Lupus Capital plc Annual Report & Accounts

07

LUPUS CAPITAL

Lupus Capital

Lupus Capital aims to build shareholder value through the acquisition of industrial assets with the potential for development and the application of proven management skills and systems in order to achieve greater profitability.

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2007 Highlights

- Underlying pre tax profits £25.0 million (2006: £10.0 million)
- Strong cash generation - net debt of £100.0 million
- 12% increase in annual dividend to 5.57p
- £242.5 million acquisition and integration of Laird Security Services ("LSS")
- Adjusted earnings per share - up 20% to 14.82p

£216.9m
Sales

£31.9m
Underlying operating profits

up 12%
Dividends

Our Strategy

Our approach to sectors is very disciplined and with a clear focus. Target companies will be involved in industrial manufacturing, processing, services or distribution for industries, businesses or consumers. 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.

Outlook for 2008

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.

Chairman's statement
Greg Hutchings

Dear Shareholder,

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.

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.

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

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 business 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 ("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
30 May 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, more than 5,000 customers and 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, its 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.

Key performance indicators

Oil services	2007 £'000	2006 £'000	Growth %
Sales	**11,342**	9,314	22%
Adjusted operating profit[1]	**5,557**	3,445	61%
Margin	**49.0%**	37.0%	

Building products	Total 2007 £'000	Acquisition 2007 £'000	Organic 2007 £'000	2006 £'000	Growth %
Sales	**205,517**	**(138,595)**	**66,922**	53,626	25%
Adjusted operating profit[1]	**26,300**	**(16,203)**	**10,097**	8,122	24%
Margin	**12.8%**	**(11.7)%**	**15.1%**	15.1%	

[1]Adjusted operating profit is operating profit excluding exceptional items and amortisation of intangible assets.

Oil services
Sales increased in 2007 by 22% to £11.342 million, benefiting from a strong oil price that has encouraged the major oil producers to commence new projects worldwide. Operating margins increased substantially to 49%, which delivered an increase of 61% in adjusted operating profit to £5.557 million. (See the table above).

Building products
Sales in the total Building Products sector of £205,517 million in 2007 produced an adjusted operating profit of £26.300 million. Excluding the contribution from the LSS acquisition, sales in the organic group increased in 2007 by 25% to £66.922 million, reflecting a full 12 month contribution from Schlegel (acquired in April 2006). Despite the US building products end markets deteriorating during 2007 operating margins in the organic group were maintained at 15% which delivered an increase of 24% in adjusted operating profit to £10.097 million. (See the table above).

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, IPO's 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.

We are very 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.

Group business review continued

Principal risks and uncertainties

Lupus Capital plc operates globally in varied markets and is affected by a number of risks inherent in its activities, not all of which are within its control. This section highlights specific areas where we are particularly sensitive to business risk. Our financial condition or results of operations could be materially adversely affected by any of these risks. Additional risks not currently known to us, or risks that we currently regard as immaterial, could also have a material adverse effect on our financial condition or the results of operations.

Each business considers strategic, operational, commercial, and financial risks and identifies risk mitigation actions. At a Group level a review of risks and exposures in each business is also performed, with the likelihood of the identified risks occurring and their potential financial impact considered by the Group's senior management. Mitigating actions are identified for each risk and the effects of these actions are also reviewed and monitored for the most significant risks.

The principal risks and uncertainties faced by the Group, which could cause the Group's actual results to vary materially from historic and expected results, are set out below:

1. The Group's industry is highly competitive

The Group may face significant competition, both actual and potential, including competition from global competitors which have large capital resources, in the provision of similar goods and services to those which will be provided by the Group. Competition in the industry is based upon: range and quality of services offered, geographical reach, reputation and client relationships. The Directors believe that, in view of its range of services, geographical spread, strategic focus and reputation, the Group can compete effectively with its competitors, but there is no assurance that the Group will be able to compete successfully in such a market place.

2. Overall growth and demand for products

The overall growth and demand for products sold into the Group's markets is influenced by the level of customers' commercial activity, which in turn is affected by the general economic climate, market conditions and consumer confidence generally. This demand can be unpredictable and the Group has a low visibility of future orders from its customers. Growth in the demand for such products is dependent on a number of factors including the macroeconomic environment, the rate of change in the regulatory environment and in industry consolidation, the adoption of new technologies and customer spending patterns. During any economic downturn, customers are liable to cancel, reduce or postpone anticipated orders. Any downturn may also lead customers and competitors to apply pressure to prices and this pressure can lead to lasting changes in terms of pricing policies, delivery capabilities and market expectations. Any period of economic downturn could lead to some or all of these consequences which in turn could have a material adverse impact on the results of operations and business of the Group. Any continued slowdown in the US residential construction market could adversely affect the demand for the Group's products. While the Group does have certain businesses that are not highly correlated with new residential construction in the US, it is not certain that the revenue and income from these businesses would mitigate any decline in the Group's results due to the weakening of residential housing activity in the US.

3. The Group is subject to political, economic and regulatory factors in the various countries in which it operates, any of which could impact on its operating or financial results

Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls, composition or changes in taxation or other governmental policies in the countries in which the Group conducts business could limit its operations and make the repatriation of profits difficult. In addition, the uncertainty of the legal environment in some regions could limit the Group's ability to enforce its rights. The Group has sourcing operations in Asia, in particular, it has manufacturing operations in Ningbo, China as well as sourcing operations from third party suppliers in China. The Group expects that sales to emerging markets will be an increasing portion of total sales as its customers target those markets. Having manufacturing operations in China does involve certain risks for the Group. The economy of China differs from the economies of most developed countries in many respects, including:

- government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While China's economy has experienced significant growth in the past 20 years, such growth has been concentrated in certain geographic areas and economic sectors. The People's Republic of China ("PRC") government has implemented various measures to encourage economic growth and to allocate resources. Some of these measures benefit China's overall economy, but may also have a negative effect on the Group's presence in China.

