
Lupus Capital plc
Interim Report 2007

For the six months ended 30 June 2007

Chairman's Statement

Dear Shareholder,

The six months up to 30 June 2007, upon which we are now reporting, has been an exciting and successful period for your company. Not only have our businesses traded well but we have also substantially increased the size of the group with our £242.5m acquisition of the Laird Security Systems division from The Laird Group plc. This was announced on 19 March and completed on 27 April 2007. We have thus continued to achieve our strategy and objectives and of course our aim of rewarding shareholders.

Pre-tax profits before amortisation for the first half of the year, which includes a two and six months contribution from Laird Security Systems (LSS) and Schlegel respectively, were £10.064 million which compares to £3.880 million for the same period last year. Sales were £79.028 million up from £23.684 million. Adjusted **earnings per share** of 0.724p were **up 27.1%**, a significant increase from 0.570p in the six months to June 2006.

The directors have declared a second interim dividend of 0.056p per share. Together with the first interim dividend of 0.150p paid in April 2007 this brings the total **interim dividends up** to 0.206p per share (2006: 0.163p per share) which is an advance of over **26%**. The second interim dividend will be paid on 8 November 2007 to shareholders on the register at the close of business on 5 October 2007.

In the event that you prefer to receive shares instead of a cash dividend, a notice from our Registrars, Capita, is enclosed that will allow you to do this. Please either complete the form or, for further details, call Capita direct on 0870 162 3181 or email shares@capitaregistrars.com.

Below is given a short overview of the performance of each of Lupus Capital's businesses.

- **Gall Thomson**, our manufacturer of breakaway couplings, enjoyed buoyant markets in the first six months of 2007 and delivered record performance both in sales, profits and cash generation.
- **Schlegel**, a leader in the global manufacture and marketing of door and window seals, produced good results leading on from the operational initiatives that were taken following its acquisition in April 2006.

Schlegel U.S. has now been combined with the US door and window seals division of Laird Group under a single management team in order to increase their prospects and profitability. Many synergies are following which include, a fully comprehensive product range for their customers, greater purchasing power for raw material sourcing, operational cost savings, the closure of one manufacturing facility and improved product development.

Schlegel (non U.S.) continues to thrive with good growth coming from the European markets of Germany, Spain, U.K. and Eastern areas. The management of Linear, the Laird U.K. seals company, has now been taken on by our Schlegel team. This is producing many cost saving opportunities resulting from optimising production allocation between countries and also improving customer service.

- **Laird Security Systems** is a manufacturer of products such as locks, balances, handles and hinges for the U.S. and U.K. door and window industry. Sales are approximately 60% to the refurbishment/remodelling (RMI) market and the remainder to new build. RMI has been steady throughout the world in contrast to the U.S. new build market, which is subject to lower housing starts and completions. Cost reductions, improved marketing and careful control of working capital have been necessary in order to retain an acceptable level of profitability in the US. In the U.K., where the market is stronger, there are also many opportunities for similar actions.

The US new housing market to which our US Laird companies and our US seals businesses are exposed account for only 40% to 50% of our total US sales. It is clearly an area which is of concern to us; however,

with the synergies between our combined US seals activities and the reductions to our cost bases, we still anticipate a satisfactory result from this limited proportion of our overall business spectrum.

On 27 July we sold, as planned, the Laird Lifestyle Products (LLP) assets which was a minor business within the Laird acquisition. LLP was a loss making manufacturer of primarily PVCu conservatories and their component parts to the retail mass market. For the short period within Lupus it continued to lose money and we were very pleased to exit this industry albeit only for a notional sale price.

Input prices for raw materials are still high, although more stable than a year ago. The dollar/pound exchange rate at around 2 is not favourable when converting US profits. At the corporate level, however, the currency exposure has been mitigated by designating a substantial portion of the debt taken on for the LSS acquisition in U.S dollars. We continue to examine ways to optimise our worldwide tax position and expect some success in achieving this.

Overall, we feel optimistic about the progress and prospects for the group both in the second half and the year as a whole and we look forward to another period of strong performance and the further development of Lupus Capital plc.



