



C H A P E L T H O R P E
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CORPORATE STATEMENT

Chapelthorpe plc is a leading manufacturer of industrial products which are supplied to niche markets worldwide. The business is organised into two divisions, namely Fibres and Specialist Coatings.

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

The Specialist Coatings division supplies vinyl coated paper and plastisols to the wallcoverings industry.

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HIGHLIGHTS

Significant improvement in profitability – £0.1m profit on continuing operations compared to a loss of £5.6m in 2006

Underlying* operating profit on continuing operations £0.7m (2006: £nil)

Umbrella Frames operation sold for £1.05m cash plus £0.35m deferred

New increased bank facilities put in place in UK and US

Net debt reduced by £1.6m to £11.1m

Transfer to AIM completed

* before exceptional items.

CHAIRMAN'S STATEMENT

INTRODUCTION

In the first six months of this financial year we have taken measures to reduce costs in all divisions and centrally. Certain business streams have been discontinued and we have disposed of the loss making Umbrella Frames business. These actions have resulted in a significant improvement in the Group's performance. Sales in continuing operations were £54.8m (2006: £54.8m), generating an underlying operating profit of £0.75m before exceptionals compared to break even a year ago. After exceptional items, operating profit was £0.1m compared to a loss of £5.6m a year ago. In addition, borrowings have further reduced by £1.6m to £11.1m as a consequence of our actions to improve working capital.

Most recently the Group has completed its move from the Official List to AIM.

FIBRES

Sales for the period were £43.0m (2006: £43.2m) generating an operating profit before exceptional items of £0.4m (2006: £0.2m).

US

The US business remains robust. Staple fibre demand has remained solid with the plant running at close to capacity in the first half. Automotive volumes have declined significantly from their peak but appear to have stabilised and new business, albeit at lower margins, has made up for the shortfall in the automotive sector. Cost cuts and reorganisation savings have helped contain the impact of rising healthcare costs and offset margin pressures.

EUROPE

The continued high price of polypropylene has resulted in further margin erosion as not all price increases have been recovered from customers. Overcapacity in the marketplace, compounded by substitution of polypropylene in end products, has brought further pressure to bear on our UK and Austrian businesses. Notwithstanding these pressures, volumes are at similar levels and operating profits slightly improved on those of a year ago. A reduction in staff numbers of 15% has been key to this improvement in profitability.

We do not envisage any significant raw material price relief in the foreseeable future. European supply remains tight, following cuts in capacity, in anticipation of significant new capacity due to come on stream in the Middle East during 2008. It is unclear at this stage just how much of the new Middle East capacity will be made available to service European requirements.

SPECIALIST COATINGS

Sales for the period were £11.9m (2006: £11.5m) generating an underlying operating profit of £0.7m (2006: £0.2m).

The demand for wallcoverings across Western Europe has shown an increase in recent months. Following several years of decline, volumes in the UK market alone have grown by 14% in the first half compared to the same period last year. The reduction in the cost base and market recovery have contributed to a strong performance in the first half despite raw material shortages and cost increases.

Royalty income from Russia has also been robust; however, this royalty agreement is due to end in FY 2009. There are other prospects in Eastern Europe which may involve cooperation with the current royalty partner or other partners. We are hopeful this will, to some extent, offset the expiry of our current royalty stream. The first of these potential contracts has recently been signed with a manufacturer in Siberia.

We believe that this division will deliver a significantly improved performance for the year as a whole.

BORROWINGS

A key part of our strategy is to continue to reduce borrowings in the Group. Our businesses are cash generative, require relatively modest levels of capital expenditure and we have also taken strong action to reduce our working capital requirements. As a consequence we have been able to reduce borrowings by £1.6m to £11.1m, notwithstanding exceptional cash payments of over £2.0m in the first half, nearly half of which was in connection with the Group's refinancing completed in June 2007.

Our new facilities renegotiated in the US and UK replaced existing UK facilities and together with previously renegotiated Austrian facilities have resulted in additional headroom and increased level of committed facilities.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend.

