

Company number: 3148295

CINPART PLC

Interim Report

for the six months ended

30 June 2007

# CINPART PLC

## Chairman's commentary on the six months ended 30 June 2007

I present the interim results for Cinpart for the six months ended 30 June 2007.

These show a loss for the period of £11,486 compared to the loss of £130,523 for the same period in 2006 on sales of £1,492,836 compared with £1,576,338.

Due to the adoption by the company of IFRS for the 2007 accounting year we are required to take into account the value of share options of £84,000 granted to the Directors and therefore before accounting for the options the profit for the period is £72,514. This is a significant improvement and reflects the initial effects of the changes implemented by the new management team since the beginning of the year. No interim dividend is proposed.

The fund raising in June 2007 has resulted in a healthier balance sheet and has enabled the company to embark on investment in new plant and machinery to increase the efficiency of the manufacturing operation, which are expected to result in yearly savings in excess of £150,000 in 2008 and in excess of £200,000 annually in subsequent years, based on current levels of turnover.

Some expenditure on airfreight is still continuing in the second half of the year but the majority of product is now being shipped by sea resulting in significant savings. Further reorganisation costs will be incurred in the second half but we are confident that we will continue to achieve a pre-tax profit before option charges.

A new sales and marketing initiative has been implemented to increase our sales in the gas ignition market and to take us into new markets, which is already yielding new business and a significantly higher level of enquires. Again, the full effects of the new initiative will not be felt until 2008. The integration of Derlite and the newly acquired Gasignition business, which is expected to add £300,000 in additional sales in 2008, is continuing and a much simplified company structure is being implemented.

We have not experienced any down turn in orders as a result of the current economic climate in the US. The company currently only has one major customer in the US and the market there for our products is largely untapped. We are confident, under the new management team; we can increase our total business in the US and in the rest of the world. The company is planning and working towards a major increase in turnover over the next few years.

The Board is currently seeking to accelerate the growth of Cinpart by acquisitions. These would be in the areas of component sourcing and distribution and sub-contract manufacture where part of the operation could be relocated to our operation in Thailand. A number of opportunities have been identified and negotiations have commenced in several cases.

Eliminating the high cost of airfreight and reducing manufacturing costs together with increased efficiency and cost savings implemented by the new management team and the drive for new business means that the prospects for Cinpart have never been better.

Philip E Palmer  
Chairman  
27 September 2007

# CINPART PLC

## Unaudited consolidated income statement for the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 Unaudited £	Six months ended 30 June 2006 Unaudited £	Year ended 31 December 2006 Unaudited £
Revenue		1,492,836	1,576,338	2,752,230
Cost of sales		(1,047,350)	(1,209,819)	(2,048,045)
<b>Gross profit</b>		445,486	366,519	704,185
Administrative expenses		(430,950)	(846,588)	(1,148,649)
Exceptional items		-	370,106	188,138
<b>Operating profit/(loss)</b>		14,536	(109,963)	(256,326)
Finance income		28	54	33
Finance costs		(26,050)	(20,615)	(39,598)
<b>Loss before taxation</b>		(11,486)	(130,524)	(295,891)
Taxation		-	-	-
<b>Loss for the period</b>		<u>(11,486)</u>	<u>(130,524)</u>	<u>(295,891)</u>
Loss per share:				
Basic	3	(0.13)p	(1.64)p	(3.65)p
Diluted	3	<u>(0.08)p</u>	<u>(1.33)p</u>	<u>(2.23)p</u>

## Unaudited Consolidated statement of recognised income and expense

<b>Loss for the period</b>		(11,486)	(130,524)	(295,891)
Exchange translation gains/(loss) on foreign currency net investments in subsidiary undertakings		12,233	-	(35,701)
<b>Total recognised income/(expense) for the period</b>		<u>747</u>	<u>(130,524)</u>	<u>(331,592)</u>