The PRC government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Any changes in the economic and social conditions in China, in the policies of the PRC government or in the laws and regulations of China, could affect China's overall economic growth. Such developments could have a material adverse effect on the Group's operations in China.

4. Intellectual property rights may be difficult to protect and the Group may unknowingly infringe the intellectual property rights of others

While the Group has been granted a number of patents and other patent applications are currently pending, there can be no assurance that any of these patents will not be challenged, invalidated or circumvented, or that any rights granted under these patents will in fact provide competitive advantages to the Group.

The Group utilises a combination of trade secrets, confidentiality policies, non disclosure and other contractual arrangements in addition to relying on patent, copyright and trademark laws to protect its intellectual property rights. However, these measures may not be adequate to prevent or deter infringement or other misappropriation. Moreover, the Group may not be able to detect unauthorised use or take appropriate and timely steps to establish and enforce its proprietary rights. Existing laws of some countries in which the Group conducts business may offer only limited protection of the Group's intellectual property rights, if at all. Failure of the courts and, or administrative agencies in the PRC to enforce the Group's intellectual property rights effectively may have a material adverse effect on the Group.

Third parties have asserted, and, in the future may assert, claims against the Group alleging that the Group infringes their intellectual property rights. Defending such claims may be expensive, time consuming and divert the efforts of management and/or technical personnel. As a result of litigation, the Group could be required to pay damages and other compensation, develop non-infringing products or technology or enter into royalty or licensing agreements. However, the Group cannot be certain that any such licences, if available at all, will be available to the Group on commercially reasonable terms.

5. Loss of major customers

The success of the Group will, to some extent, be dependent on the continuation of satisfactory commercial relationships with the major customers of the Group. There can be no guarantee that these relationships will continue satisfactorily in the future.

6. Dependence on key executives and personnel

The Group's future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel. Although measures are in place and are under review to reward and retain key individuals and to protect the Group from the impact of staff turnover, the Directors cannot give assurances that members of the senior management team and the executive Directors will continue to remain with the Group. The loss of the services of the executive Directors, members of senior management and other key employees could damage the Group's business.

7. Growth and expansion risks

7.1. Availability of suitable acquisition targets

The Group may not be able to identify and acquire suitable targets for expansion of its business. If the Group cannot successfully identify, acquire, integrate and develop targets for expansion of its business, it could impact the Group's ability to establish itself in new markets and geographies and/or to expand its product offerings. This could have a material adverse effect on the Group's business and profitability. In addition, the Group may not be able to make acquisitions on suitable terms, which may limit the potential for creation of shareholder value.

7.2. Risk of potential future acquisitions

In the future, as part of its growth strategy, the Group may acquire other companies or businesses. Acquisitions by the Group may involve the use of significant amounts of cash, dilutive issues of equity securities and the incurrence of debt, each of which could materially and adversely affect the Group's business, results of operations, financial condition and/or the market price of ordinary shares. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations of any acquired business or company, the diversion of management's attention from other business concerns and the inheritance of liabilities.

While Lupus Capital has made no other commitments or agreements with respect to any acquisition, if such an acquisition does occur there can be no assurance that the Group's business, results of operations or financial condition would not be materially and adversely affected thereby.

7.3. Acceptability of ordinary shares as consideration

Although Lupus Capital may wish to issue ordinary shares to satisfy all or part of any consideration payable on future acquisitions, vendors of suitable companies or businesses may not be prepared to accept shares traded on AIM or may not be prepared to accept ordinary shares at the quoted market price.

Group business review continued

7.4. Management of growth and development
If the Group is to meet its strategic goals, it is likely to experience rapid growth. To manage this growth, the Group is likely to have to expand its management and financial controls, which may strain its management and operational resources. The Group's expansion of its management and financial controls are likely to result in the incurring of additional costs, although the precise amount of such costs is not readily quantifiable at present. The Group's failure to meet any growth or development challenges could have a material adverse effect on its results of operations.

8. Exposure to increases in the price of commodities and raw materials and supply chain failure
The raw materials used in the Group's businesses include commodities that experience price volatility (such as oil derivatives, steel, aluminum and zinc) caused by changes in supply and demand, commodity market fluctuations and changes in governmental attitudes. Competing manufacturers can be affected differently by these factors. If the Group is unable to implement measures to mitigate increased costs relating to increases in commodity and raw material prices, or to increase the price of its products to customers, its operating profits might be materially adversely affected.

The Group's ability to deliver according to market demands depends in large part on obtaining timely and adequate supplies of components and raw materials on competitive terms. Failure by any of the Group's suppliers could interrupt its product supply, and would significantly limit the Group's sales and increase its costs. If the Group fails to anticipate customer demand properly, an over or undersupply of raw materials components and production capacity could occur. In addition, a particular component may be available only from a limited number of suppliers. Suppliers may from time to time extend lead times, limit supplies or increase prices due to capacity constraints or other factors, which could adversely affect the Group's ability to deliver its products and solutions on a timely basis.

Despite the Group's efforts to select its suppliers and manage supplier relationships, a component supplier may fail to meet the Group's supplier requirements, such as, most notably, the Group's and its customers' product quality, safety and other corresponding standards. Moreover, a supplier may experience delays or disruption to its manufacturing, or experience financial difficulties. Any of these events could delay the successful delivery of products and solutions, which meet the Group's and its customers' quality, safety and other corresponding requirements, or otherwise adversely affect the Group's sales and results of operations. Also, the Group's reputation and brand value may be affected due to real or merely alleged failure in its products and solutions.

