LUPUS CAPITAL

LUPUS CAPITAL PLC

Audited Statement of Results for the year ended 31 December 2008

Highlights:

- EBITDA* up to £42.870 million (2007: £36.559 million)
- Pre-tax profits* up to £27.685 million (2007: £25.021 million)
- EPS* up to 14.83p (2007: 14.82p)
- Strong cash generation
- Substantial cost reduction achieved
- Debt negotiations continuing

*before amortisation of acquired intangible assets, deferred tax on amortisation of intangible assets, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs and the associated tax effect.

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Lupus Capital plc

Audited Statement of Results for the year ended 31 December 2008

CHAIRMAN'S STATEMENT

Dear Shareholder,

We started the 2008 year well and in good shape but as the global economic crisis developed almost all our US businesses were affected by progressively dramatically lower demand and this has continued right into 2009. Our non-US businesses, apart from our oil services company, started to experience the slow down in sales and orders later in the 2008 year.

Despite these unprecedented conditions, and as a result of our management teams' rapid reactions, Lupus is pleased to be able to report that results for the 12 months to 31 December 2008 are excellent – earnings per share up marginally on 2007 - in comparison to our competitors and bearing in mind the financial and economic turmoil during the period.

The majority of Lupus' businesses are manufacturers and suppliers to the door and window sector mainly for the refurbishment, and less so, for the new build markets (where US housing starts slumped to an annualised 0.466 million units from a high of 2.265 million in January 2006[1]) in the USA and Europe. The Company's main products are locks, seals, hinges, handles, doors and balances.

Results for the year

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

Sales, including a full 12 months of the acquisition of LSS (8 months in 2007) were £266.559 million (2007: £216.859 million). Underlying earnings before interest, tax, depreciation and amortisation were up £6.311 million to £42.870 million (2007: £36.559 million) and pre-tax profits increased by £2.664 million to £27.685 million (2007: £25.021 million).

We are proud to say that reported underlying earnings per share marginally increased to 14.83p (2007: 14.82p) (see note 8).

Net Indebtedness

In relation to our group debt, the US dollar to pound exchange rate changed rapidly last year by over 25% from $2.1 to around $1.5 to the pound. We comfortably met all our interest and debt repayments during 2008. However, the group's net debt increased significantly in sterling terms when translated at the year end exchange rate and this increase, upon translation, was greater than that of the group's proportionate dollar earnings measured in sterling at the average exchange rate of the year. This issue, which is relevant to the debt taken on for the LSS division acquisition, brought us to enter into discussions with our bankers. Further to the Company's announcement on 1 April, we are continuing to negotiate our debt facilities and banking covenants to more appropriate levels through 2009 and beyond. It is anticipated that these discussions will be successfully concluded and will likely result in certain exceptional costs for arrangement fees etc arising this year. Revised banking facilities will also reflect current market conditions.

Our audited accounts show borrowings at an exchange rate of $1.45 to £1 at 31 December 2008 resulting in the Company's net debt position of £145.321 million. This included approximately $224 million borrowings designated in US dollars. If the exchange rate on 31 December 2008 had been the same as at 31 December 2007 our equivalent net debt in Sterling would have been £90.532 million (after accounting for the one-off payment to Laird PLC in 2008) (2007: £99.992 million) i.e. a £9.460 million (9.5%) reduction in our borrowings. For information, US dollar earnings have been translated at $1.86 to £1 being the average rate for the 2008 year.

[1] U.S. Census Bureau.

Dividend

A growing dividend was one of our objectives, however, with the economic crisis causing a decline in trading profits, the adverse US dollar exchange rate and restrictions placed on us by our bankers, we are unable to pay a final dividend.

The interim half year dividend of 2.06p per share was paid on 4 November 2008. This now represents the total dividend for the year and will mean a significant decline from the 5.57p per share from all those paid for the 2007 year. We anticipate dividends will be resumed as soon as practically allowed.

Group 2008 Performance

Throughout 2008 the US market declined significantly. Then in Europe, starting with Spain, followed later by the UK and finally the rest of Europe, our customers cut back on orders.