Greg Hutchings
Chairman

27 September 2007

Consolidated Profit and Loss Account

	Notes	Six months ended 30 June 2007 (unaudited) £'000	Six months ended 30 June 2006 (unaudited) (restated) £'000	Year ended 31 December 2006 (audited) (restated) £'000
Continuing operations				
Revenue	4	79,028	23,684	62,940
Operating profit before amortisation of intangible assets	4	12,357	4,389	11,567
Amortisation of acquired intangible assets		(2,502)	(710)	(2,129)
Operating profit		9,855	3,679	9,438
Net interest expense		(2,293)	(509)	(1,533)
Profit before taxation from continuing operations		7,562	3,170	7,905
Taxation		(2,671)	(1,263)	(2,973)
Profit attributable to shareholders		4,891	1,907	4,932
Earnings per share				
– Basic and diluted	6	0.533	0.452	0.949
– Adjusted*	6	0.724	0.570	1.235
Underlying results*				
Profit before tax	4	10,064	3,880	10,034

*before amortisation of acquired intangible assets, exceptional items and deferred tax on acquired intangible assets.

Consolidated Statement of Recognised Income and Expense

	Six months ended 30 June 2007 (unaudited) £'000	Six months ended 30 June 2006 (unaudited) (restated) £'000	Year ended 31 December 2006 (audited) (restated) £'000
Profit attributable to shareholders	4,891	1,907	4,932
Actuarial gains on retirement benefit obligations	—	—	622
Exchange differences on translation of foreign assets and liabilities	679	(334)	(1,653)
Tax	—	—	(217)
Net income recognised directly in equity	679	(334)	(1,248)
Total recognised income and expense in the period	5,570	1,573	3,684

Consolidated Balance Sheet

	Notes	At 30 June 2007 (unaudited) £'000	At 30 June 2006 (unaudited) (restated) £'000	At 31 December 2006 (audited) (restated) £'000
Non-current assets				
Intangible assets		316,549	83,586	80,774
Property, plant and equipment		35,590	14,261	13,030
Deferred tax		8,060	—	6,078
Derivative financial instruments		1,118	—	—
Other assets		1,178	—	—
		362,495	97,847	99,882
Current assets				
Inventories		33,410	8,521	7,396
Trade and other receivables		49,717	18,477	15,210
Cash and cash equivalents		30,815	4,288	9,738
		113,942	31,286	32,344
Total assets		476,437	129,133	132,226
Current liabilities				
Borrowings	8	(11,024)	(5,000)	(4,938)
Trade and other payables		(59,559)	(13,453)	(14,967)
Income tax payable		(6,444)	(1,731)	(1,453)
Finance lease obligations	8	(106)	(159)	(156)
		(77,133)	(20,343)	(21,514)
Non-current liabilities				
Borrowings	8	(138,687)	(30,000)	(27,296)
Deferred tax		(30,967)	(19)	(7,828)
Finance lease obligations	8	(204)	(420)	(334)
Retirement benefit obligations		(3,320)	(6,443)	(3,290)
Provisions		(21,615)	(3,680)	(1,868)
Other non-current liabilities		(110)	(116)	(115)
		(194,903)	(40,678)	(40,731)
Total liabilities		(272,036)	(61,021)	(62,245)
Net assets		204,401	68,112	69,981
Capital and reserves				
Equity share capital	10	6,861	3,081	3,083
Share premium	10	45	—	45
Merger reserve	10	10,389	10,389	10,389
Hedging reserve	10	1,118	—	—
Retained earnings	10	185,988	54,642	56,464
Total shareholders' equity		204,401	68,112	69,981