9. Taxation risks
Any change in Lupus Capital's tax status or in taxation legislation or accounting practice could affect Lupus Capital's ability to provide returns to its shareholders or alter the post-tax returns to its shareholders.

Any change in the taxation legislation or accounting practice relating to employee benefit trusts and employee management incentive schemes could affect the effectiveness of the share incentive arrangements. Lupus Capital cannot guarantee that its shares will continue to trade on AIM, rather than on a "recognised stock exchange" such as the London Stock Exchange, or that it will not in future have other securities in issue which trade on such an exchange. In addition, a change in taxation legislation could affect the tax regime that currently applies in respect of shares admitted to trading on AIM.

10. Environmental
The Group will be subject to environmental and safety laws and regulations, including those relating to the use of, disposal of, clean up of, and human exposure to, hazardous materials. The cost of compliance with these and similar future regulations, could be substantial. The Group's operating businesses use hazardous materials as part of their manufacturing processes. The risk of accidental contamination or injury from such materials cannot be eliminated. In the event of such an incident, the resulting liabilities could have an adverse impact on the Group.

11. Dividends
Lupus Capital is a holding company and will not conduct business of its own. Dividends from direct and indirect subsidiaries are expected to be Lupus Capital's sole source of funds to pay expenses and dividends, if any. The inability of Lupus Capital's direct and indirect subsidiaries to pay dividends in an amount sufficient to enable Lupus Capital to meet its cash requirements at the holding company level could have a material adverse effect on its business and its ability to pay dividends.

12. Foreign exchange
The Group is exposed to the risk arising from movements in foreign exchange. In particular movements between the US dollar and the pound and the euro and the pound, could have a material adverse impact on the Group's results. The Group operates on a global basis and is therefore also exposed to translational foreign exchange risk against the pound. Given the Group's manufacturing operations in Ningbo, China and its sourcing operations from third party Chinese suppliers, a part of the Group's revenue and expenses will inevitably be denominated in Renminbi. The value of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the People's Bank of China.

The exchange rate may become volatile and the Renminbi may be devalued against the US dollar or other currencies, or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation in the value of the Renminbi against the US dollar, any of which could have an uncertain effect on LSS operations in China.

13. Overseas activities
The Group will be exposed to additional risks related to operating in foreign countries. These risks may include export controls and/or other regulatory restrictions, the impact of foreign taxes and other applicable foreign regulation, an inability to repatriate earnings on overseas sales, difficulty in collecting debts, economic weakness or political instability in foreign economies or markets and difficulties in managing overseas activities.

Directors and advisers

Executives

Greg Hutchings
Executive Chairman
Greg Hutchings (aged 61) became a director and Executive Chairman on 16 February 2004.

Mr Hutchings joined Tomkins plc in 1983 and held the post of Chief Executive or Chairman from January 1984 until he stepped down in October 2000. Over the sixteen year period to 30 April 2000 Tomkins plc annual profit before tax and exceptional items rose from £1.6 million to £473.6 million with uninterrupted growth, year on year, in earnings per share. Compound growth in earnings per share over this period was around 26 per cent per annum and compound growth of dividends per share was over 24 per cent per annum. In the year to 30 April 2000 Tomkins plc earnings per share and dividends increased by 15 per cent.

Denis Mulhall
Executive Director
Denis Mulhall (aged 56) was appointed a director on 23 February 2004. From 1988 to 1993 Mr Mulhall worked alongside Mr Hutchings at Tomkins plc. He left Tomkins plc to join Berisford plc, firstly as Chief Financial Officer and then Chief Operating Officer, seeing the transformation of the company from a shell to a market capitalisation of £700 million. Recently he was Chief Financial Officer at Oxford GlycoSciences Plc.

Non-executives

Frederic Hoad
Non-executive Director
Frederic Hoad (aged 68) is currently a non-executive director of a number of private companies and an Aviva plc subsidiary. Before his retirement in 1996, he spent 28 years at Commercial Union, where, amongst a number of senior positions, he was head of Corporate Finance, head of Overseas Division Finance and head of Private Equity Investment.

Michael Jackson
Non-executive Director
Michael Jackson (aged 58) has a degree in Law from Cambridge University and is an FCA. He was chairman of Sage Group plc until 2006, having been a director since 1983. He is a director of a number of companies, including Elderstreet Investments, Netstore and MediaSurface and is the non-executive chairman of Party Gaming plc.

Roland Tate
Non-executive Director
Roland Tate MA (Cantab) (aged 51) is Managing Director of Tiger Corporate Finance Ltd, an independent corporate finance house specialising in deal origination and equity finance which he formed in 2005 following several years with PWC and KPMG where he was Director of Corporate Finance, gaining considerable experience in mergers and acquisitions. His early career involved several years working in the chemicals, oil and gas sector at BP in both production and commercial functions followed by five years as investment manager in the venture capital sector with 3i and NVM and was appointed non-executive director of several venture capital backed businesses. From 1995 he spent 3 years as CEO of Nuventures Ltd commercialising intellectual property emanating from academia. He is a fellow of the Securities and Investment Institute.

Advisers

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Directors' report

The directors present their annual report and the Group accounts for the year ended 31 December 2007.

Review of the business

Principal activities

The Company is a holding company. The principal activities of its main operating subsidiaries are the manufacture, supply and distribution of building products and of goods to the oil and gas industries. The Company's strategy is to build shareholder value through the acquisition of businesses with potential for development and the application of proven management skills and systems.

Business Review

The business review is set out on pages 4 to 9.

Future developments

The statement by the Chairman set out on pages 2 to 3 contains details of the progress of the Group during the year together with an indication of future developments.

