

**29 April 2008**

**Lupus Capital plc  
Unaudited Preliminary Statement of Results for the year ended 31  
December 2007**

**Chairman's statement**

**Dear Shareholder,**

Lupus Capital plc ("Lupus") is able to report an eminently satisfactory set of results for the year ended 31 December 2007 in addition to a major acquisition, Laird Security Services ("LSS") acquired on 27 April 2007 for £242.5 million, which was paid for mainly by £120 million of debt and £136 million of new equity. The purchase was in line with our strategic objective of creating value for our shareholders by acquiring, integrating and developing businesses in the industrial sector one of which is, in particular, the building products area. LSS was not only a competitor of Schlegel Building Products ("Schlegel") but also complementary.

With many benefits coming from operating improvements, LSS synergies with Schlegel and our non-US activities including Gall Thomson, we have achieved an excellent financial performance despite the US building products end markets, in which LSS and Schlegel are active, deteriorating throughout 2007.

In December 2007 Lupus shares were consolidated on a 1 for 10 basis and all figures have been adjusted accordingly.

**Results for the year**

To help understand the results, adjusted measures of underlying profit before tax and earnings per share have been used as defined.

Sales, including the acquisition of LSS, were £216.859 million (2006: £62.940 million) and underlying pre-tax profits increased to £25.021 million (2006: £10.034 million). Reported underlying earnings per share jumped 20% to 14.82p (2006: 12.35p). The figures for the period are not directly comparable as they include a major acquisition.

**Dividend**

A growing dividend is also one of our objectives and we have yet again been able to achieve this with a series of dividends.

We are recommending a final dividend for 2007 of 3.51p (2006: 3.34p). If approved at the AGM, which we will be holding on 2 July 2008, this final dividend will be paid on 14 July 2008 to Shareholders on the register at 9 May 2008.

This, together with the special interim dividend of 1.50p per Ordinary Share in respect of the 4 months ending 30 April 2007 and the further interim dividend of 0.56p for the first half of 2007, will make a total dividend in respect of the 2007 year of 5.57p up over 12% from the 4.97p paid in respect of the 2006 year.

## **Group 2007 Progress**

The eight month contribution from LSS, although incurring a number of exceptional cost items, has been significant both in profit and as a result of many changes and synergies achieved.

The reporting structures of both Schlegel and LSS have been altered dramatically with the Schlegel US business now integrated into LSS US and the LSS UK companies absorbed under the Schlegel European management team. The LSS loss making conservatory subsidiary was sold on 27 July 2007; several US facilities were closed; purchasing power has increased; cost savings have been made; cross selling opportunities grasped and shared product development enhanced. New financial disciplines in LSS UK have generated significant cash out of working capital and a greater understanding of financial performance and opportunity.

Gall Thomson Environmental Ltd ("Gall Thomson", "GTE") which manufactures marine breakaway couplings primarily for the oil and gas sector, has had another record performance beating previous years in sales, profits and cash generation. KLAW, whose industrial products are made for similar sectors, also had a good year showing excellent growth in sales of both existing and new products resulting in its best ever annual profits and cash generation.

All our businesses have generated exemplary cash flow during 2007 enabling us to keep our debt taken on for acquisitions under control.

## **Corporate**

On 11 December 2007 shareholders approved a number of resolutions

- Lupus shares were to be consolidated on a one for ten basis with effect from 12 December 2007
- up to 14.99% of shares in issue were able to be purchased by the company and either placed in treasury or cancelled. To date 7.44 million shares have been bought back and placed in treasury costing the company £6.71 million.

The new debt facility to finance part of the acquisition of LSS was all denominated in US\$ and consisted of \$120 million at a fixed rate before margin of 5.02% for three years and \$120 million at a floating rate, although capped at 5.5% before margin, also for three years.

The acquisition of LSS has broadened the sphere of operations of Lupus Capital plc and management has reviewed the risk profile of the enlarged group.

We continue to seek the development of Lupus through both organic growth and selective acquisitions.

The excellent cash generation from all our businesses has enabled Lupus to reduce debt at a speed quicker than originally envisaged. At 31 December 2007 net debt stood at £99.992 million. It has also provided funds to increase our dividend to shareholders for the 2007 year at a higher rate than forecast at the time of the LSS acquisition.

## **Outlook**

The general economic climate for 2008 is uncertain and has continued to deteriorate in the first few months. The US housing environment is at a low ebb and the European building components market has become varied between countries. The current business conditions require continuous examination and control of our cost base.

Nevertheless, there are positive factors. The oil and gas sector remains buoyant. Gall Thomson and KLaw both started the year with excellent order books and look forward to continuing to perform well. The initial synergies of combining Schlegel and LSS are now manifest and we still plan for further benefits to come; as their end markets start to recover we will be in a strong position to exploit these new opportunities.

With the continuing advantages of our LSS acquisition, its 12 month contribution in 2008, our capable management teams and vigorous financial disciplines, and provided external conditions allow, we anticipate another year of development at Lupus Capital during 2008.

**Greg Hutchings**  
**Chairman**  
**29 April 2008**

## **GROUP BUSINESS REVIEW**

### **Business of Gall Thomson Environmental Limited**

Gall Thomson is the world's leading supplier of marine breakaway couplings. Its subsidiary, KLAW is a supplier of industrial couplings including quick release couplings and breakaway couplings.