Both in advance of, and in response to, these conditions we have taken very decisive actions to cut our costs accordingly. Staff and shop floor personnel have been reduced and temporary labour let go. Overheads such as freight, energy and commissions have been flexed/ lowered and factories consolidated or rationalised. Short time working practices have been instigated and wages, in countries where National Governmental Legislation allows, frozen. Cash has been generated from working capital reductions (although reduced credit insurance terms have limited this) and capital expenditure sanctioned only if necessary. Fragile customers are sold to on a cash only basis where appropriate (although regrettably we have had some bad debts). Input costs were brought down: raw materials such as steel and polypropylene have been renegotiated as well as component price decreases given by some suppliers, or resourced elsewhere. These numerous actions have ameliorated 2008 profit reductions in comparison to 2007.

Gall Thomson Environmental, which manufactures products primarily for the oil and gas sector, has had another excellent performance. At the year-end order books were solid both in marine and industrial breakaway couplings.

Exceptional costs of £5.987 million have been incurred during 2008. These include restructuring and redundancy costs as well as asset write-downs.

All our businesses have generated good cash flow during 2008 enabling us to service our interest costs and to meet our debt obligations as they fell due. As sales levels declined local management acted promptly and decisively to reduce working capital accordingly.

Outlook

The general economic climate for 2009 is still very uncertain. The oil and gas services sector remains positive, despite the recent declines in the oil price. The US housing environment continues to decline and the European building components market is following the US trends, albeit delayed. These business conditions require continuous monitoring and control of our cost base.

Given the uncertainty in our building products end markets, the Board believes that predicting the 2009 outcome is difficult. Our businesses both in the US and Europe face unprecedented market conditions which may continue to deteriorate for a while longer. We are confident that we have excellent management teams who will be reacting to these market forces and maximising profitability and cash generation.

Greg Hutchings
Chairman
29 April 2009

Group income statement
for the year ended 31 December 2008

	Note	2008	2007
		£'000	£'000
Revenue	3	**266,559**	216,859
Cost of sales	3	**(175,666)**	(142,675)
Gross profit		**90,893**	74,184
Administrative expenses		**(70,046)**	(51,461)
Operating profit		**20,847**	22,723
Analysed as:		**36,619**	31,857
Operating profit before exceptional items and amortisation of intangible assets		**-**	-
Exceptional items	4	**(5,987)**	(1,385)
Amortisation of intangible assets	3	**(9,785)**	(7,749)
Operating profit		**20,847**	22,723
Finance income	6	**1,687**	1,888
Finance costs	6	**(11,743)**	(9,241)
Net finance costs		**(10,056)**	(7,353)
Profit before taxation		**10,791**	15,370
Income tax expense	7	**(4,275)**	(3,128)
Profit for the year from continuing operations		**6,516**	12,242
Earnings per share			
- Basic EPS from continuing operations		**5.01p**	10.68p
- Diluted EPS from continuing operations		**4.92p**	10.68p

All results relate to continuing operations.

	Note	2008	2007
		£'000	£'000
Non GAAP measure			
Adjusted[1] profit before taxation		**27,685**	25,021
Earnings per share			
- Adjusted[1] basic EPS from continuing operations	8	**14.83p**	14.82p
- Adjusted[1] diluted EPS from continuing operations	8	**14.57p**	14.82p

[1]before amortisation of acquired intangible assets, deferred tax on amortisation of intangible assets, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs and the associated tax effect.

Group statement of recognised income and expense for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Actuarial (losses) on defined benefit plans		**(5,559)**	(159)
Exchange differences on retranslation of foreign operations		**42,620**	(148)
Effective portion of changes in value of cash flow hedges		**(2,392)**	(1,546)
Tax on items recognised directly in equity		**1,890**	54
Income and expense recognised directly in equity		**36,559**	(1,799)
Profit for the period		**6,516**	12,242
Total recognised income and expense for the period - attributable to equity shareholders of the Company	9	**43,075**	10,443