Results and dividends

The Group profit for the year after taxation amounted to £12,242,000 (2006: £4,932,000). The directors are recommending the payment of a final dividend of 3.51p per share (2006: 3.34p per share) absorbing £4,557,000 (2006: £2,059,000). This recommended dividend is not reflected in the financial statements. If approved by shareholders, the final dividend will be paid on 14 July 2008 to shareholders on the register at 9 May 2008. The aggregate ordinary dividend for the year amounts to 5.57p per share (2006: 4.97p per share).

The board

The directors listed on page 10 have held office during the last financial year and in the subsequent period to the date of this report; all held office throughout the period.

Except for their shareholdings, the non-executive directors are entirely independent. There were no contracts subsisting during or at the end of the year in which a director was or is materially interested. The Company maintains a policy of insurance against directors' and officers' liabilities.

A description of the Board's method of operation, its work during the year and that of its committees, is given in the report on Corporate Governance on pages 15 to 16.

Re-election of directors

Mr Hoad and Mr Tate retire by rotation and, being eligible, will seek re-election.

Consolidation of share capital

At an extraordinary meeting of the Company held on 11 December 2007 it was resolved that the share capital of the Company be consolidated from ordinary shares of 0.5 pence nominal value to ordinary shares of 5 pence nominal value.

Authority to purchase shares

Authority for the Company to purchase up to 20,568,008 ordinary shares in the market, representing 14.99% of the issued ordinary share capital of the Company was granted at an extraordinary meeting of the Company held on 11 December 2007. In the period to 31 December 2007 the Company made on-market purchases of 1,309,675 shares. These shares are held in Treasury.

Directors' report continued

Directors' interests

The directors' interests in the share capital, beneficially held, of the Company are set out below. The shareholdings reflect the share consolidation approved by shareholders on 11 December 2007 and comparative shareholdings have been similarly adjusted for comparative purposes.

	31 December 2007 Ordinary shares	31 December 2006 Ordinary shares
Greg Hutchings	**4,962,947**	2,676,666
Denis Mulhall	**665,000**	475,000
Frederic Hoad	**53,333**	53,333
Michael Jackson	**85,873**	85,873
Roland Tate	**72,268**	59,641

Since 31 December 2007 37,974 shares have been issued to Mr Jackson and 37,974 shares to Mr Tate (see note 21 of the notes to the Group financial statements). Accordingly Mr Jackson's shareholding has increased to 123,847 shares and Mr Tate's to 110,242 shares.

In addition, Mr Hutchings has non-beneficial interests in 392,000 shares.

The trustees of the Lupus Employee Share Ownership Trust ("the lesot") hold 5,122,951 shares under the employee incentive arrangements described in the circular dated 21 January 2004 and approved by shareholders on 16 February 2004. Of these, 4,753,926 were allotted on 26 March 2004 and have been allocated for the benefit of the family of Greg Hutchings, Executive Chairman of the Company. 1,584,642 were purchased and allotted on 4 April 2006. On 6 July 2007 1,215,615 shares were bought by a pension account for the benefit of Greg Hutchings.

Directors' Remuneration

The Company, being quoted on AIM, is not required to comply with the Directors' Remuneration Report Regulations 2002 or the disclosure provisions of Schedule 7A of the Companies Act 1985 and the UKLA Listing Rules. Nevertheless, the Company has chosen to present a report on directors' remuneration on pages 17 to 18. The directors have also determined, on a voluntary basis, that this report should be submitted to shareholders for their approval. This is resolution 7 in the Notice of Meeting.

The Company's articles currently provide that the remuneration of the directors, both executive and non-executive, must be approved by an ordinary resolution of shareholders. Such an approval is unusual and has inadvertently been overlooked by the Company since the implementation of the current articles of association in 1995 (although shareholders have on a number of occasions approved remuneration or remuneration reports on a retrospective basis). It is now common practice for (a) the remuneration of executive directors to be determined by the board or any committee authorised by the board without shareholder involvement and (b) the fees of non-executive directors to be determined by the board, but provided that the amount must not exceed a maximum amount approved by shareholders. In the light of the above, the directors propose:

a) By means of resolution 12, a special resolution, to delete the existing article 83 and to replace it by a new article 83 that will bring the Company's position into line with common practice.
b) By means of resolution 8, an ordinary resolution, to ratify and confirm the remuneration payments made to directors in respect of the whole period when the previous article 83 was in force.

Allotment of shares

Shareholders passed resolutions to authorise the directors to allot shares and, within certain limitations, to do so free from pre-emption rights at the Extraordinary General Meeting held on 11 December 2007.

The directors' authority to allot shares does not expire until 11 December 2012. The disapplication of pre-emption rights is only effective until the conclusion of the Company's 2008 AGM. The directors believe that the Company's proceedings will be more transparent if they seek renewed authority to allot at the same time as they seek authority to disapply pre-emption rights.

Therefore, the Notice of Meeting includes resolution 9, which will authorise the directors to allot shares (subject to specified limits) until 1 July 2013, and resolution 10, a special resolution, which will authorise the directors to disapply pre-emption rights (in certain circumstances and subject to specified limits) until the conclusion of the Company's 2009 AGM.

Purchase of the Company's own shares

Shareholders passed a resolution to authorise the Company to purchase its own shares up to a maximum of 14.99% of the Company's issued ordinary share capital at the EGM on 11 December 2007. This authority expires on 11 December 2008. The directors believe that it is in the best interests of the Company to obtain a new authority for this purpose that extends beyond 11 December 2008 and therefore propose resolution 11 for this purpose. The authority will be limited to 14.99% of voting shares in issue (that is, excluding shares held in Treasury). Resolution 11 is proposed as a special resolution, in accordance with best practice.

Directors' conflicts of interest

The Companies Act 2006 introduces new provisions relating to conflicts of interest, and in particular provides that directors will only be able to authorise conflicts where the articles of association give the directors express power to do so. In the light of this, the directors recommend that a new article 89, which among other things provides the directors with the express power to authorise conflicts, be substituted for the existing article 89. This is resolution 13 in the Notice of Meeting.

