

## **Lupus Capital plc**

Interim results

### **Chairman's Statement**

Dear Shareholder,

I am pleased to be writing to you again to report that we have completed another satisfactory first half in respect of our trading results. The consummation of acquisitions however has been more difficult and despite having been involved in a number of very interesting opportunities we have not been able to complete a deal. Whilst this is of concern it is by no means a mistake. Our primary purpose is to create value for shareholders, and this requires that we pay sensible prices for acquisitions. Others have been prepared to pay more but they may find value creation more difficult to achieve. Our reputation for protecting shareholders interests remains intact. We are determined to develop Lupus along the lines we have outlined and we continue to be diligent and resolute on making value producing acquisitions.

Pre-tax profits for the six months to 30 June 2005 were £1,241,000 (compared to the pre tax profit of £1,240,000 before restructuring costs in the same period last year) on sales up 3.1% to £3,137,000 (2004: £3,044,000). The results for the period have been prepared on the basis of the requirements of International Financial Reporting Standards (IFRS) for the first time. The comparative figures for the same period in 2004 and for the year ended 31 December 2004 have been restated to conform to IFRS, as explained in the notes to the accounts.

The directors have declared an increased interim dividend, up almost 5%, of 0.132p per share (2004: 0.126p per share), payable on 27 October 2005 to shareholders on the register at the close of business on 7 October 2005.

Our balance sheet remains strong and contains £2,410,000 net cash at 30 June 2005 (2004: £1,569,000).

Our strategy as laid out in our Annual Report has been well documented and received. We are currently examining a number of attractive opportunities which have potential for the company. Whilst we are fully committed to expanding the group it is our intention to do this carefully and economically as opposed to rushing into unwise situations.

Trading prospects for Gall Thomson remain satisfactory. The order profile is encouraging and management are confident about the business activity in the current period. Klaw Products Limited, which manufactures, assembles and distributes industrial quick release couplings for a variety of industries, is progressing very well and having a record year.

With regard to Lupus Capital plc, we have a clear strategy, a sound balance sheet, good operating activities, excellent cash generation and an enthusiastic entrepreneurial management team, ambitious to drive Lupus Capital plc forward. I am confident that we have the right platform to deliver value for shareholders.

**Greg Hutchings**  
Chairman

28 September 2005

## Consolidated income statement

		Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	<i>Notes</i>	(unaudited) £'000	(unaudited) (restated) £'000	(unaudited) (restated) £'000
<b>Revenue</b>		<u>3,137</u>	<u>3,044</u>	<u>6,607</u>
<b>Operating profit/(loss)</b>				
Continuing operations excluding restructuring costs		1,202	1,237	2,947
Restructuring costs		-	(1,309)	(1,309)
		<u>1,202</u>	<u>(72)</u>	<u>1,638</u>
Interest and similar items		39	3	27
<b>Profit/(loss) before taxation</b>		<u>1,241</u>	<u>(69)</u>	<u>1,665</u>
Taxation		(373)	10	(538)
<b>Profit/(loss) attributable to shareholders of the company</b>	3	<u>868</u>	<u>(59)</u>	<u>1,127</u>
Earnings/(loss) per share – basic and diluted	4	0.365p	(0.028p)	0.502p

## Consolidated Balance Sheet

		At 30 June 2005	At 30 June 2004	At 31 December 2004
	<i>Notes</i>	(unaudited) £'000	(unaudited) (restated) £'000	(unaudited) (restated) £'000
<b>Non-current assets</b>				
Goodwill		11,421	11,421	11,421
Tangible non-current assets		434	417	396
		<u>11,855</u>	<u>11,838</u>	<u>11,817</u>
<b>Current assets</b>				
Inventories		371	262	251
Receivables		2,016	1,854	2,323
Cash		2,410	1,569	1,649
		<u>4,797</u>	<u>3,685</u>	<u>4,223</u>
<b>Current liabilities</b>		<u>(1,101)</u>	<u>(1,721)</u>	<u>(1,372)</u>
<b>Net current assets</b>		<u>3,696</u>	<u>1,964</u>	<u>2,851</u>
<b>Total assets less current liabilities</b>		<u>15,551</u>	<u>13,802</u>	<u>14,668</u>
<b>Non-current liabilities</b>		<u>(15)</u>	<u>(20)</u>	<u>-</u>
<b>Net assets</b>	3	<u>15,536</u>	<u>13,782</u>	<u>14,668</u>
<b>Capital and reserves</b>				
Share capital		1,188	1,188	1,188
Merger reserve		10,389	10,389	10,389
Lesot reserve		(8,201)	-	(8,201)
Retained earnings		12,160	2,205	11,292
	6	<u>15,536</u>	<u>13,782</u>	<u>14,668</u>