A Gall Thomson marine breakaway coupling is used in the oil and gas industry to enable a loading line to part safely and then to shut off the product supply in the event of a vessel moving off station during the loading or discharging of oil and gas products, whether at offshore moorings or jetty terminals. The purpose of the breakaway coupling is firstly to stop environmental pollution and secondly to prevent damage to pumping and transfer equipment. Gall Thomson also supplies the quick release Welin Lambie camlock coupling which is used in the hose and loading arm system for the transfer of oil and gas products.

The greater number of our couplings are designed and made to order for the major oil producers. Stock and working capital levels are thus easily visible. There is also an increasing demand for refurbishment of our products which have been in use for many years and exposed to the elements.

The excellence of the couplings and their technology together with the significant environmental and financial consequences of risking less established products gives Gall Thomson a considerable advantage and strong market share.

The principal activity of KLAW, which has continued to develop over the year, is that of the manufacture, assembly and distribution of industrial quick release couplings for activities such as refining, exploration and construction. They are also used in the transportation of product by road and rail.

GTE, who operate mainly in the offshore industry, has benefited from a strong oil price that had encouraged the major oil producers to commence new projects worldwide. In addition, the drive towards environmental improvements continues to have a positive effect. Approximately 90% of turnover was derived from exported sales spanning the world from Europe to Asia, America to the Middle East and Africa. Nearly all sales are made in pounds sterling so we have limited exposure to a fluctuating dollar.

## **Business of Schlegel Building Products**

Schlegel is a leader in the manufacture and marketing of door and window seals, primarily for the worldwide housing market, which currently has around 600 employees and more than 5,000 customers, sells over 650 million metres of seals in a year. Core manufacturing competencies are continuously moulded urethane foam, narrow fabric textiles, and extruded plastics. As a leading producer of urethane foam (compression seals) and woven pile (sliding seals) for the window and door markets, seals are sold in more than 75 countries from seven manufacturing plants located around the world. In addition, Schlegel supply both manufactured and assembled door and window locking mechanisms to a number of their key seal customers.

Also manufactured are related products for the non-housing markets such as cleaning brushes, static control devices for copiers and printers, speciality automotive products as in sunroof seals and truck spray suppressants, tractor seat trim and sway bar brushes.

## **Business of LSS**

LSS is a leader in the design, development, manufacture and distribution of innovative products and solutions. These aim to improve performance and thermal efficiency, and enhance protection and security, for homes and buildings within the residential building and home improvement markets. Its wide range of products includes window and door hardware, composite doors, steel reinforcement products, window seals and uPVC products. These products are marketed under different brand names and supplied to customers in the UK, Continental Europe, the US and Asia. As at 31 December 2007 LSS employed 2,076 people worldwide.

Within the UK, LSS is a leading provider of window and door hardware to the retail and wholesale markets and a manufacturer of composite doors primarily to the social housing market. Other products include window balances, sash window refurbishment and steel reinforcement products.

In the US, LSS trades as the Amesbury Group. Amesbury is the leading US supplier of window balances and also manufactures uPVC profiles, foam and pile window seals. Other products include door hardware and die cast components.

LSS has manufacturing and distribution operations in the UK and the US, along with manufacturing facilities in China which, together with partner suppliers, are used as a base to produce components at low cost for supply to the UK and US. Sales, albeit at low levels, of Chinese manufactured products to the Continental European and Asian markets have also commenced.

## **Strategy**

Our strategy is to build shareholder value through the acquisition of industrial assets with the potential for development using a spectrum of funding instruments, where with the application of our management skills and systems we can achieve greater profitability. Once they have been improved, potential long-term growth configurations installed, and a critical mass built, we would expect to realise a gain through a variety of exit mechanisms.

Institutional investors are not sympathetic to public conglomerate organisations; they have, however, even though with very diverse interests, favoured private equity structures. We intend to follow the private equity principle of timed investment exits when critical mass and creation of shareholder value have been achieved by demergers, IPOs or sales, followed by cash returns to shareholders when appropriate.

The speed of our decision making and the management experience we possess together with the flexibility of being able to offer an on-going interest should give us a competitive edge over private equity competitors when negotiating transactions. In addition, we have proven management skills and systems, as well as the application of standard financial modelling.

Our approach to sectors will be very disciplined and with a clear focus. Target companies will be involved in industrial manufacturing, processing or services or distribution for industries, businesses or consumers. Retailing, financial services, property and media are outside our range of interest. Our key requirements are asset based, positive cash flow, industrial activities with potential for development. In addition, we will target fragmented industries, seek consolidations, as well as develop organic growth opportunities.

We will choose to operate in stable markets where the technology is low-risk rather than markets exposed to quick innovation and sudden obsolescence. We prefer to sell high quantities of inexpensive items or fulfil a high volume of contracts as opposed to a small number of very significant cost constituents.

We expect to inject our management skills, operating systems, financial control mechanisms and strategy experience to improve profitability and financial efficiency.

Our industrial focus and business experience of acquiring, stabilising, controlling, investing in and developing businesses, together with a strong existing operation gives Lupus Capital plc exciting prospects.

## **Summary**

Gall Thomson is a reliable business and looks forward to maintaining its success. There are opportunities in most areas of the world due to an increase in global floating production systems, as well as the traditional Single Point Mooring business. The drive to exploration in deeper waters (greater than 1,000 metres), which require off loading techniques as opposed to pipeline infrastructure, provides a sound basis for the Gall Thomson business in the short and long term. KLAW continues to grow as a result of entering new markets with successfully developed innovative products.