Other matters

Auditors

In accordance with section 385 of the Companies Act 1985, an ordinary resolution to re-appoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting; this is item 5 in the Notice of Meeting.

Substantial shareholders

In addition to the holdings of certain of the directors and of the lesot described above, at the latest practicable date before publication of this report the Company had been notified of, or had identified, the following direct or indirect interests comprising 3% or more of its issued share capital:

	Ordinary shares	%
F & C Asset Management	15,022,450	11.6
Aviva	10,316,366	7.9
Schroder Asset Management	7,994,084	6.1
Polar Capital	7,940,604	6.1
Invesco Asset Management	5,118,069	3.9
Cazenove Capital Management	4,299,473	3.3

Creditors payment policy

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with all relevant terms and conditions. Creditor days for the Group have been calculated at 48 days.

Financial risk management

A statement on the financial risk management objectives, policies and other matters in relation to the use of financial instruments is set out in note 19 in the notes to the Group financial statements.

Safety, health and the environment

The Board recognises that the highest standards in safety, health and environmental issues are an essential part of sound business practice. The Board is committed to improving the impact on the environment from any of its operations and to incorporating the principles of sustainable development.

Directors' report continued

Employees

The Group's excellent performance would not be possible without employees of the highest calibre with the motivation to perform to their full potential. The Group operates on a decentralised structure, reflecting the organisation of the Group. This underscores our belief that localised teams, operating under common principles, are best equipped to deal with the varying cultures, operating structures and geographic locations that exist in the Group.

Each operating entity in the Group is encouraged to implement comprehensive employment policies designed to motivate employees and to determine ways in which their knowledge and skills can best contribute towards the success of the business.

Employee involvement and communication programmes continue to be developed that are designed to provide equal opportunity to all, irrespective of sex, race, religion or colour. Each company in the Group endeavours to provide equality of opportunity in recruiting, training, promoting and developing the careers of disabled people.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly they have adopted the going concern basis in preparing the accounts.

By order of the Board

Cavendish Administration Limited
Company Secretary
30 May 2008

Corporate governance

The directors acknowledge the importance of the Principles set out in the Combined Code, as issued in revised form in 2006 by the Financial Reporting Council, and have put in place a framework for corporate governance which it believes is appropriate for the Company.

The Company, being quoted on AIM, is not required to comply with the provisions of the Combined Code, but has chosen to make the following voluntary disclosures:

The board

Board composition

The Board comprises two executive and three non-executive directors. Mr Hutchings was appointed Executive Chairman on 16 February 2004 and Mr Mulhall has served as an executive director since 23 February 2004. Mr Hoad and Mr Tate have served as non-executive directors since November 2002. Mr Jackson joined the Board as a non-executive director on 17 November 2006. Mr Hoad is the senior non-executive director.

Both Mr Hutchings and Mr Mulhall are engaged full-time on the Company's business and have no outside interests that conflict with their responsibilities to the Company. Mr Mulhall is a non-executive director of RingProp plc and RingProp Trading Ltd, in solvent liquidation. All non-executive directors are independent.

How the board operates

The Board meets regularly and is responsible for strategy, performance and the framework of internal controls. The Board has a formal schedule of matters specifically reserved to it for decision. Responsibility for the day-to-day operational management of Gall Thomson Environmental Limited, the Schlegel companies and the LSS companies is delegated to the directors of those companies. To enable the Board to discharge its duties, all directors receive appropriate and timely information. The Company Secretary distributes briefing papers to all directors in advance of Board meetings. All directors have access to the advice and services of the corporate Company Secretary, which is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board meetings

During the year ended 31 December 2007, there were six meetings of the Board. Participation in the meetings was as follows: Mr Hoad, six meetings; Mr Hutchings, six meetings; Mr Jackson four meetings; Mr Mulhall, six meetings; and Mr Tate, five meetings.

Re-election of directors

All directors are subject to re-election by the shareholders at Annual General Meetings at a maximum interval of three years. The Articles of Association provide that directors appointed by the Board will be subject to re-election at the first AGM thereafter.

Remuneration

A report on directors' remuneration is included on pages 17 to 18.

Board committees

The Board has formed an Audit and Corporate Governance Committee, a Remuneration Committee and a Nominations Committee, each comprised of all independent, non-executive directors. The existence of the committees ensures that time is allocated on a formal basis to consider relevant issues.

Audit and corporate governance committee

The Audit and Corporate Governance Committee is made up of the non-executive directors and meets at least twice a year. The chairman and executive director also attend all meetings of the committee. The committee considers the appointment and fees of the external auditors and discusses the scope of the audit and its findings. The Committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements. This committee is chaired by Mr Hoad.

During the year ended 31 December 2007 the Committee held three meetings. Mr Hutchings, Mr Mulhall, Mr Hoad and Mr Tate each attended all three meetings. Mr Jackson attended two meetings.

The Audit Committee also reviews any non-audit services provided by the auditors. Such services have been, and are, limited to the provision of transaction support services, tax compliance work and tax advice. The Committee is satisfied that the provision of such services does not in any way prejudice the objectivity and independence of the auditor. Professional firms, other than the auditors provide tax compliance work and tax advice.

Corporate governance continued

Remuneration committee

The Remuneration Committee considers and approves the remuneration and benefits (if any) of the directors. The Committee also determines the remuneration of the directors of the Schlegel companies, of Gall Thomson, of LSS companies and of the service providers contracted to perform executive functions for the Group as well as long term share incentive and share option schemes for all employees.

The membership and work of the Committee during the year ended 31 December 2007 is described in detail in the Directors' Remuneration Report on pages 17 to 18.