PENSIONS

The IAS 19 valuation of our UK defined pension scheme has resulted in the elimination of the deficit of £2.8m at 31 March 2007, mainly due to a favourable move in bond yields which determines the applicable discount rate.

STRATEGY AND OUTLOOK

Following the sale of the Umbrella Frames business we have a smaller but more financially robust Group and we are building on our market positions to improve performance. However, this is against a background of industry pressures, particularly in Fibres, where raw material prices continue to increase reflecting the rise in the price of oil.

Overall, trading performance for the current year continues to be in line with our expectations.

LESLIE GOODMAN

Chairman
20 November 2007

CONSOLIDATED INCOME STATEMENT (UNAUDITED) HALF YEAR ENDED 30 SEPTEMBER 2007

| | | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|---|---|---|---|----------------------------------|
| Continuing operations | | | | |
| Revenue | 2 | 54,835 | 54,753 | 108,429 |
| Cost of sales | | (48,801) | (48,648) | (96,645) |
| Gross profit | | 6,034 | 6,105 | 11,784 |
| Operating expenses | | (5,896) | (11,722) | (27,048) |
| Operating profit (loss) | | | | |
| Operating profit (loss) before exceptional items | | 745 | (18) | (1,040) |
| Exceptional items | 3 | (607) | (5,599) | (14,224) |
| Operating profit (loss) | 2 | 138 | (5,617) | (15,264) |
| Financial expenses | | (681) | (775) | (1,817) |
| Financial income | | 36 | 61 | 102 |
| Net financing costs | 4 | (645) | (714) | (1,715) |
| Loss before taxation | | (507) | (6,331) | (16,979) |
| Taxation | | (28) | (29) | (218) |
| Loss for the period from continuing operations | | (535) | (6,360) | (17,197) |
| Profit (loss) from discontinued operation | 5 | 90 | (979) | 1,258 |
| Loss for the period attributable to equity shareholders | | (445) | (7,339) | (15,939) |
| Loss per share | | | | |
| Basic and diluted | 6 | (2.21)p | (36.71)p | (79.46)p |

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED) HALF YEAR ENDED 30 SEPTEMBER 2007

| | | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|---|--|---|---|----------------------------------|
| Actuarial gains (losses) on defined benefit pension schemes | | 2,746 | (142) | (1,258) |
| Exchange differences on translation of foreign operations | | (446) | (1,869) | (2,784) |
| (Losses) gains in fair value of hedging derivatives | | (134) | 203 | 59 |
| Net income (expense) recognised directly in equity | | 2,166 | (1,808) | (3,983) |
| Loss for the period | | (445) | (7,339) | (15,939) |
| Total recognised income and expense for the period (attributable to equity shareholders) | | 1,721 | (9,147) | (19,922) |

CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 SEPTEMBER 2007

| | 30 September 2007 £000 | 30 September 2006 £000 | 31 March 2007 £000 |
|--|------------------------------|------------------------------|--------------------------|
|--|------------------------------|------------------------------|--------------------------|