Both LSS and Schlegel operate within the worldwide housing market, which over the long term is likely to continue to grow due to increased populations and more single housing requirements. In addition, environmental regulations for energy conservation, of which seals are an integral part, are becoming more and more critical to both developed and developing countries. These factors should ensure a growing long term future.

## LUPUS CAPITAL

We are pleased about the progress that we are making with Lupus. Our results have been good, backed by cash generation enabling us to reward shareholders with solid dividends. The purchase of Schlegel and LSS, both leading building products manufacturers, were yet another step in creating a successful growing international business. We have a defined strategy, a sound balance sheet, good operating activities generating cash and an enthusiastic entrepreneurial management team ambitious to drive Lupus Capital plc forward. Your Board is confident that Lupus has the right platform to deliver value for shareholders.

## Unaudited summarised group income statement for the year ended 31 December 2007

	Note	2007 £'000	2006 (restated) £'000
<b>Revenue</b>	4	<b>216,859</b>	62,940
Cost of sales		<b>(142,675)</b>	(22,434)
<b>Gross profit</b>		<b>74,184</b>	40,506
<b>Administrative expenses</b>		<b>(51,461)</b>	(31,068)
<b>Operating profit</b>	4	<b>22,723</b>	9,438
<b>Analysed as:</b>			
Operating profit before exceptional items and amortisation of intangible assets		<b>31,857</b>	11,567
Exceptional items	5	<b>(1,385)</b>	-
Amortisation of intangible assets		<b>(7,749)</b>	(2,129)
<b>Operating profit</b>		<b>22,723</b>	9,438
Finance income	6	<b>1,888</b>	501
Finance costs	6	<b>(9,241)</b>	(2,034)
Net finance costs		<b>(7,353)</b>	(1,533)
<b>Profit before taxation</b>		<b>15,370</b>	7,905
Income tax expense	7	<b>(3,128)</b>	(2,973)
<b>Profit for the year from continuing operations</b>		<b>12,242</b>	4,932
<b>Earnings per share</b>			
- Basic and diluted EPS from continuing operations <sup>1</sup>	8	<b>10.68p</b>	9.49p
All results relate to continuing operations			
<b>Non GAAP measure</b>			
<b>Adjusted<sup>2</sup> profit before taxation (£'000)</b>		<b>25,021</b>	10,034
<b>Earnings per share</b>			
- Adjusted <sup>2</sup> basic and diluted EPS from continuing operations <sup>1</sup>	8	<b>14.82p</b>	12.35p

<sup>1</sup>The 2006 EPS has been restated for the share consolidation in December 2007

<sup>2</sup>before amortisation of acquired intangible assets, deferred tax on intangible assets, exceptional items, unwinding of discount on provisions and the associated tax effect.

**Unaudited summarised group statement of recognised income and expense for  
the year ended 31 December 2007**

	<b>2007</b>	2006
	<b>£'000</b>	(restated) £'000
Actuarial (losses)/gains on defined benefit plans	<b>(159)</b>	622
Exchange differences on retranslation of foreign operations	<b>(148)</b>	(1,653)
Cash flow hedges		
- net change in fair value	<b>(1,546)</b>	-
	<hr/> <b>(1,853)</b>	<hr/> (1,031)
Expenses recognised directly in equity		
Tax on items recognised directly in equity	<b>54</b>	(217)
	<hr/> <b>(1,799)</b>	<hr/> (1,248)
Net expenditure recognised directly in equity		
Profit attributable to shareholders	<b>12,242</b>	4,932
	<hr/> <b>10,443</b>	<hr/> 3,684
Total recognised income and expense for the period		

# LUPUS CAPITAL

## Unaudited summarised group balance sheet as at 31 December 2007

	Note	2007	2006
		£'000	(restated) £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	306,345	80,774
Property, plant and equipment	10	36,325	13,030
Deferred tax		5,308	6,078
Other assets		-	-
		<b>347,978</b>	<b>99,882</b>
<b>Current assets</b>			
Inventories		35,261	7,396
Trade and other receivables		36,755	15,210
Cash and short term equivalents		46,969	9,738
		<b>118,985</b>	<b>32,344</b>
<b>TOTAL ASSETS</b>		<b>466,963</b>	<b>132,226</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Income tax payable		(3,743)	(1,453)
Trade and other payables		(57,974)	(14,967)
Finance lease obligations	11	(188)	(156)
Interest bearing loans and borrowings	11	(16,694)	(4,938)
		<b>(78,599)</b>	<b>(21,514)</b>
<b>Non-current liabilities</b>			
Finance lease obligations	11	(214)	(334)
Deferred tax		(25,315)	(7,828)
Interest bearing loans and borrowings	11	(129,865)	(27,296)
Employee benefit liability		(2,194)	(3,290)
Provisions		(20,892)	(1,868)
Derivative financial instruments		(1,546)	-
Other creditors		(1,206)	(115)
		<b>(181,232)</b>	<b>(40,731)</b>
<b>TOTAL LIABILITIES</b>		<b>(259,831)</b>	<b>(62,245)</b>
<b>NET ASSETS</b>		<b>207,132</b>	<b>69,981</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Called up share capital	12	6,861	3,083
Share premium	13	45	45
Other reserve	13	10,389	10,389
Hedging reserve	13	(1,546)	-
Translation reserve	13	(1,801)	(1,653)
Retained earnings	13	193,184	58,117
<b>TOTAL EQUITY</b>		<b>207,132</b>	<b>69,981</b>