Nominations committee

The Nominations Committee identifies and nominates candidates for the office of director of the Company. It meets as and when required and is chaired by Mr Tate. The Committee did not meet during the year ended 31 December 2007.

Internal control

The directors acknowledge that they are responsible for the Group's system of internal controls and for reviewing the effectiveness of those controls. The Board, including the executive directors, reviews the internal control framework on an ongoing basis.

Procedures have been developed to safeguard assets against unauthorised use or disposition of assets and to maintain proper accounting records to provide reliable financial information both for internal use and for publication. In accordance with the guidance of the Turnbull Committee on internal control, the procedures are regularly reviewed in the light of an ongoing process to identify, evaluate and manage the significant risks faced by the Company. The process has been in place for the full year under review and up to the date of the approval of the annual report and financial statements. The procedures are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

Relations with shareholders

Communications with shareholders are given high priority and there is a regular dialogue with institutional shareholders.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. Details of resolutions to be proposed at the Annual General Meeting on 2 July 2008 can be found in the Notice of the Meeting on page 61.
The Company has set up a website www.lupuscapital.co.uk which shareholders, investors and other interested parties may access. The website permits users to download copies of published financial reports, press releases and Stock Exchange announcements.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards adopted by the European Union. The parent company financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' remuneration report

The Company, being quoted on AIM, is not required to comply with the Directors Remuneration Report Regulations 2002 or the disclosure provisions of Schedule 7A of the Companies Act 1985 and the UKLA Listing Rules, but has chosen to make the following voluntary unaudited disclosures:

Remuneration committee and advisers

The Remuneration Committee of the Board comprises all independent non-executive directors of the Company. It is chaired by Mr Hoad and is responsible for determining and reviewing the terms of appointment and the remuneration of the directors of the Company.

During the year ended 31 December 2007, the Committee met once. Mr Hoad, Mr Tate and Mr Jackson attended the meeting. Mr Hutchings and Mr Mulhall were present as observers.

The Remuneration Committee may utilise independent advice when it considers it appropriate. No such advice was taken during the year ended 31 December 2007.

Remuneration policy

The Company's policy is to pay remuneration to directors at a level consistent with their responsibilities and with the scope of the Group.

The Remuneration Committee reviewed the remuneration of both the executive and non-executive directors during the year ended 31 December 2007. It concluded that the further considerable expansion of the Group's size and activities consequent upon the Laird acquisition made it appropriate to increase the levels of remuneration. The decision was taken to increase the salaries of Mr Hutchings to £425,000 per year and that of Mr Mulhall to £300,000 per year, with effect from 1 May 2007. In addition, bonuses were awarded of £250,000 to Mr Hutchings and £120,000 to Mr Mulhall.

It was further agreed to increase the fees of the non-executive directors each to £30,000 per year from 1 May 2007.

Service agreements

Under the terms of their service agreements Mr Hutchings and Mr Mulhall are entitled, in addition to their annual salaries, to membership of a private medical expenses arrangement and permanent health insurance cover. They are entitled to participate from time to time in any bonus arrangements the Board may establish. These agreements are terminable on not less than 12 months' notice by either party.

The non-executive directors have letters of appointment, which provide a notice period of one month. All directors are subject to re-election by shareholders at a maximum interval of three years.

Remuneration

The remuneration payable in respect of the year ended 31 December 2007 was as follows:

	Salary/ fees £'000	Bonus £'000	Benefits £'000	Total 2007 £'000	Total 2006 £'000
Greg Hutchings	**367**	**250**	**25**	**642**	368
Denis Mulhall	**265**	**120**	**2**	**387**	247
Frederic Hoad	**27**	**–**	**–**	**27**	19
Michael Jackson	**28**	**–**	**–**	**28**	3
Roland Tate	**27**	**–**	**–**	**27**	19
Total	**714**	**370**	**27**	**1,111**	656

Directors' remuneration report continued

Payment of remuneration in shares

Mr Jackson and Mr Tate agreed on 17 November 2007 to take payment of their fees in shares of the Company. The relevant letters of agreement stated that their entitlement to fees each of £30,000 for the periods of 12 months commencing on 17 November 2007 and 1 November 2007 respectively, would be satisfied by the issue to them of new ordinary shares in the company; upon the same terms as previously.

Pursuant to these agreements, 37,494 new ordinary shares were issued to Mr Jackson and to Mr Tate on 17 January 2008, by reference to the closing mid-market price of the shares on 16 January 2008.

Bonus schemes

The service agreements of the executive directors include provision for possible cash bonus scheme arrangements. Any such schemes will be performance-related and the level of performance bonus will be determined by the remuneration committee in accordance with generally accepted practice.

Pensions

During 2007 there were no defined benefit pension entitlements and no pension payments were made in respect of the directors.

By order of the Board

Cavendish Administration Limited
Company Secretary
30 May 2008

Report of the independent auditors to the members of Lupus Capital plc

We have audited the group financial statements of Lupus Capital plc for the year ended 31 December 2007 which comprise the principal accounting policies, the group income statement, the group balance sheet, the group cash flow statement, the group statement of recognised income and expense and notes 1 to 28. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Lupus Capital plc for the year ended 31 December 2007.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross referenced from the business review section of the Director's Report.

In addition we also report to you if, in our opinion, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report, Corporate Governance Statement, Directors' Remuneration Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
30 May 2008

Group income statement

For the year ended 31 December 2007

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

All results relate to continuing operations

	Note	**2007 £'000**	2006 £'000 (restated)
Non GAAP measure			
Adjusted[2] profit before taxation		**25,021**	10,034
Earnings per share			
– Adjusted[2] basic and diluted EPS from continuing operations	10	**14.82p**	12.35p[1]

[1] The 2006 earnings per share has been restated for the share consolidation in December 2007.
[2] Before amortisation of acquired intangible assets, deferred tax on amortisation of intangible assets, exceptional items, unwinding of discount on provisions, and the associated tax effect.