Notes

| | | | |
|---|-------------------|----------|----------|
| Non-current assets | | | |
| Goodwill | — | 4,201 | — |
| Property, plant and equipment | 23,729 | 30,552 | 25,659 |
| Other non-current assets | 504 | 554 | 496 |
| Other financial assets | — | 18 | — |
| | 24,233 | 35,325 | 26,155 |
| Current assets | | | |
| Inventories | 9,021 | 14,569 | 9,767 |
| Trade and other receivables | 18,981 | 19,650 | 21,195 |
| Current tax assets | — | — | 33 |
| Other financial assets | — | 260 | 139 |
| Cash and cash equivalents | 4,074 | 4,167 | 2,256 |
| | 32,076 | 38,646 | 33,390 |
| Freehold properties held for resale | — | 2,179 | — |
| Assets classified as held for sale | — | — | 2,067 |
| | 32,076 | 40,825 | 35,457 |
| Current liabilities | | | |
| Trade and other payables | (16,237) | (17,553) | (19,429) |
| Current tax liabilities | (626) | (448) | (546) |
| Other financial liabilities | (32) | (11) | (7) |
| Borrowings and bank overdrafts | (6,110) | (9,207) | (12,484) |
| Liabilities directly associated with assets classified as held for sale | — | — | (1,017) |
| | (23,005) | (27,219) | (33,483) |
| Net current assets | 9,071 | 13,606 | 1,974 |
| Non-current liabilities | | | |
| Retirement benefit obligations | 10 (1,580) | (3,368) | (4,378) |
| Other financial liabilities | (858) | (800) | (800) |
| Borrowings | (9,051) | (12,954) | (2,475) |
| Provisions and other liabilities | (1,172) | (1,364) | (1,341) |
| Deferred tax liabilities | (3,998) | (4,808) | (4,260) |
| | (16,659) | (23,294) | (13,254) |
| Net assets | 16,645 | 25,637 | 14,875 |
| Shareholders' equity | | | |
| Called up share capital | 10,202 | 10,202 | 10,202 |
| Share premium reserve | 1,251 | 1,251 | 1,251 |
| Other reserves | (1,246) | 393 | (666) |
| Retained earnings | 6,438 | 13,791 | 4,088 |
| Total shareholders' funds | 9 16,645 | 25,637 | 14,875 |

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) HALF YEAR ENDED 30 SEPTEMBER 2007

| | Notes | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|--|-------|---|---|----------------------------------|
| Cash flows from operating activities | | | | |
| Cash generated from (used in) operations | 8 | 1,553 | (85) | (1,684) |
| Tax (paid) received | | (40) | 215 | (12) |
| Interest received | | 37 | 76 | 116 |
| Interest paid | | (546) | (810) | (1,736) |
| Net cash generated from (used in) operating activities | | 1,004 | (604) | (3,316) |
| Cash flows from investing activities | | | | |
| Purchases of property, plant and equipment | | (173) | (663) | (1,539) |
| Proceeds from sale of property, plant and equipment | | 2 | — | 9,115 |
| Proceeds from sale of business | | 1,050 | — | — |
| Net cash generated from (used in) investing activities | | 879 | (663) | 7,576 |
| Cash flows from financing activities | | | | |
| Net proceeds from issue of new bank loans | | 7,613 | — | 2,674 |
| Repayment of borrowings | | (6,694) | (1,336) | (10,187) |
| Repayment of capital element of finance leases | | (63) | — | (26) |
| Dividends paid to shareholders | | — | (1,539) | (1,539) |
| Net cash generated from (used in) financing activities | | 856 | (2,875) | (9,078) |
| Net increase (decrease) in cash and cash equivalents | | 2,739 | (4,142) | (4,818) |
| Cash and bank overdrafts at beginning of period | | (3,518) | 1,519 | 1,519 |
| Exchange losses on cash and bank overdrafts | | (191) | (78) | (219) |
| Cash and cash equivalents at end of the period | | (970) | (2,701) | (3,518) |

**CONSOLIDATED RECONCILIATION OF NET CASH FLOW
TO MOVEMENT IN NET DEBT (UNAUDITED)**
HALF YEAR ENDED 30 SEPTEMBER 2007

| | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|--|---|---|----------------------------------|
| Net increase (decrease) in cash and cash equivalents | 2,739 | (4,142) | (4,818) |
| (Increase) decrease in debt and lease financing | (856) | 1,336 | 7,468 |
| Change in net debt from cash flows | 1,883 | (2,806) | 2,650 |
| Exchange adjustments | (267) | 60 | (105) |
| Movement in net debt in the period | 1,616 | (2,746) | 2,545 |
| Net debt at start of period | (12,703) | (15,248) | (15,248) |
| Net debt at end of period | (11,087) | (17,994) | (12,703) |

NOTES TO THE INTERIM ACCOUNTS HALF YEAR ENDED 30 SEPTEMBER 2007

1. BASIS OF PREPARATION

The interim financial statements of Chapelthorpe plc for the half year ended 30 September 2007 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 2007. The comparative results for the year ended 31 March 2007 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.