**Unaudited summarised group cash flow statement**  
**For the year ended 31 December 2007**

		<b>2007</b>	2006
			(restated)
	Note	<b>£'000</b>	£'000
<b>Cash flows from operating activities</b>			
Operating profit	4	22,723	9,438
Depreciation	10	4,702	1,646
Amortisation	9	7,749	2,129
Loss on sale of fixed assets		(12)	-
Movement in inventories		1,173	1,698
Movement in trade and other receivables		11,665	1,394
Movement in trade and other payables		3,267	619
Movement in provisions		1,110	-
Income tax paid		(6,492)	(2,050)
<b>Net cash inflow from operating activities</b>		<b><u>45,885</u></b>	<b><u>14,874</u></b>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment		(3,918)	(964)
Acquisition of subsidiary, net of cash acquired	3	(239,397)	(47,408)
Purchase of treasury shares		(1,075)	-
Interest received		1,867	501
<b>Net cash outflow from investing activities</b>		<b><u>(242,523)</u></b>	<b><u>(47,871)</u></b>
<b>Financing activities</b>			
Proceeds from shares issue, net of costs		131,536	51,653
Equity dividends paid		(3,752)	(1,234)
New borrowings		119,064	34,734
Interest paid		(7,173)	(2,034)
Repayment of long term borrowings		-	(40,281)
Repayment of short term borrowings		(5,000)	(2,500)
Repayment of capital element of finance leases		(88)	(112)
<b>Net cash (outflow)/inflow from financing activities</b>		<b><u>234,587</u></b>	<b><u>40,226</u></b>
<b>Increase in cash and cash equivalents</b>		<b>37,949</b>	7,229
Effect of exchange rates on cash and cash equivalents		(718)	(145)
Cash and cash equivalents at the beginning of the year		9,738	2,654
<b>Cash and cash equivalents at the year end</b>		<b><u>46,969</u></b>	<b><u>9,738</u></b>

**NOTES TO THE FINANCIAL STATEMENTS****1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The Group's consolidated financial statements are prepared in accordance with the principal accounting policies adopted by the Group as set out in note 2 and International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations ("IFRIC") as adopted for use in the European Union (EU), with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The comparative information for the year ended 31 December 2006 was previously reported under applicable UK accounting standards (UK GAAP) and has been restated where necessary.

The relevant changes to accounting policies are as follows:

**Intangible assets:**

Under IFRS certain intangible assets that exist as a result of a business combination are recognised separately from goodwill if they are separable and measurable. As such with respect to the Schlegel acquisition £8,400,000 in respect of brands and £19,800,000 in respect of customer relationships have been recognised separately from goodwill and £2,129,000 has been charged in respect of amortisation of these assets for the period from date of acquisition to 31 December 2006. Under UK GAAP there is no requirement to separate intangible assets and hence all such amounts therefore form part of goodwill and are not then amortised.

**Deferred tax:**

Under IFRS deferred tax is provided for the difference between the book value of the intangible assets arising as a result of the acquisition of Schlegel and the tax base of these assets with the corresponding entry being made to goodwill. The deferred tax provided on acquisition was £8,460,000 and £632,000 has been released to the income statement as a result of the amortisation charged in the period from date of acquisition to 31 December 2006.

**Computer software:**

A reallocation of £91,000 of computer software costs from tangible assets under UK GAAP to intangible assets under IFRS has been made.

These accounting policies have been consistently applied to all the periods presented unless otherwise stated, except as identified below.

As explained above, the Group's deemed transition date to IFRS is 1 January 2006. The rules for first-time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has applied the following exemptions:

IFRS 3 – "Business Combinations" is applied from 1 January 2006 and not retrospectively to earlier business combinations.

IAS21 – "The Effects of Changes in Foreign Exchange Rates" is applied from 1 January 2006 and not retrospectively to cumulative translation differences on translation of foreign operations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Accounting convention**

The financial statements are prepared under the historic cost convention and are presented in pounds sterling

## **Basis of consolidation**

The historical financial information consolidates the Company and its subsidiary undertakings drawn up to 31 December each year. The financial statements of the subsidiaries are prepared as of the same reporting date as the parent, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases.

All business combinations are accounted for using the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of any assets given, liabilities incurred or assumed, including contingent liabilities, and equity instruments issued by the Group, plus any costs directly attributable to the combination. The identifiable assets and liabilities of the acquiree are measured initially at fair value at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, including those of an intangible and tangible nature, liabilities and contingent liabilities is recognised as goodwill.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## **Recent accounting developments**

The following new IFRS standard became mandatory in the year ended 31 December 2007:

IFRS 7, "Financial Instruments: Disclosures" replaces IAS 32 "Financial Instruments: Presentation and Disclosures" and has been applied by the Group during the year. This standard does not have a material impact on the Company's and Group's consolidated financial statements.

During the year, the IASB and IFRIC have issued the following standards and interpretations with effective dates after the date of these financial statements that have not yet been adopted by the company:

IFRS 8	"Operating Segments" – effective date 1 January 2009
IFRIC 11	"Group and Treasury Share Transactions" – effective date 1 March 2007
IFRIC 12	"Service Concession Arrangements" – effective date 1 January 2008
IFRIC 13	"Customer Loyalty Programmes" – effective date 1 July 2008
IFRIC 14	"The Limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction" – effective date 1 January 2008

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

## **Principal accounting policies**

The preparation of financial statements in conformity with generally accepted accounting policies requires the directors to make judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported income and expense during the reporting periods.

Although the judgments and assumptions are based on the directors' best knowledge of the amount, events or actions, actual results may differ from these estimates.