Consolidated Cash Flow Statement

	Six months ended 30 June 2007 (unaudited) £'000	Six months ended 30 June 2006 (unaudited) (restated) £'000	Year ended 31 December 2006 (audited) (restated) £'000
Cash flows from operating activities			
Operating profit	9,855	3,679	9,438
Depreciation	1,831	566	1,646
Amortisation	2,502	710	2,129
Movement in inventories	2,363	1,339	1,698
Movement in trade and other receivables	(2,778)	(1,462)	1,394
Movement in trade and other payables	5,655	303	619
Tax payments	(1,993)	(709)	(2,050)
Net cash flows from operating activities	17,435	4,426	14,874
Cash flow from investing activities			
Interest received	479	179	501
Acquisition of businesses (net of cash acquired)	(238,231)	(47,223)	(47,408)
Property plant and equipment	(1,159)	(400)	(964)
Proceeds from sales of property, plant and equipment	7	—	—
Net cash flows from investing activities	(238,904)	(47,444)	(47,871)
Cash flows from financing activities			
Interest paid	(2,773)	(688)	(2,034)
Net proceeds from issue of ordinary shares	131,270	51,593	51,653
Proceeds from borrowings	119,667	35,000	34,734
Repayment of borrowings	(2,500)	(40,281)	(42,781)
Dividends paid to shareholders	(2,983)	(932)	(1,234)
Repayment of capital element of finance leases	(78)	(40)	(112)
Net cash flows from financing activities	242,603	44,652	40,226
Increase in cash and cash equivalents for the period	21,134	1,634	7,229
Cash and cash equivalents brought forward	9,738	2,654	2,654
Effect of exchange rate on cash and cash equivalents	(57)	—	(145)
Cash and cash equivalents carried forward	30,815	4,288	9,738

Notes to the Interim Report

1. Status of the interim financial statements

The Group's interim financial statements for the six months ended 30 June 2007 were authorised for issue by the directors on 26 September 2007. The consolidated interim financial information, which is unaudited, does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2006 have been reported on by the Group's auditors, received an unqualified audit report and have been filed with the registrar of companies at Companies House.

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 for the Group for the year ended 31 December 2007, as required for the consolidated accounts listed on the Alternative Investment Market ("AIM"). Previously, the consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP") up to and including 31 December 2006. IFRS differs in some respects from UK GAAP. In accordance with the rules of IFRS, 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 other than those for derivative financial instruments and where otherwise stated.

3. Transition to IFRS

The table below summarises the differences between UK GAAP, as presented in the audited annual accounts for the year ended 31 December 2006, and IFRS.

Profit for the year from continuing operations

	Year ended 31 December 2006 £000
As reported under UK GAAP	6,408
Amortisation of intangible assets arising from the acquisition of Schlegel	(2,108)
Deferred tax impact of amortisation of intangible assets	632
As reported under IFRS	4,932

Net assets

As reported under UK GAAP	69,976
Amortisation of goodwill under UK GAAP added back	1,481
Amortisation of intangible assets arising from the acquisition of Schlegel	(2,108)
Recognition of accrual for holiday pay	(27)
Deferred tax impact of amortisation of intangible assets	632
Deferred tax impact of accrual for holiday pay	11
Other differences	16
As reported under IFRS	69,981

3. Transition to IFRS continued

Six months ended
30 June 2006
£000

Profit for the year from continuing operations

As reported under UK GAAP	2,404
Amortisation of intangible assets arising from the acquisition of Schlegel	(710)
Deferred tax impact of amortisation of intangible assets	213
As reported under IFRS	1,907

Net Assets

As reported under UK GAAP	67,128
Amortisation of goodwill under UK GAAP added back	1,481
Amortisation of intangible assets arising from the acquisition of Schlegel	(710)
Deferred tax impact of amortisation of intangible assets	213
As reported under IFRS	68,112

In addition to the above there are a number of reclassifications between UK GAAP and IFRS which do not impact the net assets as reported, the most significant of which are:

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 £8.4m in respect of brands and £19.8m in respect of customer relationships have been recognised separately from goodwill and £2.108m has been charged in respect of the amortisation of these assets for the period from date of acquisition to 31 December 2006 and £710,000 in the six months to 30 June 2007. 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 those assets with the corresponding entry being made to goodwill. The deferred tax provided on acquisition was £8.46m and £632,000 has been released to the income statement as result of the amortisation charged in the period from date of acquisition to 31 December 2006. A further £213,000 was released in the six months to 30 June 2007.