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 that date the Umbrella Frames operation was sold leaving the Group with two business segments: Fibres and Specialist Coatings.

| | Continuing operations | | | | Discontinued operation |
|--|-----------------------|--------------------------------|---------------------|---------------|----------------------------|
| | Fibres £000 | Specialist Coatings £000 | Unallocated £000 | Total £000 | Umbrella Frames £000 |
| Half year ended 30 September 2007 | | | | | |
| Revenue | 42,971 | 11,864 | — | 54,835 | 1,581 |
| Operating profit (loss) before exceptional items | 379 | 709 | (343) | 745 | 25 |
| Exceptional items | (357) | — | (250) | (607) | 64 |
| Operating profit (loss) | 22 | 709 | (593) | 138 | 89 |
| Net financial expense | | | (645) | (645) | 1 |
| Profit (loss) before taxation | 22 | 709 | (1,238) | (507) | 90 |
| Taxation | | | | (28) | — |
| (Loss) profit for the period | | | | (535) | 90 |

2. SEGMENTAL REPORTING CONTINUED

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS CONTINUED

| | Continuing operations | | | | Discontinued operation |
|--|-----------------------|--------------------------------|---------------------|---------------|----------------------------|
| | Fibres £000 | Specialist Coatings £000 | Unallocated £000 | Total £000 | Umbrella Frames £000 |
| Half year ended 30 September 2006 | | | | | |
| Revenue | 43,205 | 11,548 | — | 54,753 | 2,476 |
| Operating profit (loss) before exceptional items | 228 | 215 | (461) | (18) | (427) |
| Exceptional items | (1,180) | (4,372) | (47) | (5,599) | (932) |
| Operating loss | (952) | (4,157) | (508) | (5,617) | (1,359) |
| Net financial expense | | | (714) | (714) | 1 |
| Loss before taxation | (952) | (4,157) | (1,222) | (6,331) | (1,358) |
| Taxation | | | | (29) | 379 |
| Loss for the period | | | | (6,360) | (979) |
| Year ended 31 March 2007 | | | | | |
| Revenue | 84,484 | 23,945 | — | 108,429 | 6,119 |
| Operating profit (loss) before exceptional items | (101) | 192 | (1,131) | (1,040) | (1,285) |
| Exceptional items | (3,790) | (8,481) | (1,953) | (14,224) | 1,922 |
| Operating (loss) profit | (3,891) | (8,289) | (3,084) | (15,264) | 637 |
| Net financial expense | | | (1,715) | (1,715) | — |
| (Loss) profit before taxation | (3,891) | (8,289) | (4,799) | (16,979) | 637 |
| Taxation | | | | (218) | 621 |
| (Loss) profit for the period | | | | (17,197) | 1,258 |

The taxation credit and net financial expense have not been allocated to individual segments.

NOTES TO THE INTERIM ACCOUNTS CONTINUED

HALF YEAR ENDED 30 SEPTEMBER 2007

2. SEGMENTAL REPORTING CONTINUED

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 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|--------------------------|---|---|----------------------------------|
| Continuing operations | | | |
| Europe | 33,500 | 31,876 | 65,460 |
| North America | 18,973 | 19,249 | 36,284 |
| Australasia and Far East | 1,949 | 2,845 | 5,309 |
| Rest of the World | 413 | 783 | 1,376 |
| | 54,835 | 54,753 | 108,429 |
| Discontinued operation | | | |
| Europe | 1,518 | 2,348 | 5,931 |
| North America | — | 35 | 48 |
| Australasia and Far East | — | 93 | 31 |
| Rest of the World | 63 | — | 109 |
| | 1,581 | 2,476 | 6,119 |