The accounting policies set out below have been used to prepare the financial information.

## **Goodwill**

Goodwill, being the difference between the fair value of consideration paid for new interests in Group companies and the fair value of the Group's share of their net identifiable assets and contingent liabilities at the date of acquisition, is capitalised. Goodwill represents consideration paid by the Group in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

Goodwill is not amortised but is subject to an impairment review on an annual basis or more frequently when events or changes in circumstances indicate it might be impaired. Any impairment is charged to the income statement in the period in which it arises.

## **Intangible assets**

On acquisition of Group companies, the Group recognises any separately identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value.

Purchased intangible assets acquired through a business combination, including purchased brands, customer relationships, trademarks and licenses, are capitalised at fair value and amortised on a straight-line basis over their estimated useful economic lives as follows:

Acquired brands – 5 years to indefinite  
Customer relationships – 9 to 16 years  
Trade marks and licenses – 3 to 4 years

The Group capitalises acquired computer software at cost. Computer software is amortised on a straight-line basis over its estimated useful life, up to 3 years. The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

## **Impairment of assets**

Goodwill arising on business combinations is allocated to cash-generating units (equivalent to the reported primary business segments). The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when events or changes in circumstance indicate that it might be impaired. Goodwill that has been impaired previously cannot be reversed at a later date.

The carrying values of property, plant and equipment, and intangible assets with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Where purchased intangible assets are considered by the Board of Directors to have an indefinite life, they are not amortised but are subject to an impairment review on an annual basis or more frequently if necessary. Intangible assets not yet available for use are tested for impairment annually.

An impairment review is performed by comparing the carrying value of the property, plant and equipment or intangible asset or goodwill with its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be obtained on disposal of the asset. The value in use is determined by discounting, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, the expected future cash flows resulting from its continued use, including those on final disposal. Impairment losses are recognised in the income statement immediately. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual cash flows could vary considerably from forecasted cash flows. Impairment reversals are permitted to property, plant and equipment or intangible assets (but not goodwill) to the extent that the new carrying value does not exceed the amount it would have been had no impairment loss been previously recognised.

## **Segment reporting**

The Group's continuing operations are divided into two business segments, Oil services and Building products. The group's primary reporting format is business segments and its secondary format is geographical segments. A business segment is a component of the Group that is engaged in providing a group of related products and is subject to risks and returns that are different from those of the other segments. A geographical segment is a component of the Group that operates within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

## **Revenue**

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group and the revenue can be reliably measured. Revenue represents amounts receivable for goods provided or the value of work completed for customers during the year in the normal course of business, net of trade discounts, VAT and other sales-related taxes. As such revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

## **Cash and cash equivalent**

Cash and cash equivalents include cash at bank and in hand as well as short-term highly liquid investments such as money market instruments and bank deposits. Money market instruments are financial assets carried at fair value through profit or loss.

## **Interest bearing bank loans and borrowings**

Interest bearing bank loans and overdrafts are recorded as the proceeds received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

## **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment value. Depreciation is provided on all assets except freehold land at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, at the following annual rates:

Freehold land - not depreciated  
Freehold buildings 2% to 5%  
Plant and machinery 7.5% to 33%  
Motor vehicles 20% to 25%

The carrying values of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

## **Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost includes cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads based on normal level of activity. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

## **Leases**

Where the group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Assets held under finance leases and similar contracts which confer the rights and obligations similar to those attached to owned assets are capitalised at the inception of the lease at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

All other leases are treated as operating leases, and rentals payable are charged to the income statement account on a straight line basis over the lease term.

## **Foreign currencies**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In individual companies, transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Any resulting exchange differences are taken to the income statement, except where hedge accounting is applied. In these circumstances exchange differences are taken directly to equity until either the disposal of the hedging instrument, at which time they are recognised in the income statement.

On consolidation, assets and liabilities of Group companies denominated in foreign currencies are translated into sterling at the exchange rate prevailing at the balance sheet date. Income and expense items are translated into sterling at the average rates for the year.

Exchange differences arising on the translation of opening net assets of Group companies, together with differences arising from the translation of the net results at average or actual rates to the exchange rate prevailing at the balance sheet date, are taken to equity. On disposal of a foreign entity, the deferred accumulated amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

## **Provisions**

Provisions are recognised:

- when the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

## **Pensions and other post employment benefits**

The Group operates a defined contribution pension and a defined benefit scheme.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit actuarial valuation method. The operating and financing costs of the pension scheme are charged to the income statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately. The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the statement of recognised income and expenses.

The defined benefit assets and liability comprise the present value of the defined benefit obligations less the past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any assets is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefit available in the form of refunds from the plan or reductions in the future contributions to the plan.

Contributions to the defined contribution scheme are charged to the income statement as incurred.

## **Share capital**

Ordinary shares are classified as equity.

Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

## **Financial assets, liabilities and derivatives**

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

IAS 39 – "Financial Instruments: Recognition and Measurement" requires specific accounting treatment for derivatives that are designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. All other derivative financial instruments are accounted for at fair value to profit or loss.

For the reporting periods under review the Group has designated certain interest rate swap and cap contracts as hedging instruments in cash flow hedge relationships. These relationships have been entered into to mitigate interest rate risk arising from certain loan arrangements. For the period under review this results in the recognition of financial assets and liabilities, which are presented under "Derivative financial instruments" on the face of the balance sheet.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are reported in equity and recycled when the hedge relationship ceases. At the time the hedged item affects profit or loss, any gain or loss previously recognised in equity is released to the income statements. Any ineffectiveness in the hedge relationship is charged immediately to the income statement.