## Consolidated Statement of Changes in Equity

		<b>Six months ended 30 June 2005</b>	Six months ended 30 June 2004	Year ended 31 December 2004
	<i>Notes</i>	(unaudited) £'000	(unaudited) £'000	(unaudited) £'000
Opening balance	3	<b>14,668</b>	13,161	13,161
Profit/(loss) for the financial period/year	3	<b>868</b>	(59)	1,127
Shares issued net of costs and debit reserve		-	1,231	1,231
Dividends paid or legally committed to be paid on ordinary shares	5	-	(551)	(851)
Closing balance		<b>15,536</b>	13,782	14,668

## Consolidated Cash Flow Statement

	<b>Six months ended 30 June 2005</b>	Six months ended 30 June 2004	Year ended 31 December 2004
	(unaudited) £'000	(unaudited) (restated) £'000	(unaudited) (restated) £'000
<b>Cash flows from operating activities</b>			
Operating profit/(loss)	<b>1,202</b>	(72)	1,638
Depreciation	<b>7</b>	27	55
Movement in inventories	<b>(120)</b>	(11)	-
Movement in receivables	<b>306</b>	1,017	548
Movement in payables	<b>(120)</b>	(503)	(575)
Interest received	<b>155</b>	113	252
Interest paid	<b>(117)</b>	(103)	(221)
UK corporation tax paid	<b>(507)</b>	(198)	(489)
<b>Net cash from operating activities</b>	<b>806</b>	270	1,208
<b>Investing activities</b>			
Property, plant and equipment	<b>(45)</b>	(29)	(36)
<b>Net cash from investing activities</b>	<b>(45)</b>	(29)	(36)
<b>Financing</b>			
Issue of shares net of costs	-	1,231	1,231
Equity dividends paid	-	-	(851)
<b>Net cash from financing activities</b>	<b>-</b>	1,231	380
<b>Increase in cash and cash equivalents</b>	<b>761</b>	1,472	1,552

## Notes

### 1. Status of the financial statements

These financial statements are not the Company's statutory accounts for the purposes of Section 240 of the Companies Act 1985. They are unaudited. The Company's statutory accounts for the year ended 31 December 2004 received an unqualified audit report and have been filed with the registrar of companies at Companies House.

The Directors approved the interim report on 28 September 2005.

### 2. Accounting policies

The interim financial information has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS), which are the accounting policies to be used in the Report and Accounts of the Group for the year ended 31 December 2005, as required for the consolidated accounts of listed companies. Previously, the consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP) up to and including the year ended 31 December 2004. UK GAAP differs in some respects from IFRS. In accordance with the rules of IFRS, the date of transition to IFRS is deemed to be 1 January 2004, so that the comparative information is also prepared under IFRS and has been restated where necessary. The accounting policies are unchanged from those used in the last annual accounts except where otherwise stated.

The relevant changes of accounting policies are as follows:

(a) The previous requirement to amortise goodwill is replaced by an impairment review of the value of the Company's investments. The directors have conducted an impairment review and have concluded that the value at which Gall Thomson Environmental Limited (Gall Thomson) was stated in the Company's balance sheet at 1 January 2004 and the value at which KLaw Products Limited was stated in the balance sheet of Gall Thomson at 1 January 2004 are not greater than the realisable values of those investments. Therefore the carrying value of goodwill is the value as at 1 January 2004 and no further provision has been made against that value.