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 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|--|---|---|----------------------------------|
| Continuing operations | | | |
| European Fibres restructuring | 357 | 80 | 411 |
| Specialist Coatings restructuring | — | — | 1,482 |
| Head office restructuring | 65 | 47 | 860 |
| Cost associated with transfer to AIM | 67 | — | — |
| Costs associated with re-financing the Group | 118 | — | 1,071 |
| Specialist Coatings bad debt charges | — | 672 | 1,276 |
| Provision for onerous lease in Specialist Coatings | — | — | 150 |
| Provision for environmental liabilities | — | — | 22 |
| Goodwill impairment | — | 4,800 | 8,952 |
| Net costs relating to exceptional items | 607 | 5,599 | 14,224 |

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

4. NET FINANCING COSTS

| | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|--|---|---|----------------------------------|
| Continuing operations | | | |
| Interest payable | | | |
| Bank loans, overdrafts and short term facilities | 523 | 701 | 1,414 |
| Preference share dividends | 23 | 23 | 46 |
| Finance leases | 9 | — | 2 |
| Other interest | 36 | 47 | 90 |
| | 591 | 771 | 1,552 |
| Interest receivable | | | |
| Bank and other deposits | (29) | (45) | (80) |
| Other interest | (7) | (16) | (22) |
| | (36) | (61) | (102) |
| Net borrowing costs | 555 | 710 | 1,450 |
| Interest on pension scheme liabilities | 90 | 4 | 265 |
| Net financing costs | 645 | 714 | 1,715 |
| Interest payable | 591 | 771 | 1,552 |
| Interest payable on pension scheme liabilities | 90 | 4 | 265 |
| Total financial expense | 681 | 775 | 1,817 |
| Interest receivable | (36) | (61) | (102) |
| Net financing costs | 645 | 714 | 1,715 |

5. DISCONTINUED OPERATION

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

Financial information relating to this discontinued operation is set out below. Further information is also provided in Note 2, Segmental Reporting, as Hoyland Fox Limited is treated as a separate business segment.

(I) RESULT

The result of the discontinued operation which has been included in the Consolidated Income Statement is as follows:

| | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|--|---|---|----------------------------------|
| Revenue | 1,581 | 2,476 | 6,119 |
| Cost of sales | (1,293) | (2,205) | (5,962) |
| Gross profit | 288 | 271 | 157 |
| Operating (expenses) income | (199) | (1,630) | 480 |
| Operating profit (loss) | | | |
| Operating profit (loss) before exceptional items | 25 | (427) | (1,285) |
| Exceptional items (see Note 5 (iii) on page 12) | 64 | (932) | 1,922 |
| Operating profit (loss) | 89 | (1,359) | 637 |
| Net financing costs | 1 | 1 | — |
| Profit (loss) before taxation | 90 | (1,358) | 637 |
| Taxation | — | 379 | 621 |
| Profit (loss) for the period from discontinued operation | 90 | (979) | 1,258 |

The loss from discontinued operation includes £9,000 post tax gain (£nil: half year ended 30 September 2006; £3,464,000: loss year ended 31 March 2007) from the re-measurement of the disposal assets to fair value.

NOTES TO THE INTERIM ACCOUNTS CONTINUED

HALF YEAR ENDED 30 SEPTEMBER 2007

5. DISCONTINUED OPERATION CONTINUED

(II) EXCEPTIONAL ITEMS

| | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|---|---|---|----------------------------------|
| Umbrella Frames restructuring | — | (932) | (1,242) |
| Costs incurred in connection with ongoing sale of Umbrella Frames business and assets | 55 | — | (170) |
| Profit on sale of properties | — | — | 6,798 |
| Impairment of Umbrella Frames assets to fair value | 9 | — | (3,464) |
| | 64 | (932) | 1,922 |