## **Deferred taxation**

Income tax expense represents the sum of the current tax and deferred tax.

The tax currently payable is based on 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 substantively enacted by the balance sheet date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred income 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 negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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 income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates enacted at the balance sheet dates and that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, 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 income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## **Exceptional items**

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to access better trends in financial performance.

## **Share-based payments**

All share-based arrangements are recognised in the consolidated financial statements. The Group operates an equity-settled share-based remuneration plan for remuneration of certain employees.

All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values.

All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to equity, net of deferred tax where applicable.

## **Non GAAP measure accounting policy**

The directors believe that the 'adjusted' profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business.

These measures are consistent with how business performance is measured internally. The adjusted profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies. The adjustments made to reported profit before tax are to include the following:

- exceptional income and charges. These are largely one-off in nature and therefore create volatility in reported earnings; and
- amortisation of intangible items because of the nature and expected infrequency of the events giving rise to them

## **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### **Impairment of goodwill and other intangible assets**

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets, as 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 directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

### **Provisions**

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, and are discounted to present value where the effect is material.

### **Valuation of financial instruments at fair value**

Management makes a number of assumptions with regards to the models used to value financial instruments at their fair value at year end. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

### 3. Business combinations

#### Acquisition of Laird Security Systems Division (LSS)

On 27 April 2007, the Group acquired 100% of the equity of LSS. The acquisition was funded by the raising of £136 million by way of a placing and open offer of 755.6 million new ordinary shares with a nominal value of 0.5p per share in Lupus Capital plc at an issue price of 18p per share and by way of a new debt facility comprising a term loan of \$240 million.

The fair value of the identifiable assets and liabilities of LSS as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	<b>Book values</b>	<b>Provisional fair value to Group</b>
	<b>£'000</b>	<b>£'000</b>
Intangible assets	341	96,575
Tangible assets	27,627	25,108
Inventories	39,450	29,640
Trade receivables and other debtors	38,437	33,420
Deferred tax asset	13,605	13,605
Cash at bank	120	120
Current liabilities	(33,350)	(24,667)
Taxation	(4,413)	(2,744)
Non-current liabilities	(95)	(95)
Provision for liabilities and charges	(4,557)	(18,391)
Deferred tax	(2,760)	(34,772)
<b>Net assets</b>	<u>74,405</u>	<u>117,799</u>
Goodwill arising on acquisition (Note 9)		134,298
<b>Total Consideration</b>		<u>252,097</u>
<b>Discharged by:</b>		
Agreed consideration		242,500
Working capital adjustment		2,709
Adjustment for loans acquired		(940)
Total payable to The Laird Group		<u>244,269</u>
Transaction costs		7,828
<b>Total Consideration</b>		<u>252,097</u>

From the date of acquisition, LSS has contributed £9.9 million to the operating profit of the Group. As at 31 December 2007 management was unable to obtain sufficiently reliable information to disclose what LSS's profit and revenue would have been for the whole year had the combination taken place at the beginning of the year.

Fair values include the effect of the disposal of the LSS loss making conservatory subsidiary sold on 27 July 2007.

#### 4. Segmental analysis

##### Primary reporting format- business segments

The following tables present revenue and profit and certain assets and liability information regarding the Group's business segments:

Year ended 31 December 2007	Oil services £'000	Building £'000	Total £'000
<b>Continuing operations</b>			
Revenue			
Sales of Goods including inter-segment sales	11,342	207,978	219,320
Inter-segment sales	-	(2,461)	(2,461)
<b>Total revenue</b>	<b>11,342</b>	<b>205,517</b>	<b>216,859</b>
<b>Results</b>			
Operating profit	5,557	17,166	22,723
Net finance costs			(7,353)
Profit before income tax			15,370
Income tax expense			(3,128)
<b>Profit for the year</b>			<b>12,242</b>
<b>Assets and liabilities</b>			
Segment assets	11,828	416,791	428,619
Unallocated assets			38,344
<b>Total assets</b>			<b>466,963</b>
Segment liabilities	(2,290)	(247,082)	(249,372)
Unallocated liabilities			(10,459)
<b>Total liabilities</b>			<b>(259,831)</b>
<b>Year ended 31 December 2006</b>			
	<b>Oil services £'000</b>	<b>Building £'000</b>	<b>Total £'000</b>
<b>Continuing operations</b>			
Revenue			-
Sales including inter-segment sales	9,314	59,380	68,694
Inter-segment sales	-	(5,754)	(5,754)
<b>Total revenue</b>	<b>9,314</b>	<b>53,626</b>	<b>62,940</b>
<b>Results</b>			
Operating profit	3,445	5,993	9,438
Net finance costs			(1,533)
Profit before income tax			7,905
Income tax expense			(2,973)
<b>Profit for the year</b>			<b>4,932</b>
<b>Assets and liabilities</b>			
Segment assets	14,363	101,975	116,338
Unallocated assets			15,888
<b>Total assets</b>			<b>132,226</b>
Segment liabilities	(1,588)	(18,091)	(19,679)
Unallocated liabilities			(42,566)
<b>Total liabilities</b>			<b>(62,245)</b>

**5. Exceptional items**

	2007 £'000	2006 £'000
Reorganisation costs	1,236	-
Workers compensation	149	-
	<u>1,385</u>	<u>-</u>