Group statement of recognised income and expense

For the year ended 31 December 2007

	Note	**2007 £'000**	2006 £'000 (restated)
Actuarial (losses)/gains on defined benefit plans		**(159)**	622
Exchange differences on retranslation of foreign operations		**(148)**	(1,653)
Effective portion of changes in value of cashflow hedges	14	**(1,546)**	–
Tax on items recognised directly in equity	9	**54**	(217)
Income and expense recognised directly in equity		**(1,799)**	(1,248)
Profit for the period		**12,242**	4,932
Total recognised income and expense for the period			
– attributable to equity shareholders of the company	22	**10,443**	3,684

Group balance sheet

As at 31 December 2007

	Note	**2007 £'000**	2006 £'000 (restated)
ASSETS			
Non-current assets			
Intangible assets	11	**306,345**	80,774
Property, plant and equipment	12	**36,325**	13,030
Deferred tax	9	**6,611**	6,078
		349,281	99,882
Current assets			
Inventories	13	**35,261**	7,396
Trade and other receivables	15	**36,755**	15,210
Cash and cash equivalents	23	**46,969**	9,738
		118,985	32,344
TOTAL ASSETS		**468,266**	132,226
LIABILITIES			
Current liabilities			
Current tax payable		**(3,743)**	(1,453)
Trade and other payables	16	**(57,974)**	(14,967)
Finance lease obligations	17	**(188)**	(156)
Interest bearing loans and borrowings	17	**(16,694)**	(4,938)
		(78,599)	(21,514)
Non-current liabilities			
Finance lease obligations	17	**(214)**	(334)
Deferred tax	9	**(25,315)**	(7,828)
Interest bearing loans and borrowings	17	**(129,865)**	(27,296)
Employee benefit liability	20	**(3,497)**	(3,290)
Provisions	18	**(20,892)**	(1,868)
Derivative financial instruments	14	**(1,546)**	—
Other payables		**(1,206)**	(115)
		(182,535)	(40,731)
TOTAL LIABILITIES		**(261,134)**	(62,245)
NET ASSETS		**207,132**	69,981
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Called up share capital	21	**6,861**	3,083
Share premium	22	**45**	45
Other reserves	22	**10,389**	10,389
Hedging reserve	22	**(1,546)**	—
Translation reserve	22	**(1,801)**	(1,653)
Retained earnings	22	**193,184**	58,117
TOTAL EQUITY		**207,132**	69,981

The financial statements were approved by the Board on 30 May 2008 and signed on its behalf by:

Greg Hutchings
Chairman

Denis Mulhall
Director

Group cash flow statement

For the year ended 31 December 2007

	Note	**2007 £'000**	2006 £'000 (restated)
Cash flows from operating activities			
Operating profit		**22,723**	9,438
Depreciation	6	**4,702**	1,646
Amortisation	6	**7,749**	2,129
Loss on sale of property, plant and equipment		**(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)
Net cash inflow from operating activities		**45,885**	14,874
Investing activities			
Payments to acquire property, plant and equipment		**(3,918)**	(964)
Acquisition of subsidiary, net of cash acquired	3	**(239,397)**	(47,408)
Interest received		**1,867**	501
Net cash outflow from investing activities		**(241,448)**	(47,871)
Financing activities			
Proceeds from share issue, net of costs		**131,536**	51,653
Purchase of treasury shares		**(1,075)**	—
Equity dividends paid		**(3,753)**	(1,234)
New borrowings		**119,064**	34,734
Interest paid		**(7,172)**	(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)
Net cash inflow from financing activities		**233,512**	40,226
Increase in cash and cash equivalents		**37,949**	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
Cash and cash equivalents at the year end	23	**46,969**	9,738

Notes to the Group 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, and reconciled with UK GAAP in note 28.

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 were no separate intangible assets identified 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 profit and loss account as a result of the amount 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.

IAS 21 – "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, except they have been modified to include the revaluation of certain financial assets and liabilities. The measurement basis and significant accounting policies are set out below.

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 over financial and operating policies 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 unrealised 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.

2. Summary of significant accounting policies continued

Recent accounting developments

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:

IAS 1 (revised)	"Presentation of Financial Statements" – effective date 1 January 2009
IAS 23 (revised)	"Borrowing Costs" – effective date 1 January 2009
IAS 27 (revised)	"Consolidated and Separate Financial Statements" – effective date 1 July 2009
IAS 32 (revised)	"Financial Instruments – Presentation" – effective date 1 January 2009
IFRS 2 (revised)	"Share Based Payments" – effective date 1 January 2009
IFRS 3 (revised)	"Business Combinations" – effective date 1 July 2009
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 reported results 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.

Notes to the Group financial statements continued

2. Summary of significant accounting policies continued

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 forecast 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 initially at fair value 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 depreciation and impairment. 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 equipment – 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.

2. Summary of significant accounting policies continued

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 on a first in, first out basis. 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 determined 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. Actuarial gains and losses are recognised immediately in the statement of recognised income and expenditure. The net surplus or deficit is presented within the other net assets on the balance sheet. The related deferred tax is shown within the other deferred tax balances.

Notes to the Group financial statements continued

2. Summary of significant accounting policies continued

Pensions and other post employment benefits continued

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.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect on amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the carrying amount and present value of estimated future cash flow.

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 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.

2. Summary of significant accounting policies continued

Deferred taxation continued

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 assess better trends in financial performance.

Share-based payments

All share-based arrangements are recognised at fair value in the consolidated financial statements. The Group operates equity-settled share-based remuneration plans 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 to 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 measure under IFRS and may not be 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 their non-cash 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 material adjustments 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. In determining whether goodwill is impaired an estimation of value in use is required for each 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 obligations 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 regard to model’s used to value financial instruments at their fair value at the 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.