(b) Dividends payable are no longer recorded as liabilities until a legal requirement to pay them has arisen. As explained in note 5 below, payment of the final dividend for the year 2004 did not become a legal obligation of the Company until after 30 June 2005. Therefore this dividend is added back to the shareholders' funds previously shown as at 31 December 2004 and is not deducted from shareholders' funds as at 30 June 2005. During the comparative period ended on 30 June 2004 the final dividend for the year ended 31 December 2003 had become a legal obligation of the Company, having been approved by shareholders at the AGM in May 2004 (although it had not yet been paid in cash).

(c) Under UK GAAP the Company made a charge to profit in its income statement for 2004 relating to the Lupus Employee Share Ownership Trust (lesot). Under IFRS there is no charge as the award pre-dated the application of the relevant standard in this case. The cost of the award remains as a charge to reserves and there is no effect on net assets.

### 3. IFRS transition reconciliation

The restatements required by the changes in accounting policy, as set out in note 2 above, are as follows:

#### (a) Profit after taxation

	Six months ended 30 June 2004 (unaudited) £'000	Year ended 31 December 2004 (unaudited) £'000
Profit / (loss) for the financial period/year, as previously stated under UK GAAP	<u>(5,897)</u>	<u>(6,328)</u>
Amortisation of goodwill written back	370	740
Lesot charge to current profit, written back	5,468	6,715
As reported under IFRS	<u>(59)</u>	<u>1,127</u>

### 3. IFRS transition reconciliation - continued

(b) Net assets	At 1 January 2005 (unaudited) £'000	At 1 January 2004 (unaudited) £'000
Opening net assets, as previously stated under UK GAAP	13,301	12,610
Proposed dividends written back	627	551
Amortisation of goodwill added back	740	-
As reported under IFRS	<u>14,668</u>	<u>13,161</u>

### 4. Earnings per share

Earnings per share figures are based on 237,696,286 ordinary shares in issue throughout the half-year ended 30 June 2005 (half-year to 30 June 2004: 209,819,393 shares; year to 31 December 2004: 224,306,337 shares). The number of shares in issue at 30 June 2005 was 237,696,286. If restructuring costs are added back to earnings in 2004, the adjusted earnings per share are as follows:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
Adjusted earnings per share before restructuring costs	<b>0.365p</b>	0.41p	0.94p

### 5. Dividends

The final dividend for the year ended 31 December 2004 of 0.264p per share was declared by the Annual General Meeting on 7 July 2005. This dividend was paid to shareholders on 18 July 2005 and absorbed £627,000.

The directors have today, 28 September 2005, declared an interim dividend of 0.132p per share (2004: 0.126p) payable to shareholders on the register at the close of business on 7 October 2005, which will be paid on 27 October 2005. This dividend will absorb £314,000 (2004: £300,000).

Under IFRS, proposed dividends that have not yet become a legal liability are not reflected in the financial statements. The dividends paid or payable and those proposed are summarised below:

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
<i>(a) dividends reflected in the financial statements</i>			
Dividends paid/payable per share	-	0.25p	0.376p
<i>(b) dividends not reflected in the financial statements</i>			
Final dividend proposed per share	<b>0.264p</b>	-	0.264p
Interim dividend proposed per share	<b>0.132p</b>	0.126p	-

### 6. Movement on share capital and reserves

	Share capital £'000	Merger reserve £'000	Lesot Reserve £'000	Retained Earnings £'000	Total £'000
At 1 January 2005, as previously stated	1,188	10,389	(8,201)	9,925	<b>13,301</b>
Restatement - dividend	-	-	-	627	<b>627</b>
Restatement - amortisation	-	-	-	740	<b>740</b>
Profit for the period	-	-	-	868	<b>868</b>
<b>At 30 June 2005</b>	<b>1,188</b>	<b>10,389</b>	<b>(8,201)</b>	<b>12,160</b>	<b>15,536</b>

Registered office

Crusader House  
145-157 St John Street  
London EC1V 4RU

The interim report will be sent to shareholders and copies will be made available to the public at the registered office of the Company and at the Company's website [www.lupuscapital.co.uk](http://www.lupuscapital.co.uk).