# CINPART PLC

## Unaudited consolidated balance sheet at 30 June 2007

	Notes	30 June 2007	30 June 2006	31 December 2006
		Unaudited £	Unaudited £	Unaudited £
<b>Non-current assets</b>				
Goodwill		105,028	243,386	-
Plant and equipment		113,606	111,355	116,405
Total non-current assets		<u>218,634</u>	<u>354,741</u>	<u>116,405</u>
<b>Current assets</b>				
Inventories		198,778	180,512	259,571
Trade and other receivables		806,662	357,779	534,490
Cash and cash equivalents		482,450	11,865	7,245
Total current assets		<u>1,487,890</u>	<u>550,156</u>	<u>801,306</u>
<b>Current liabilities</b>				
Financial liabilities – borrowings		(170,331)	(360,290)	(771,580)
Trade and other payables		(768,487)	(1,212,761)	(852,474)
Total current liabilities		<u>(938,818)</u>	<u>(1,573,051)</u>	<u>(1,624,054)</u>
<b>Net current assets/(liabilities)</b>		549,072	(1,022,895)	(822,748)
<b>Non-current liabilities</b>				
Financial liabilities – borrowings		<u>(13,000)</u>	<u>(3,121)</u>	<u>(116,000)</u>
Total current liabilities		<u>(13,000)</u>	<u>(3,121)</u>	<u>(116,000)</u>
<b>Net assets/(liabilities)</b>		<u>754,706</u>	<u>(671,275)</u>	<u>(822,343)</u>
<b>Equity</b>				
Share capital	6	3,756,907	3,526,492	3,533,397
Share premium account		2,353,419	1,041,532	1,084,627
Retained earnings/(losses)		<u>(5,355,620)</u>	<u>(5,239,299)</u>	<u>(5,440,367)</u>
		<u>754,706</u>	<u>(671,275)</u>	<u>(822,343)</u>

# CINPART PLC

## Unaudited consolidated cashflow statement for the six months ended 30 June 2007

	Six months ended 30 June 2007 Unaudited £	Six months ended 30 June 2006 Unaudited £	Year ended 31 December 2006 Unaudited £
<b>Net cash used in operating activities</b>	(58,187)	(173,960)	(702,293)
<b>Investing activities</b>			
Interest received	28	13	33
Purchases of property plant and equipment	(22,798)	9,302	(14,509)
Acquisition of subsidiary, net of cash acquired	(205,840)	-	-
Liquidation of subsidiary	-	(20,799)	90,105
<b>Net cash generated from/(used in) investing activities</b>	<u>(228,610)</u>	<u>(11,484)</u>	<u>75,629</u>
<b>Financing activities</b>			
Drawn down/(repayment) of borrowings	(704,250)	188,166	593,790
Proceeds on issue of shares	1,492,302	-	50,000
Interest paid	(26,050)	(20,574)	(39,598)
<b>Net cash generated from financing activities</b>	<u>762,002</u>	<u>167,592</u>	<u>619,619</u>
Cash and cash equivalents at beginning of period	7,245	29,717	29,717
<b>Cash and cash equivalents at end of period</b>	<u>482,450</u>	<u>11,865</u>	<u>7,245</u>

# **CINPART PLC**

## **Notes to the interim statement for the six months ended 30 June 2007**

### **1 Accounting policies**

#### **Basis of preparation**

The next annual financial statements of the Cinpart Group plc (“the Group”) will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU and applied in accordance with the provisions of the Companies Act 1985.

Accordingly, the interim financial information in this report has been prepared using accounting policies consistent with IFRS. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 31 December 2007.

The principal accounting policies set out below have been consistently applied to all periods presented.

#### **IFRS transition**

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The interim financial information has been prepared on the basis of the following exemptions:

- Business combinations prior to 1 January 2006 have not been restated to comply with IFRS 3 “Business Combinations”
- IFRS 2 “Share-based Payments” has been applied retrospectively to those options that were issued after 7 November 2002 and had not vested by 1<sup>st</sup> January 2006.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 8.

#### **Non-statutory accounts**

The financial information for the year end 31 December 2006 set out in this interim report does not comprise the Group’s statutory accounts as defined in section 240 of the Companies Act 1985.

The statutory accounts for the year ended 31 December 2006, which were prepared under UK Generally Accepted Accounting Practice (UK GAAP), have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The financial information for the 6 months ended 30 June 2007 and 30 June 2006 is unaudited.

#### **Basis of consolidation**

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

# CINPART PLC

## Notes to the interim statement for the six months ended 30 June 2007 continued

### 1 Accounting policies continued

#### Business combinations and goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually by comparing the carrying value of the asset to the recoverable amount. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

#### Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included with net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the income statement at an average rate are taken to reserves.

All other differences are taken to the income statement and tax charges or credits that are directly and solely attributable to such exchange differences are taken to reserves.

#### Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the estimated taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# CINPART PLC

## Notes to the interim statement for the six months ended 30 June 2007 continued

### 1 Accounting policies continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

### Share based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non market-based vesting to reflect the conditions prevailing at the balance sheet date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

- The exemption permitted under IFRS 1 to apply IFRS 2 "Share-based Payments" retrospectively to those options that were issued after 7 November 2002 and had not vested by 1<sup>st</sup> January 2006 has been taken.

### Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	-	5 years
Fixtures, fittings and equipment	-	between 3 and 10 years
Plant, machinery and motor vehicles	-	between 3 and 5 years

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

# CINPART PLC

## Notes to the interim statement for the six months ended 30 June 2007 continued

### 1 Accounting policies continued

#### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments are classified as either held-for trading or available for sale at initial recognition and this designation is re-evaluated at each balance sheet date. At the balance sheet date all such investments are classified as available-for-sale. Investments are initially measured at cost, including transaction costs. At subsequent reporting dates available-for-sale investments are measured at fair value or at a cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the net profit or loss for the period.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loan, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

### 2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period and the carrying value of goodwill at the balance sheet date was £105,028.

# CINPART PLC

## Notes to the interim statement for the six months ended 30 June 2007 continued

### 2. Critical accounting judgements and key sources of estimation uncertainty continued

#### Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

### 3. Earnings per share

The calculation of basic and diluted loss per share is based on the loss for the year attributable to ordinary shareholders of £11,486 (31 December 2006: loss £295,891) and the weighted average number of shares in issue during the period of 8,859,226 (31 December 2006: 8,098,629 – restated following the share capital reorganisation). The weighted average number of shares used in the diluted loss per share is 14,022,270 (31 December 2006: 13,261,673). The difference in the weighted average number of shares used in diluted EPS compared to basic EPS relates to the issue of employee share options in the period.

### 4. Acquisition of subsidiary

On 30 June 2007 the Group acquired the entire issued share capital of Gas Ignition Limited, a supplier of gas ignition products to the boiler and industrial markets. The consideration of £150,000 was satisfied by the issue of 2,142,857 new ordinary shares, at 7p each.

	Book value	Fair value adjustments	Fair value
	£	£	£
Inventories	1,525	-	1,525
Cash	10,886	-	10,886
Trade and other payables	99,287	-	99,287
Borrowings	(66,726)	-	(66,726)
	<u>44,972</u>	<u>-</u>	<u>44,972</u>
Goodwill	36,720	68,308	105,028
	<u>70,815</u>	<u>68,308</u>	<u>150,000</u>
Satisfied by:			
Issue of Cinpart plc shares	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired	<u>10,886</u>	<u>-</u>	<u>10,886</u>

The fair values on acquisition of Gas Ignition Limited are provisional due to the timing of the transaction and will be finalised during the 2007 financial year.

# CINPART PLC

## Notes to the interim statement for the six months ended 30 June 2007 continued

### 4. Acquisition of subsidiary continued

Goodwill arising on the acquisition of Gas Ignition Limited is the difference between the fair value of the assets and liabilities acquired and the consideration paid. The fair value of the consideration is based on the expected future revenues generated from the products and customer list. Since the acquisition date, Gas Ignition Limited has contributed £0 to group profit. If the acquisition had occurred on 1 January 2007, group turnover for the period would have been £1,698,891 and group loss for the period would have been £13,257.

### 5. Cash used in operating activities

	Six months ended 30 June 2007 Unaudited £	Six months ended 30 June 2006 Unaudited £	Year ended 31 December 2006 Unaudited £
Operating profit/(loss)	14,536	(109,963)	(256,326)
Depreciation charge	26,755	75,023	95,658
Impairment of goodwill	-	-	243,387
Utilisation of provision for restructuring costs	-	(99,410)	(99,410)
Closure of subsidiaries	-	(370,106)	(431,524)
Loss on sale of fixed assets	-	10,438	9,721
Share based payments	84,000	-	-
Decrease in stocks	62,318	201,434	122,374
Increase in debtors	(141,473)	(141,329)	(318,041)
Decrease in creditors	(115,399)	259,954	(31,275)
Other non cash operating adjustment	11,076	(1)	(36,857)
<b>Net cash outflow from operating activities</b>	<b>(58,187)</b>	<b>(173,960)</b>	<b>(702,293)</b>