**6. Finance revenue and costs**

	2007 £'000	2006 £'000
<b>Finance income</b>		
Bank interest receivable	1,845	501
Fair value gains on financial instruments		
- interest rate swap - cash flow hedge, transfer from equity	43	-
	<u>1,888</u>	<u>501</u>
<b>Finance costs</b>		
Interest payable on bank loans and overdraft	(8,303)	(1,736)
Finance charges payable under finance lease and hire purchase contracts	(23)	(172)
Amortisation of borrowing costs	(264)	(48)
Unwinding of discount on provisions	(517)	-
Other finance costs	(134)	(78)
	<u>(9,241)</u>	<u>(2,034)</u>
<b>Net finance costs</b>	<u>(7,353)</u>	<u>(1,533)</u>

**7. Taxation**

	2007 £'000	2006 £'000
Tax charge on profits for the year	5,141	2,973
Deferred tax adjustment relating to the rate of corporation changing from 30% to 28%	(2,013)	-
Tax charge in the income statement	<u>3,128</u>	<u>2,973</u>

**8. Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2007 '000	2006 '000 (restated)
Weighted average number of shares (excluding treasury shares)	114,648	51,985
Treasury shares	(39)	-
Weighted average number of shares	<u>114,609</u>	<u>51,985</u>

### ***Earnings per share from continuing operations before exceptional items***

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

To this end, basic and diluted earnings per share is also presented on this basis and using the weighted average number of ordinary shares for both basic and diluted amounts as per the table above. Net profit from continuing operations before exceptional items is derived as follows:

### **9. Intangible fixed assets**

	Computer software £'000	Acquired brands £'000	Customer relations £'000	Goodwill £'000	Total £'000
<b>Cost</b>					
At 1 January 2006	-	-	-	11,421	11,421
Acquisition of Schlegel	75	8,400	19,800	43,170	71,445
Additions	37	-	-	-	37
At 31 December 2006	<u>112</u>	<u>8,400</u>	<u>19,800</u>	<u>54,591</u>	<u>82,903</u>
Acquisition of Schlegel	-	-	-	2,302	2,302
Acquisition of LSS (note 3)	341	19,813	76,421	134,298	230,873
Additions	145	-	-	-	145
<b>At 31 December 2007</b>	<b><u>598</u></b>	<b><u>28,213</u></b>	<b><u>96,221</u></b>	<b><u>191,191</u></b>	<b><u>316,223</u></b>
<b>Amortisation and impairment</b>					
At 1 January 2006	-	-	-	-	-
Amortisation for the year	21	252	1,856	-	2,129
At 31 December 2006	<u>21</u>	<u>252</u>	<u>1,856</u>	<u>-</u>	<u>2,129</u>
Amortisation for the year	16	2,526	5,207	-	7,749
<b>At 31 December 2007</b>	<b><u>37</u></b>	<b><u>2,778</u></b>	<b><u>7,063</u></b>	<b><u>-</u></b>	<b><u>9,878</u></b>
<b>Net book value</b>					
<b>At 31 December 2007</b>	<b><u>561</u></b>	<b><u>25,435</u></b>	<b><u>89,158</u></b>	<b><u>191,191</u></b>	<b><u>306,345</u></b>
At 31 December 2006	<u>91</u>	<u>8,148</u>	<u>17,944</u>	<u>54,591</u>	<u>80,774</u>

## 10. Property, plant and equipment

	Freehold land and buildings £'000	Plant and Machinery £'000	Total £'000
<b>Cost</b>			
At 1 January 2006	292	488	780
Additions	170	855	1,025
Acquisition of subsidiary	1,792	12,459	14,251
Disposals	-	(121)	(121)
Foreign currency adjustment	(80)	(898)	(978)
At 31 December 2006	2,174	12,783	14,957
Additions	96	4,386	4,482
Acquisition of subsidiary	10,350	36,648	46,998
Amounts written off	(513)	(2,595)	(3,108)
Foreign currency adjustment	151	445	596
<b>At 31 December 2007</b>	<b>12,258</b>	<b>51,667</b>	<b>63,925</b>
<b>Accumulated depreciation</b>			
At 1 January 2006	45	292	337
Charge for the year	84	1,562	1,646
Disposals	-	(19)	(19)
Foreign currency adjustment	(2)	(35)	(37)
At 31 December 2006	127	1,800	1,927
Charge for the year	421	4,281	4,702
Acquisition of subsidiary	1,142	20,748	21,890
Amounts written off	(86)	(970)	(1,056)
Foreign currency adjustment	10	127	137
<b>At 31 December 2007</b>	<b>1,614</b>	<b>25,986</b>	<b>27,600</b>
<b>Net book value</b>			
<b>At 31 December 2007</b>	<b>10,644</b>	<b>25,681</b>	<b>36,325</b>
At 31 December 2006	2,047	10,983	13,030

## 11. Interest-bearing loans and borrowings

	2007 £'000	2006 £'000
<b>Current</b>		
Bank borrowings	16,694	4,938
Obligations under finance leases and hire purchase contracts	188	156
	<u>16,882</u>	<u>5,094</u>
<b>Non-current</b>		
Bank borrowings	129,865	27,296
Obligations under finance leases and hire purchase contracts	214	334
	<u>130,079</u>	<u>27,630</u>
<b>Minimum lease payments due under finance leases are as follows:</b>		
Less than one year	188	156
1 to 5 years	214	334
	<u>402</u>	<u>490</u>

The Group took out loans totalling £35,000,000 from Bank of Scotland and HSBC in connection with the acquisition of Schlegel, of which £30,000,000 was a long term loan and £5,000,000 short term. Repayments of £7,500,000 have been made.