(III) CASH FLOWS FROM DISCONTINUED OPERATION

| | | | |
|--|--------------|--------------|--------------|
| Net cash flows from operating activities | (166) | (790) | (949) |
| Net cash flows from investing activities | — | (36) | 8,426 |
| Net (decrease) increase in cash and cash equivalents | (166) | (826) | 7,477 |

(IV) CARRYING VALUE OF ASSETS AND LIABILITIES

The carrying value of the major classes of assets and liabilities of the discontinued operation at 31 March 2007 and the date of sale were as follows:

| | Fair value at 31 March 2007 £000 | Changes in value to 13 June 2007 £000 | Impairment £000 | Fair value of assets sold on 13 June 2007 £000 |
|-----------------------------|--|---|--------------------|---|
| Inventories | 996 | (3) | 5 | 998 |
| Trade and other receivables | 1,071 | (41) | 4 | 1,034 |
| | 2,067 | (44) | 9 | 2,032 |
| Trade and other payables | (1,017) | 35 | — | (982) |
| Net current assets | 1,050 | (9) | 9 | 1,050 |
| Net assets | 1,050 | (9) | 9 | 1,050 |

At 31 March 2007 the net assets of the Umbrella Frames operation were impaired to a fair value of £1,050,000:

| | £000 |
|---------------------------|--------------|
| Consideration | |
| Cash and cash equivalents | 1,050 |
| Deferred sales proceeds | 350 |
| | 1,400 |

6. EARNINGS PER SHARE

CONTINUING AND DISCONTINUED OPERATION

| | Basic and diluted loss per share | | | Basic and diluted earnings (loss) before exceptionals per share | | |
|--|-------------------------------------|---|--------------------------------------|---|---|--------------------------------------|
| | Half year 30 September 2007 | Half year 30 September 2006 Restated | Year 31 March 2007 Restated | Half year 30 September 2007 | Half year 30 September 2006 Restated | Year 31 March 2007 Restated |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Loss for the period | (445) | (7,339) | (15,939) | (445) | (7,339) | (15,939) |
| Exceptional items | — | — | — | 543 | 6,531 | 12,302 |
| (Loss) earnings attributable to ordinary shareholders | (445) | (7,339) | (15,939) | 98 | (808) | (3,637) |
| Weighted average number of ordinary shares in issue during the period* | 20,126 | 19,991 | 20,059 | 20,126 | 19,991 | 20,059 |
| Basic and diluted (loss) earnings per ordinary share | (2.21)p | (36.71)p | (79.46)p | 0.49p | (4.04)p | (18.13)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 2.7p (loss of 32.67p: half year ended 30 September 2006; loss of 61.33p: year ended 31 March 2007).

CONTINUING OPERATIONS

| | Basic and diluted loss per share | | | Basic and diluted earnings (loss) before exceptionals per share | | |
|--|-------------------------------------|---|--------------------------------------|---|---|--------------------------------------|
| | Half year 30 September 2007 | Half year 30 September 2006 Restated | Year 31 March 2007 Restated | Half year 30 September 2007 | Half year 30 September 2006 Restated | Year 31 March 2007 Restated |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Loss for the period | (535) | (6,360) | (17,197) | (535) | (6,360) | (17,197) |
| Exceptional items | — | — | — | 607 | 5,599 | 14,224 |
| (Loss) earnings attributable to ordinary shareholders | (535) | (6,360) | (17,197) | 72 | (761) | (2,973) |
| Weighted average number of ordinary shares in issue during the period* | 20,126 | 19,991 | 20,059 | 20,126 | 19,991 | 20,059 |
| Basic and diluted (loss) earnings per ordinary share | (2.66)p | (31.81)p | (85.73)p | 0.36p | (3.81)p | (14.82)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 3.02p (loss of 28p: half year ended 30 September 2006; loss of 70.91p: year ended 31 March 2007).

During the period there was a 10 for 1 share consolidation and the comparative earnings per share figures have been restated to reflect this.

7. DIVIDENDS

No interim dividend is proposed for 2007/08 (interim 2006/07: nil; final 2006/07: nil).