# CINPART PLC

## Notes to the interim statement for the six months ended 30 June 2007 continued

### 6. Movement in called up share capital

	Six months ended 30 June 2007 Unaudited £	Six months ended 30 June 2006 Unaudited £	Year ended 31 December 2006 Unaudited £
<i>Numbers</i>			
Ordinary shares 0.01p each	-	792,178,629	861,226,247
New Ordinary shares 1p each	30,963,297	-	-
Deferred shares 9.5p each	15,409,000	15,409,000	15,409,000
New Deferred shares of 0.49p each	404,779,408	404,779,408	404,779,408
	<u>451,151,705</u>	<u>1,212,367,037</u>	<u>1,281,414,655</u>
<i>Allotted, called up and fully paid</i>			
New Ordinary shares of 0.01p each	309,633	79,218	86,123
Deferred shares 9.5p each	1,463,855	1,463,855	1,463,855
New Deferred shares of 0.49p each	1,983,419	1,983,419	1,983,419
	<u>3,756,907</u>	<u>3,526,492</u>	<u>3,533,397</u>

On the 6 June 2007 the Directors announced their plans to restructure the share capital by the consolidation of every 100 0.01p ordinary share into one new ordinary share of 1p. The reorganisation took place on the 29 June 2007.

On the 29 June 2007 12,857,142 new ordinary shares were placed, raising £900,000 to repay high cost borrowings and finance extra working capital to remove the need for expensive worldwide air-freight costs.

At the same time the Directors swapped debt amounting to £463,240 for equity by the issue of 6,617,712 new ordinary shares.

A further 2,142,857 new ordinary shares were issued in respect of the business acquisition of Gas Ignition Ltd.

The issue of 733,333 shares announced on 13 December 2006 were allotted in June 2007.

### 7. Statement of changes in Equity

	Six months ended 30 June 2007 Unaudited £	Six months ended 30 June 2006 Unaudited £	Year ended 31 December 2006 Unaudited £
Total recognised income and expenditure	747	(130,524)	(331,592)
Share based payments	84,000	-	-
Issue of new ordinary shares net of expenses	1,492,302	-	50,000
Capital and reserves attributable to equity holders at the beginning of the period	<u>(822,343)</u>	<u>(540,751)</u>	<u>(540,751)</u>
Capital and reserves attributable to equity holders at the end of the period	<u>754,706</u>	<u>(671,275)</u>	<u>(822,343)</u>

# CINPART PLC

## Notes to the interim statement for the six months ended 30 June 2007 continued

### 8. Transition to IFRS

Cinpart plc reported under UK GAAP in its previously published financial statements for the year ended 31 December 2006. The analysis below shows a reconciliation of the net assets and profit as reported under UK GAAP as at 1 January 2006 and 30 June 2006. There is no reconciliation as at 31 December 2006 as there was no effect of the transition on net assets at that date.

#### Reconciliation of net assets as at 1 January 2006

	UK GAAP	+	IFRS
	£	£	£
<b>Non-current assets</b>			
Goodwill	243,387		243,387
Plant and equipment	256,791	-	256,791
Total non-current assets	<u>500,178</u>		<u>500,178</u>
<b>Current assets</b>			
Inventories	425,052	-	425,052
Trade and other receivables	937,668	-	937,668
Cash and cash equivalents	29,717	-	29,717
Total current assets	<u>1,392,437</u>	-	<u>1,392,437</u>
<b>Current Liabilities</b>			
Financial liabilities – borrowings	(850,873)	-	(850,873)
Trade and other payables	(1,473,712)	-	(1,473,712)
Total current liabilities	<u>(2,324,585)</u>	-	<u>(2,324,585)</u>
<b>Net current assets/(liabilities)</b>	(932,148)	-	(932,148)
<b>Non-current liabilities</b>			
Financial liabilities – borrowings	(9,371)	-	(9,371)
Provision for liabilities and charges	(99,410)	-	(99,410)
Total current liabilities	<u>(108,781)</u>	-	<u>(108,781)</u>
<b>Net assets</b>	<u>(540,751)</u>	-	<u>(540,751)</u>
<b>Equity</b>			
Share capital	3,526,492	-	3,526,492
Share premium account	1,041,532	-	1,041,532
Retained earnings	<u>(5,108,775)</u>	-	<u>(5,108,775)</u>
	<u>(540,751)</u>	-	<u>(540,751)</u>