Computer software

A reallocation of £93,000 of computer software costs from tangible assets under UK GAAP to intangible assets under IFRS has been made.

Notes to the Interim Report

4. Segmental analysis

Primary reporting format – business segments

Continuing operations

	6 months to 30 June 2007 £'000	Oil services		6 months to 30 June 2007 £'000	Building products		6 months to 30 June 2007 £'000	Total	
		6 months to 30 June 2006 (restated) £'000	12 months to 31 Dec 2006 (restated) £'000		6 months to 30 June 2006 (restated) £'000	12 months to 31 Dec 2006 (restated) £'000		6 months to 30 June 2006 (restated) £'000	12 months to 31 Dec 2006 (restated) £'000
Revenue									
Sales	6,182	3,938	9,314	72,846	19,746	53,626	79,028	23,684	62,940
Operating profit (before amortisation of intangible assets)	2,065	1,321	3,445	10,292	3,068	8,122	12,357	4,389	11,567
Net finance costs							(2,293)	(509)	(1,533)
Profit before tax (before amortisation of intangible assets)							10,064	3,880	10,034

5. Revenue and operating profit

The Group's income and profit for the period included approximately two months' results of the LSSD business acquired on 26 April 2007. The analysis of the operating result is as follows:

	LSSD (2 months) £'000	Pre-existing Lupus Group (6 months) £'000	Total £'000
Revenue	37,973	41,055	79,028
Cost of sales	(26,537)	(21,828)	(48,365)
Gross profit	11,436	19,227	30,663
Administrative expenditure	(6,721)	(11,585)	(18,306)
Operating profit	4,715	7,642	12,357

6. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity shareholders by the weighted average of ordinary shares outstanding during the period 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. There were no potentially dilutive shares.

	At 30 June 2007	At 30 June 2006 (restated)	At 31 December 2006 (restated)
Basic and diluted earnings per share	0.533p	0.452p	0.949p
	'000	'000	'000
Basic and diluted number of shares	917,112	421,753	519,845

Earnings per share from continuing operations before exceptional items and intangible asset amortisation

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 period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Adjusted basic EPS is used by management as the measure of the Group's earnings and is calculated excluding the effect of exceptional costs and acquired intangible assets net of tax.

	At 30 June 2007 £'000	At 30 June 2006 (restated) £'000	At 31 December 2006 (restated) £'000
Profit for the period from continuing operations	4,891	1,907	4,932
Exceptional items	—	—	—
Amortisation of acquired intangible assets	2,502	710	2,129
Tax effect of exceptional costs and amortisation of acquired intangible assets	(751)	(213)	(639)
Adjusted profit for the period from continuing operations attributable to equity holders	6,642	2,404	6,422
Adjusted basic earnings per share	0.724p	0.570p	1.235p

Notes to the Interim Report

7. Dividends

	At 30 June 2007	At 30 June 2006 (restated)	At 31 December 2006 (restated)
	£'000	£'000	£'000
Dividends reflected in the financial statements:			
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 2006 at 0.049p per share	—	—	302
Final dividend for 2005 at 0.278p per share	—	661	661
Special interim dividend for 2006 at 0.114p per share	—	271	271
	2,984	932	1,234
Dividends not reflected in the financial statements:			
Proposed interim dividend for 2007 at 0.056p per share	768	—	—
Proposed interim dividend for 2006 at 0.163p per share	—	302	—
Proposed final dividend for 2006 at 0.334p per share	—	—	2,059
	768	302	2,059

8. Borrowings

	At 30 June 2007	At 30 June 2006 (restated)	At 31 December 2006 (restated)
	£'000	£'000	£'000
Non-current			
Bank borrowings	138,687	30,000	27,296
Obligations under finance leases and hire purchase contracts	204	420	334
	138,891	30,420	27,630
Current			
Bank borrowings	11,024	5,000	4,938
Obligations under finance leases and hire purchase contracts	106	159	156
	11,130	5,159	5,094

The Group took out a 5 year loan of \$240,000,000 from Bank of Scotland, Royal Bank of Scotland and HSBC during the period in connection with the acquisition of Laird Security Systems Division.