LUPUS CAPITAL

Group balance sheet
As at 31 December 2008

	Note	2008	2007
			(restated)
		£'000	£'000
ASSETS			
Non-current assets			
Intangible assets		**369,260**	306,796
Property, plant and equipment		**41,663**	36,325
Deferred tax	7	**8,297**	6,018
		419,220	349,139
Current assets			
Inventories		**36,857**	34,285
Trade and other receivables		**34,720**	36,755
Cash and cash equivalents		**32,407**	46,969
		103,984	118,009
TOTAL ASSETS		**523,204**	467,148
LIABILITIES			
Current liabilities			
Current tax payable		**(6,321)**	(4,329)
Trade and other payables		**(39,148)**	(58,225)
Finance lease obligations		**(231)**	(188)
Interest bearing loans and borrowings		**(27,857)**	(16,694)
		(73,557)	(79,436)
Non-current liabilities			
Finance lease obligations		**(54)**	(214)
Deferred tax	7	**(30,386)**	(25,315)
Interest bearing loans and borrowings		**(149,586)**	(129,865)
Employee benefit liability		**(7,598)**	(3,497)
Provisions		**(20,441)**	(18,937)
Derivative financial instruments		**(3,938)**	(1,546)
Other creditors		**(244)**	(1,206)
		(212,247)	(180,580)
TOTAL LIABILITIES		**(285,804)**	(260,016)
NET ASSETS		**237,400**	207,132
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Called up share capital	9	**6,864**	6,861
Share premium	9	**101**	45
Other reserves	9	**10,389**	10,389
Treasury reserve	9	**(6,764)**	(1,075)
Hedging reserve	9	**(3,938)**	(1,546)
Translation reserve	9	**40,819**	(1,801)
Retained earnings	9	**189,929**	194,259
TOTAL EQUITY		**237,400**	207,132

Group cash flow statement
For the year ended 31 December 2008

	Note	**2008**	2007
		£'000	£'000
Cash flows from operating activities			
Profit before tax		**10,791**	15,370
Net finance costs		**10,056**	7,353
Depreciation	3	**6,251**	4,702
Amortisation	3	**9,785**	7,749
Property, plant and equipment written off		**1,237**	(12)
Share based payments		**55**	-
Movement in inventories		**4,013**	1,173
Movement in trade and other receivables		**5,891**	11,665
Movement in trade and other payables		**(14,228)**	3,267
Movement in provisions		**373**	1,110
Income tax paid		**(3,351)**	(6,492)
Net cash inflow from operating activities		**30,873**	45,885
Investing activities			
Payments to acquire property, plant and equipment		**(4,484)**	(3,918)
Acquisition of subsidiary, net of cash acquired		**-**	(239,397)
Deffered consideration on previous acquisition		**(12,500)**	-
Interest received		**1,708**	1,867
Net cash outflow from investing activities		**(15,276)**	(241,448)
Financing activities			
Proceeds from shares issue, net of costs		**59**	131,536
Purchase of treasury shares		**(5,689)**	(1,075)
Equity dividends paid		**(7,232)**	(3,753)
New borrowings		**5,390**	119,064
Interest paid		**(9,849)**	(7,172)
Repayment of short term borrowings		**(17,937)**	(5,000)
Repayment of capital element of finance leases		**(117)**	(88)
Net cash (outflow)/inflow from financing activities		**(35,375)**	233,512
(Decrease)/increase in cash and cash equivalents		**(19,778)**	37,949
Effect of exchange rates on cash and cash equivalents		**5,216**	(718)
Cash and cash equivalents at the beginning of the year		**46,969**	9,738
Cash and cash equivalents at the year end		**32,407**	46,969

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group’s principal activities are the manufacture, supply and distribution of building products and goods to the oil and gas industry. Lupus Capital plc is the Group’s ultimate parent company. It is incorporated and domiciled in England and Wales at Crusader House, 145-157 St. John Street, London EC1V 4RU.

The Group’s shares are admitted to trading on AIM, a market of the London Stock Exchange.

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

The 2007 Group balance sheet has been restated in accordance with IFRS 3 Business Combinations as a result of the fair value adjustments made in respect of the LSS acquisition.

Going concern
The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future.

The US dollar to pound exchange rate changed rapidly last year by over 25% from $2.1 to around $1.5 to the pound. We comfortably met all our interest and debt repayments during 2008. However, the group's net debt increased significantly in sterling terms when translated at the year end exchange rate and this increase, upon translation, was greater than that of the group's proportionate dollar earnings measured in sterling at the average exchange rate of the year.

This issue, which is relevant to the debt taken on for the LSS division acquisition, brought us to enter into discussions with our bankers. We are currently renegotiating our debt facilities and banking covenants to more appropriate levels through 2009 and beyond. The Board believes that, whilst there is material uncertainty over the timing and precise terms of agreement, these discussions will be successfully concluded. Until the negotiations are concluded there remains significant doubt as to their outcome, however the Board believes it is appropriate to continue to adopt the going concern basis in preparing the annual report and accounts (see note 10).