Ordinary dividends paid in the period totalled £nil (£1,539,000: half year ended 30 September 2006; £1,539,000: year ended 31 March 2007).

NOTES TO THE INTERIM ACCOUNTS CONTINUED

HALF YEAR ENDED 30 SEPTEMBER 2007

8. CASH GENERATED FROM (USED IN) OPERATIONS

| | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|---|---|---|----------------------------------|
| Continuing operations | | | |
| Operating profit (loss) | 138 | (5,617) | (15,264) |
| Depreciation | 1,567 | 1,799 | 3,636 |
| Charge in respect of employee share scheme | 49 | 36 | 49 |
| Profit on disposal of fixed assets | (2) | — | — |
| Working capital: | | | |
| – Decrease in inventories | 789 | 796 | 2,524 |
| – Decrease (increase) in debtors | 2,265 | 3,493 | (99) |
| – (Decrease) in creditors | (1,271) | (4,696) | (3,645) |
| (Decrease) in provisions | (10) | (13) | — |
| (Decrease) in retirement benefit obligations | (187) | (118) | (483) |
| Cash generated from (used in) operations before exceptional items | 3,338 | (4,320) | (13,282) |
| Exceptional items: | | | |
| – European Fibres restructuring | | | |
| – amount recognised in period | 357 | 80 | 411 |
| – amount paid in period | (553) | (327) | (591) |
| – Specialist Coatings restructuring | | | |
| – amount recognised in period | — | — | 1,482 |
| – amount paid in period | (259) | — | (331) |
| – Head Office restructuring | | | |
| – amount recognised in period | 65 | 47 | 860 |
| – amount paid in period | (288) | (47) | (47) |
| – Costs associated with transfer to AIM | | | |
| – amount recognised in period | 67 | — | — |
| – amount paid in period | (2) | — | — |
| – Provision for onerous lease costs | | | |
| – amount recognised in period | — | — | 150 |
| – amount paid in period | (194) | (200) | (401) |
| – Provision for environmental liabilities | | | |
| – amount recognised in period | — | — | 22 |
| – amount paid in period | (5) | — | (43) |
| – Costs associated with re-financing of Group | | | |
| – amount recognised in period | 118 | — | 1,071 |
| – amount paid in period | (925) | — | (264) |
| – Impairment of goodwill | | | |
| – amount recognised in period | — | 4,800 | 8,952 |
| – Bad debt in Specialist Coatings | | | |
| – amount recognised in period | — | 672 | 1,276 |
| Cash generated from (used in) operations | 1,719 | 705 | (735) |
| Discontinued operation | | | |
| Operating profit (loss) | 89 | (1,359) | 637 |
| Depreciation | 53 | 154 | 303 |
| Working capital: | | | |
| – Decrease (increase) in inventories | 3 | (746) | 358 |
| – Decrease in debtors | 41 | 1,379 | 690 |
| – Increase (decrease) in creditors | 59 | (1,015) | (405) |
| Cash generated from (used in) operations before exceptional items | 245 | (1,587) | 1,583 |
| Exceptional items: | | | |
| – Umbrella Frames restructuring | | | |
| – amount recognised in period | — | 627 | 1,242 |
| – amount paid in period | (232) | (135) | (610) |
| – Costs incurred in connection with ongoing sale of Umbrella Frames business and assets | | | |
| – amount recognised in period | (55) | — | 170 |
| – amount paid in period | (115) | — | — |
| – Profit on sale of properties | | | |
| – amount recognised in period | — | — | (6,798) |
| – Impairment of Umbrella Frames assets | | | |
| – amount recognised in period | (9) | 305 | 3,464 |
| Cash (used in) discontinued operation | (166) | (790) | (949) |
| Cash generated from (used in) operations | 1,553 | (85) | (1,684) |

8. CASH GENERATED FROM (USED IN) OPERATIONS CONTINUED

In the period to 30 September 2007, £38,000 of cash was generated in the Umbrella Frames operation and £204,000 of expenses relating to the sale of this business were paid by Chapelthorpe plc, resulting in a net cash used in discontinued operation of £166,000.