# CINPART PLC

Notes to the interim statement for the six months ended 30 June 2007 continued

## 8. Transition to IFRS continued

### Reconciliation of net assets as at 30 June 2006

	UK GAAP	Effect of transition	IFRS
	£	£	£
<b>Non-current assets</b>			
Goodwill	1 225,513	17,873	243,386
Plant and equipment	111,355	-	111,355
Total non-current assets	<u>336,868</u>	<u>17,873</u>	<u>354,741</u>
<b>Current assets</b>			
Inventories	180,512	-	180,512
Trade and other receivables	357,779	-	357,779
Cash and cash equivalents	11,865	-	11,865
Total current assets	<u>550,156</u>	<u>-</u>	<u>550,156</u>
<b>Current Liabilities</b>			
Financial liabilities – borrowings	(360,290)	-	(360,290)
Trade and other payables	(1,212,761)	-	(1,212,761)
Total current liabilities	<u>(1,573,051)</u>	<u>-</u>	<u>(1,573,051)</u>
<b>Net current assets/(liabilities)</b>	(1,022,895)	-	(1,022,895)
<b>Non-current liabilities</b>			
Financial liabilities – borrowings	(3,121)	-	(3,121)
Total current liabilities	<u>(3,121)</u>	<u>-</u>	<u>(3,121)</u>
<b>Net assets</b>	<u>(689,148)</u>	<u>17,873</u>	<u>(671,275)</u>
<b>Equity</b>			
Share capital	3,526,492	-	3,526,492
Share premium account	1,041,532	-	1,041,532
Retained earnings	(5,257,172)	17,873	(5,239,299)
	<u>(689,148)</u>	<u>17,873</u>	<u>(671,275)</u>

The transition adjustment relates to the add back of goodwill amortised under UK GAAP.

### Cashflow statement

The Group's consolidated cash flow statements are presented in accordance with IAS7. The statements present substantially the same information as that required under UK GAAP, with the following principle exceptions:

1. Under UK GAAP, cash flows are presented under nine standard headings, whereas IFRS requires the classification of cash flows resulting from operating, investing and financing activities.
2. The cash flows reported under IAS7 relate to movements in cash and cash equivalents, which include cash and short term liquid investments. Under UK GAAP, cash comprises cash in hand and deposits repayable upon demand.

# CINPART PLC

Notes to the interim statement for the six months ended 30 June 2007 continued

## 8. Transition to IFRS continued

### Reconciliation of loss for the year ended 31 December 2006

		UK GAAP	Effect of transition	IFRS
		£	£	£
Revenue		2,752,230		2,752,230
Cost of sales		<u>(2,048,045)</u>	-	<u>(2,048,045)</u>
Loss before taxation		704,185	-	704,185
Administrative expenses	2	(1,184,396)	35,747	(1,148,649)
Exceptional items		<u>223,885</u>	<u>(35,747)</u>	<u>188,138</u>
Operating loss		(256,326)	-	(256,326)
Finance income		33	-	33
Finance costs		<u>(39,598)</u>	-	<u>(39,598)</u>
Loss before taxation		<u>(295,891)</u>	-	<u>(295,891)</u>

### Reconciliation of loss for the period ended 30 June 2006

		UK GAAP	Effect of transition	IFRS
		£	£	£
Revenue		1,576,338	-	1,576,338
Cost of sales		<u>(1,209,819)</u>	-	<u>(1,209,819)</u>
<b>Loss before taxation</b>		366,519	-	366,519
Administrative expenses	1	(864,461)	17,873	(846,588)
Exceptional items		<u>370,106</u>	-	<u>370,106</u>
<b>Operating loss</b>		(127,836)	17,873	(109,963)
<b>Finance income</b>		54	-	54
<b>Finance costs</b>		<u>(20,615)</u>	-	<u>(20,615)</u>
<b>Loss before taxation</b>		<u>(148,397)</u>	17,873	<u>(130,524)</u>

1. Under IAS 38, goodwill is not amortised. Instead it is subject to an annual impairment review. Any impairment is recognised immediately. An adjustment has been made to reverse the amortisation charged in the 6 months to 30 June 2006.
2. Under IAS 38, goodwill is not amortised. Instead it is subject to an annual impairment review. Any impairment is recognised immediately. An adjustment has been made to reverse the amortisation charged in the year to 31 December 2006 and to increase the impairment charge recognised in the year.