2. 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 £136m by way of a placing and open offer of 755.6m new ordinary shares 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 $240m.

The investment in LSS has been included in the Group balance sheet at its fair value at 31 December 2008 and at the provisional fair value at 31 December 2007, as set out in the following table:

	Provisional fair value to Group 31 December 2007	**Fair value adjustments**	**Fair value to Group 31 December 2008**
	£'000	**£'000**	**£'000**
Intangible assets	96,575	-	96,575
Tangible assets	25,108	-	25,108
Inventories	29,640	(976)	28,664
Trade receivables and other debtors	33,420	-	33,420
Deferred tax asset	13,605	-	13,605
Cash at bank	120	-	120
Current liabilities	(24,667)	(251)	(24,918)
Taxation	(2,744)	(586)	(3,330)
Non-current liabilities	(95)	-	(95)
Provision for liabilities and charges	(18,391)	1,955	(16,436)
Deferred tax	(34,772)	(593)	(35,365)
Net assets	117,799	(451)	117,348
Goodwill arising on acquisition			134,749
Total Consideration			252,097

Fair values have been adjusted to reflect various changes to previous assumptions the material items of which relate to:

- inventory adjustments to reflect obsolete and slow moving items against which the directors considered there was inadequate provision at acquisition;
- adjustments have been made to onerous lease provisions that existed at acquisition as a result of better information being obtained;
- writing off overseas deferred tax assets that existed at acquisition.

Comparative figures have been restated as appropriate.

3. 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 2008	Oil Services	Building products	Total
	£'000	£'000	£'000
Continuing operations			
Revenue	12,286	254,273	266,559
Operating profit	5,878	14,969	20,847
Net finance costs			(10,056)
Profit before income tax			10,791
Income tax expense			(4,275)
Profit for the year			6,516
Assets and liabilities			
Segment assets	9,442	493,752	503,194
Unallocated assets			20,010
Total assets			523,204
Segment liabilities	(3,774)	(278,164)	(281,938)
Unallocated liabilities			(3,866)
Total liabilities			(285,804)
Other segment information			
Capital expenditure:			
- property, plant and equipment	24	4,460	4,484
Cost of goods sold	3,653	172,013	175,666
Depreciation	67	6,184	6,251
Amortisation	-	9,785	9,785
Employee benefit liabilities	-	7,598	7,598
Goodwill allocation	11,421	222,639	234,060
Intangilble asset allocation	-	134,445	134,445
Exceptional items (note 4)	-	5,987	5,987

Comparative segmental disclosure for the year ended 31 December 2007 is as follows:

Year ended 31 December 2007	**Oil services £'000**	**Building materials £'000**	**Total £'000**
		(restated)	(restated)
Continuing operations			
Revenue	11,342	205,517	216,859
Results			
Operating profit	5,557	17,166	22,723
Net finance costs			(7,353)
Profit before income tax			15,370
Income tax expense			(3,128)
Profit for the year			12,242
Assets and liabilities			
Segment assets	11,828	416,976	428,804
Unallocated assets			38,344
Total assets			467,148
Segment liabilities	(2,290)	(247,267)	(249,557)
Unallocated liabilities			(10,459)
Total liabilities			(260,016)
Other segment information			
Capital expenditure:			
- property, plant and equipment	37	4,445	4,482
- intangible assets	-	233,771	233,771
Cost of goods sold	3,320	139,355	142,675
Depreciation	62	4,640	4,702
Amortisation	-	7,749	7,749
Employee benefit liabilities	-	3,497	3,497
Goodwill allocation	11,421	180,221	191,642
Intangilble asset allocation	-	115,179	115,154
Exceptional items (note 4)	-	1,385	1,385

Secondary reporting format- Geographical segments

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments:

Year ended 31 December 2008	United Kingdom £'000	Europe £'000	Americas £'000	Rest of the world £'000	Total £'000
Revenue					
Revenue from continuing operations	**105,181**	**35,070**	**109,872**	**16,436**	**266,559**
Other segment information					
Total assets	**194,578**	**22,477**	**294,504**	**11,645**	**523,204**
Capital expenditure:					
- property, plant and equipment	**1,912**	**233**	**2,107**	**232**	**4,484**