9. 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 £000 | Total £000 |
|-------------------------------------|--------------------------|-------------------------------------|--|---|--|------------------------------|---------------|
| Balance at 1 April 2006 | 10,202 | 1,251 | (15) | 1,587 | 487 | 22,775 | 36,287 |
| Loss for the period | — | — | — | — | — | (7,339) | (7,339) |
| Currency translation adjustments | — | — | — | (1,869) | — | — | (1,869) |
| Employee share schemes | — | — | — | — | — | 36 | 36 |
| Actuarial losses on pension scheme | — | — | — | — | — | (142) | (142) |
| Hedging reserve transfers | — | — | 203 | — | — | — | 203 |
| Ordinary dividends | — | — | — | — | — | (1,539) | (1,539) |
| Balance at 30 September 2006 | 10,202 | 1,251 | 188 | (282) | 487 | 13,791 | 25,637 |
| Balance at 1 April 2006 | 10,202 | 1,251 | (15) | 1,587 | 487 | 22,775 | 36,287 |
| Loss for the period | — | — | — | — | — | (15,939) | (15,939) |
| Currency translation adjustments | — | — | — | (2,784) | — | — | (2,784) |
| Employee share schemes | — | — | — | — | — | 49 | 49 |
| Actuarial losses on pension scheme | — | — | — | — | — | (1,258) | (1,258) |
| Hedging reserve transfers | — | — | 59 | — | — | — | 59 |
| Ordinary dividends | — | — | — | — | — | (1,539) | (1,539) |
| Balance at 31 March 2007 | 10,202 | 1,251 | 44 | (1,197) | 487 | 4,088 | 14,875 |
| 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) |
| Ordinary dividends | — | — | — | — | — | — | — |
| Balance at 30 September 2007 | 10,202 | 1,251 | (90) | (1,643) | 487 | 6,438 | 16,645 |

NOTES TO THE INTERIM ACCOUNTS CONTINUED

HALF YEAR ENDED 30 SEPTEMBER 2007

10. RETIREMENT BENEFITS

The Group operates a number of pension schemes. The major scheme is in the UK and is of the defined benefit type, although this is now closed to new members.

The last full actuarial valuation of the major UK scheme was carried out by a qualified independent actuary at 5 April 2005 and this has been updated to 30 September 2007.

The amounts recognised in the income statement for the UK defined benefit scheme are analysed as follows:

| | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|--|---|---|----------------------------------|
| Current service cost | (251) | (219) | 402 |
| Interest on pension scheme liabilities | (1,360) | (1,287) | 2,582 |
| Expected return on pension scheme assets | 1,270 | 1,283 | (2,399) |
| Past service costs | — | — | — |
| Curtailement gains | 100 | — | — |
| | (241) | (223) | 585 |

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 £2,746,000 (£142,000 loss: half year ended 30 September 2006; £1,258,000 loss: year ended 31 March 2007).

In addition, in Austria, there are leaving indemnities which represent a defined benefit on retirement. The net liabilities recognised in the balance sheet in respect of retirement benefit obligations are analysed as follows:

| | Half year 30 September 2007 £000 | Half year 30 September 2006 £000 | Year 31 March 2007 £000 |
|---------------------------|---|---|----------------------------------|
| UK Scheme | — | (1,571) | (2,756) |
| Asota leaving indemnities | (1,580) | (1,797) | (1,622) |
| | (1,580) | (3,368) | (4,378) |

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

CORPORATE INFORMATION

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REGISTERED NUMBER

468624

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LESLIE GOODMAN*
Chairman

ANDY WEATHERSTONE
Finance Director

IAN POWELL†
Chief Executive

BRIAN LECKIE*
Non-executive Director

* Member of Nomination, Remuneration and Audit Committees.

† Member of Nomination Committee.

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