Bank loans and other borrowings are secured on the assets of Amesbury Acquisition Holdings No 2, Inc., Jasper Acquisition Holdings Limited and Schlegel Acquisition Holdings Limited. The principal companies within the Group have also provided cross guarantees to the Group's bankers in support of all bank loans and borrowings.

9. Acquisition of Laird Security Systems Division

The acquisition of the business of Laird Security Systems Division (LSSD) 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 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 \$240,000,000.

In order to account for the acquisition two new subsidiary companies, Amesbury Acquisition Holdings No 2, Inc (AAH(2)) and Jasper Acquisition Holdings Limited (JAH) were formed. 75% of the acquisition cost was attributed to the United States operation and was acquired by AAH(2) and 25% attributed to the UK and European operation and was acquired by JAH.

The acquisition of LSSD had the following effect on the Group's assets and liabilities:

	Book value £'000	Fair value adjustments £'000	Provisional fair values £'000
Intangible assets	69,360	—	69,360
Property, plant and equipment	25,311	(1,671)	23,640
Other assets	1,130	—	1,130
Inventories	35,217	(6,841)	28,376
Trade receivables and other debtors	31,946	(447)	31,499
Deferred tax asset	23	—	23
Cash at bank	132	—	132
Current liabilities	(28,661)	(2,020)	(30,681)
Non current liabilities	(159)	—	(159)
Provisions	(10,765)	(7,981)	(18,746)
Deferred tax liabilities	(23,571)	—	(23,571)
	99,963	(18,960)	81,003
Net cash paid			231,040
Deferred consideration			12,500
Accrued consideration			729
Acquisition costs			7,191
Cash consideration			251,460
Provisional goodwill on acquisition			170,457

Fair values have been assessed on a provisional basis pending finalisation of the rationalisation of group accounting procedures, which cover a number of different reporting regimes throughout the world. Deferred tax has been provided on all fair value adjustments as applicable and on purchased goodwill where a tax benefit will be obtained against future taxable benefits.

The valuation of intangible assets has been estimated at this stage. A firm of external professional valuers will be undertaking a comprehensive valuation shortly.

Notes to the Interim Report

10.Reconciliation of movements in equity

	Share capital	Share premium	Merger reserve	Hedging reserve	Currency translation	Retained earnings (restated)	Total (restated)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2006							
As previously stated	1,188	—	10,389	—	—	2,820	14,397
IFRS adjustment	—	—	—	—	—	1,481	1,481
Opening balance – as restated	1,188	—	10,389	—	—	4,301	15,878
Total recognised income and expense for the period	—	—	—	—	(334)	1,907	1,573
Issue of shares net of costs	1,893	—	—	—	—	49,700	51,593
Dividends paid	—	—	—	—	—	(932)	(932)
At 30 June 2006	3,081	—	10,389	—	(334)	54,976	68,112
Issue of shares net of costs	2	45	—	—	—	13	60
Total recognised income and expense for the period	—	—	—	—	(1,319)	3,025	1,706
Actuarial gains on defined benefit plans (net of tax)	—	—	—	—	—	405	405
Dividends paid	—	—	—	—	—	(302)	(302)
At 31 December 2006	3,083	45	10,389	—	(1,653)	58,117	69,981
Issue of shares net of costs	3,778	—	—	—	—	126,938	130,716
Derivative financial instruments	—	—	—	1,118	—	—	1,118
Total recognised income and expense for the period	—	—	—	—	679	4,891	5,570
Dividends paid	—	—	—	—	—	(2,984)	(2,984)
At 30 June 2007	6,861	45	10,389	1,118	(974)	186,962	204,401

Directors and Advisers

Directors

Greg Hutchings (Executive Chairman)
Denis Mulhall (Executive)
Frederic Hoad (Non-executive)
Michael Jackson (Non-executive)
Roland Tate (Non-executive)

Secretary

Cavendish Administration Limited

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Nominated adviser

HSBC

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.

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