Comparative segmental disclosure for the year ended 31 December 2007 is as follows:

Year ended 31 December 2007	United Kingdom (restated) £'000	Europe £'000	Americas (restated) £'000	Rest of the world £'000	Total (restated) £'000
Revenue					
Revenue from continuing operations	79,202	32,927	99,344	5,386	216,859
Other segment information					
Total assets	76,274	19,786	362,636	8,452	467,148
Capital expenditure:					
- property, plant and equipment	1,745	372	2,278	87	4,482
- intangible assets	57,634	-	176,137	-	233,771

4. Exceptional items

	2008 £'000	2007 £'000
Reorganisation costs	**5,987**	1,236
Workers compensation	**-**	149
	5,987	1,385

Reorganisation costs reflect redundancy and restructuring costs of £3,243,000 and asset write-offs of £2,744,000, associated with downsizing some of the Group's businesses.

5. Employees

Number of employees

The average monthly number of employees (including directors) of the Group during the financial year was:

	2008 Number	2007 Number
Administration	**358**	360
Sales	**198**	207
Operations	**1,946**	2,269
	2,502	2,836

The number of employees (including directors) of the Group as at 31 December was:

	2008 Number	2007 Number
Administration	**337**	348
Sales	**189**	204
Operations	**1,746**	2,221
	2,272	2,773

Post 31 December 2008 the number of employees at 31 March 2009 was:

	31 March 2009 Number
Administration	**317**
Sales	**164**
Operations	**1,489**
	1,970

Employment costs

Employment costs of these employees during the year were as follows:

	2008 £'000	2007 £'000
Wages and salaries	**50,900**	43,167
Social Security costs	**5,675**	5,053
Pension costs - defined contribution schemes	**1,057**	1,231
Pension costs - defined benefit schemes	**464**	187
Share based payments	**55**	-
	58,151	49,638

6. Finance revenue and costs

	2008 £'000	2007 £'000
Finance income		
Bank interest receivable	**1,687**	1,845
Fair value gains on financial instruments		
- interest rate swap - cash flow hedge, transfer from equity	**-**	43
	1,687	1,888
Finance costs		
Interest payable on bank loans and overdraft	**(9,464)**	(8,303)
Fair value losses on financial instruments		
- interest rate swap - cash flow hedge, transfer from equity	**(1,039)**	-
Ineffective portion of changes in value of cash flow hedges	**(54)**	-
Finance charges payable under finance lease and hire purchase contracts	**(30)**	(23)
Amortisation of borrowing costs	**(364)**	(264)
Unwinding of discount on provisions	**(758)**	(517)
Other finance costs	**(34)**	(134)
	(11,743)	(9,241)
Net finance costs	**(10,056)**	(7,353)

7. Taxation

(a) Tax on profit on ordinary activities

Income tax in the income statement

	2008 £'000	2007 £'000
Current income tax:		
UK Corporation tax	**4,626**	2,735
Foreign tax	**1,876**	4,051
Current income tax charge	**6,502**	6,786
Adjustments in respect of prior periods	**(34)**	278
Total current income tax	**6,468**	7,064
Deferred tax:		
Effect of change in rates	**-**	(2,013)
Origination and reversal of temporary differences	**(2,193)**	(1,964)
Other items	**-**	41
Total deferred tax	**(2,193)**	(3,936)
Income tax expense in the income statement	**4,275**	3,128

An adjustment was made in 2007 to recognize the change in the UK corporation tax rate to 28% with effect from 1 April 2008.

(b) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 28.5% (2007: 30.0%). The differences are explained below:

	2008	2007
	£'000	£'000
Profit from continuing operations before taxation	**10,791**	15,370
Rate of corporation tax in the UK of 28.5% (2007: 30%)	**3,075**	4,611
Effects of:		
Expenses not deductible for tax purposes:	**718**	351
Overseas tax rate differences	**393**	307
Other movements	**119**	-
Deferred tax rate changes	**-**	(2,013)
Adjustment in respect of prior periods	**(30)**	(128)
Income tax expense in the income statement	**4,275**	3,128

(c) Deferred tax

Deferred income tax at 31 December relates to the following:

	Group balance sheet		Group income statement	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Deferred tax liability				
Fair value adjustments on acquisition	**(29,647)**	(25,128)	**(1,902)**	(4,221)
Other	**(739)**	(187)	**(276)**	6
	(30,386)	(25,315)	**(2,178)**	(4,215)
Deferred tax assets				
Post-employment benefits	**1,791**	1,303	**-**	-
Fair value adjustments on acquisition	**5,467**	4,440	**94**	180
Other	**1,039**	275	**(109)**	99
	8,297	6,018	**(15)**	279
Deferred income tax (income)			**(2,193)**	(3,936)
Deferred tax liabilities net	**(22,089)**	(19,297)		
Reflected in the balance sheet as follows				
Deferred tax assets	**8,297**	6,018		
Deferred tax liabilities	**(30,386)**	(25,315)		
Deferred tax liabilities net	**(22,089)**	(19,297)		

(d) Factors that may affect future tax charges:

There are estimated tax losses of £7,939,000 (2007: £8,401,000) within the Group, comprising capital losses of £7,348,001 and other tax losses of £591,000. As the future use of these losses is uncertain, in accordance with the Group's accounting policy no deferred tax asset has been recognised in respect of them.

The amounts of deferred tax not recognised are as follows:

	2008	2007
	£'000	£'000
Tax losses	**(165)**	(316)
Capital losses	**(2,057)**	(2,057)
	(2,222)	(2,373)

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.

	2008 '000	2007 '000
Weighted average number of shares (including treasury shares)	**137,284**	114,648
Treasury shares	**(7,311)**	(39)
Weighted average number of shares - basic	**129,973**	114,609
Effect of dilutive potential ordinary shares - options	**2,348**	-
Weighted average number of shares - diluted	**132,321**	114,609

The number of shares has been restated to reflect the share consolidation in December 2007.

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 adjusted earnings per share information is presented as an additional measure 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:

	2008 £'000	2007 £'000
Profit for the year from continuing operations	**6,516**	12,242
Exceptional costs	**5,987**	1,385
Amortisation of intangible assets, unwinding discount on provisions and amortisation of borrowing costs	**10,907**	8,266
Tax effect on exceptional costs and amortisation of intangible assets	**(4,137)**	(2,895)
Deferred tax adjustment relating to the rate of corporation changing from 30% to 28%	**-**	(2,013)
Adjusted underlying profit after tax	**19,273**	16,985
Adjusted underlying basic earnings per share	**14.83p**	14.82p
Adjusted underlying diluted earnings per share	**14.57p**	14.82p

9. Reconciliation of movements in equity

	Share capital £'000	Share Premium £'000	Other reserves £'000	Treasury reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2007	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)
At 31 December 2007	6,861	45	10,389	(1,075)	(1,546)	(1,801)	194,259	207,132
Shares issued net of costs	3	56	-	-	-	-	-	59
Total recognised income and expense for the year	-	-	-	-	(2,392)	42,620	2,847	43,075
Dividends paid	-	-	-	-	-	-	(7,232)	(7,232)
Share buyback	-	-	-	(5,689)	-	-	-	(5,689)
Share based payments	-	-	-	-	-	-	55	55
At 31 December 2008	**6,864**	**101**	**10,389**	**(6,764)**	**(3,938)**	**40,819**	**189,929**	**237,400**

	2008 £'000	2007 £'000
Dividends paid in the year were as follows:		
Final dividend for 2006 at 3.34p per share	**-**	2,059
Special interim dividend for 2007 at 1.50p per share	**-**	925
Interim dividend for 2007 at 0.56p per share	**-**	769
Final dividend for 2007 at 3.51p per share	**4,557**	-
Interim dividend for 2008 at 2.06p per share	**2,675**	-
	7,232	3,753
Dividends not reflected in the financial statements:		
Proposed final dividend for the year 2007 at 3.51p per share	**-**	4,557

10. Status of this report

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and under the historical cost convention and were approved by the Board on 29 April 2009. They are presented in Sterling, which is the functional currency of the parent company. The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These results are audited, however the financial information does not constitute statutory accounts as defined under section 240 of the Companies Act 1985. The auditors opinion is unqualified but modified to include an emphasis of matter paragraph on going concern. The financial information for the year ended 31 December 2008 has been derived from the Group's statutory accounts for that year. The auditors' report on the statutory accounts for the year ended 31 December 2007 was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.