A further revolving credit facility of £10,000,000 was made available by the banks, but no drawings under this facility have been made at the balance sheet date.

The Group took out a 5 year loan of \$240,000,000 from Bank of Scotland, HSBC and Royal Bank of Scotland during the year in connection with the acquisition of LSS. No repayments had been made at 31 December 2007.

A revolving credit facility of \$40,000,000 was arranged with bankers during the year. Drawings made under this facility during the year had been repaid at the balance sheet date.

## 12. Share capital

	Number of shares <sup>1</sup>	Ordinary shares of 5p each £'000
At 1 January 2006	23,770	1,188
Proceeds of shares issued	37,857	1,894
Proceeds of shares issued in lieu of directors remuneration	29	1
31 December 2006	<u>61,656</u>	<u>3,083</u>
Proceeds of shares issued	75,556	3,778
<b>31 December 2007</b>	<u>137,212</u>	<u>6,861</u>

(1) Restated to reflect the share consolidation in December 2007

The total authorised number of ordinary shares is 180,000,000 (2006: 1,800,000,000) with a nominal value of 5p per share (2006: 0.5p per share). All issued shares are fully paid.

### Issue of shares in connection with the acquisition of Laird

The acquisition of LSS was completed on 27 April 2007. The acquisition was funded by the raising of £136 million by way of a placing and open offer of 755,555,556 ordinary shares with a nominal value of 0.5p in the Company at an issue price of 18 pence per share and by a new debt facility comprising a term loan of \$240,000,000 and a multicurrency revolving loan facility of \$40,000,000. The Company's

authorized share capital was increased from £4,125,000 to £9,000,000 by shareholders at the extraordinary general meeting held on 19 April 2007 to authorise the Laird transaction.

## Share consolidation

At the extraordinary general meeting of the Company held on 11 December 2007, shareholders approved a consolidation of the share capital of the Company from 1,372,115,334 ordinary shares of 0.5 pence into 137,211,533 ordinary shares of 5 pence. The authorised share capital was consolidated from 1,800,000,000 ordinary shares of 0.5 pence to 180,000,000 ordinary shares of 5 pence

## 13. Reconciliation of movements in equity

	Share capital £'000	Share Premium £'000	Other reserves £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2006	1,188	-	10,389	-	-	4,301	15,878
Shares issued net of costs	1,895	45	-	-	-	49,713	51,653
Total recognised income and expense for the year	-	-	-	-	(1,653)	5,337	3,684
Dividends paid	-	-	-	-	-	(1,234)	(1,234)
At 31 December 2006	3,083	45	10,389	-	(1,653)	58,117	69,981
Shares issued net of costs	3,778	-	-	-	-	127,758	131,536
Total recognised income and expense for the year	-	-	-	(1,546)	(148)	12,137	10,443
Dividends paid	-	-	-	-	-	(3,753)	(3,753)
Share buyback	-	-	-	-	-	(1,075)	(1,075)
<b>At 31 December 2007</b>	<b>6,861</b>	<b>45</b>	<b>10,389</b>	<b>(1,546)</b>	<b>(1,801)</b>	<b>193,184</b>	<b>207,132</b>

## Dividends

	2007 £'000	2006 £'000
Dividends paid in the year were as follows:		
Final dividend for 2005 at 0.278p per share	-	661
Interim dividend for 2006 at 0.049p per share	-	302
Special interim dividend for 2006 at 0.114p per share	-	271
Final dividend for 2006 at 0.334p per share	2,059	-
Special interim dividend for 2007 at 0.150p per share	925	-
Interim dividend for 2007 at 0.056p per share	769	-
	<b>3,753</b>	<b>1,234</b>
Dividends not reflected in the financial statements:		
Proposed final dividend for the year 2007 at 3.51p per share	<b>4,557</b>	<b>2,059</b>

The shares issued in connection with the acquisition of LSS, as described in note 12 above, were issued in consideration for shares in Lupus Capital (Jersey) Limited and the premium thereon represented a capital profit taken to retained earnings.

## Purchase of own shares

At the extraordinary general meeting of the Company held on 11 December 2007, shareholders authorised the Company to make market purchases of its own ordinary shares up to a maximum of 20,568,008 ordinary shares, representing 14.99% of the ordinary shares in issue.

Up to 31 December 2007 purchases were made of 1,309,675 ordinary shares, which are being held in Treasury. The Company's voting ordinary share capital at 31 December 2007 was therefore 135,901,858 shares. The aggregate cost of these purchases was £1,074,930.

Since 31 December 2007, the Company has made further purchases amounting to 6,137,008 ordinary shares. These shares are also held in Treasury.

Included within the profit and loss account is £96,000, which represents an amount transferred to a Special Reserve within the accounts of a subsidiary company under the terms of a Court Order on a reduction in share capital of that company.

#### **14. Status of this report**

The above results for the year ended 31 December 2007 are unaudited. The financial information does not constitute the Company and Group's statutory accounts for the year ended 31 December 2007, which will be finalized on the basis of the financial information in this Preliminary Announcement.

Statutory accounts for the year ended 31 December 2007 are to be delivered to the Registrar of Companies following the Annual General Meeting.

The information for the year ended 31 December 2006 has been extracted from the latest published audited financial statements, as restated to comply with International Financial Reporting Standards (IFRS). The audited financial statements for the year ended 31 December 2006 have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 237(2) or (3) of the Companies Act 1985.

Ends.