Current pensioners – life expectancy at age 65	<b>20.5</b>	20.5	20.5
Future pensioners – actuarial tables used	<b>PAY92YOB+MC</b>	PAY92YOB+MC	PAY92YOB+MC
Future pensioners – life expectancy at age 65	<b>21.9</b>	21.9	21.9

# Corporate Information

## **DIRECTORS**

Leslie Goodman\*  
Chairman

Ian Powell  
Chief Executive

Andy Weatherstone  
Finance Director

Brian Leckie\*  
Non-executive Director

\* Member of Remuneration and Audit Committees.

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