Intangible assets

On acquisition of Group companies, the Group recognises any separately identifiable intangible assets from goodwill, initially measuring each group of intangible assets at fair value. Groups of intangible assets will include purchased brands, customer relationships, trade marks and licenses. In determining the fair value with regard to material acquisitions, the directors rely on the advice of third party valuation experts.

Notes to the Group financial statements continued

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 £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 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:

	Book values £'000	Provisional fair value to Group £'000
Intangible assets	341	96,575
Property, plant and equipment	27,627	25,108
Inventories	39,450	29,640
Trade and other receivables	38,437	33,420
Deferred tax asset	13,605	13,605
Cash and cash equivalents	120	120
Trade and other payables	(33,350)	(24,667)
Taxation	(4,413)	(2,744)
Non-current trade and other payables	(95)	(95)
Provisions	(4,557)	(18,391)
Deferred tax liability	(2,760)	(34,772)
Net assets	74,405	117,799
Goodwill arising on acquisition (Note 11)		134,298
Total Consideration		252,097
Discharged by:		
Agreed consideration		242,500
Working capital adjustment		2,709
Adjustment for loans acquired		(940)
Total payable to The Laird Group		244,269
Transaction costs		7,828
Total Consideration		252,097
Net cash paid:		
Total payable to the Laird Group		244,269
Less: deferred consideration		(12,500)
Transaction costs paid		7,748
Less: cash balances acquired		(120)
Net cash paid		239,397

From the date of acquisition, LSS has contributed £9.9m to the net profit of the Group. As at 31 December 2007 management were 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 business sold on 27 July 2007, and reflect the net realisable value on disposal.

3. Business combinations continued

Acquisition of Schlegel

On 4 April 2006 the Group completed the acquisition of the building products business of Schlegel. The investment in Schlegel has been included in the Group's balance sheet at its fair value at 31 December 2007 and provisional fair value at 31 December 2006. Net assets at the date of acquisition are set out in the following table:

	UK GAAP Provisional fair value 31 December 2006 £'000	IFRS adjustments £'000	IFRS Provisional fair value 31 December 2006 £'000	Fair value adjustments £'000	Fair value 31 December 2007 £'000
Intangible assets	–	28,275	28,275	–	28,275
Property, plant and equipment	14,328	(77)	14,251	(632)	13,619
Inventories	9,436	–	9,436	(602)	8,834
Trade and other receivables	14,454	–	14,454	(258)	14,196
Deferred tax asset	7,857	11	7,868	–	7,868
Cash and cash equivalents	786	–	786	–	786
Trade and other payables	(53,263)	(27)	(53,290)	74	(53,216)
Non-current trade and other payables	(578)	–	(578)	–	(578)
Provisions	(2,029)	–	(2,029)	(884)	(2,913)
Deferred tax liability	(548)	(8,460)	(9,008)	–	(9,008)
Employee benefit liability	(5,141)	–	(5,141)	–	(5,141)
Net assets/(liabilities)	(14,698)	19,722	5,024	(2,302)	2,722
Goodwill arising on acquisition					45,472
Total consideration					48,194

Fair values have been adjusted to reflect various changes to previous assumptions, the material items of which relate to:
– stock adjustments to reflect obsolete and slow moving items against which the directors considered there was inadequate provision.
– provisions have been made for restructuring plans that existed at acquisition and for lease obligations onerous to the Group.

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 products £'000**	**Total £'000**
Continuing operations			
Revenue	**11,342**	**205,517**	**216,859**
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**	**418,094**	**429,922**
Unallocated assets			**38,344**
Total assets			**468,266**
Segment liabilities	**(2,290)**	**(248,385)**	**(250,675)**
Unallocated liabilities			**(10,459)**
Total liabilities			**(261,134)**
Other segment information			
Capital expenditure:			
– property, plant and equipment	**37**	**4,445**	**4,482**
– intangible assets	**–**	**233,320**	**233,320**
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**

Notes to the Group financial statements continued

4. Segmental analysis continued

Comparative segmental disclosure for the year ended 31 December 2006 is as follows:

Year ended 31 December 2006	Oil services £'000	Building products £'000	Total £'000
Continuing operations			
Revenue	9,314	53,626	62,940
Operating profit	3,445	5,993	9,438
Net finance costs			(1,533)
Profit before income tax			7,905
Income tax expense			(2,973)
Profit for the year			4,932
Assets and liabilities			
Segment assets	14,363	101,975	116,338
Unallocated assets			15,888
Total assets			132,226
Segment liabilities	1,588	18,091	19,679
Unallocated liabilities			42,566
Total liabilities			62,245
Other segment information			
Capital expenditure:			
– property, plant and equipment	32	993	1,025
– intangible assets	—	71,482	71,482
Cost of goods sold	2,832	19,602	22,434
Depreciation	59	1,587	1,646
Amortisation	—	2,129	2,129
Employee benefit liabilities	—	3,290	3,290

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 2007	**United Kingdom £'000**	**Europe £'000**	**Americas £'000**	**Rest of the world £'000**	**Total £'000**
Revenue					
Revenue from continuing operations	**79,202**	**32,927**	**99,344**	**5,386**	**216,859**
Other segment information					
Total assets	**77,496**	**19,786**	**362,532**	**8,452**	**468,266**
Capital expenditure:					
– property, plant and equipment	**1,745**	**372**	**2,278**	**87**	**4,482**
– intangible assets	**57,718**	**—**	**175,602**	**—**	**233,320**

4. Segmental analysis continued

Comparative segmental disclosure for the year ended 31 December 2006 is as follows:

Year ended 31 December 2006	United Kingdom £'000	Europe £'000	Americas £'000	Rest of the world £'000	Total £'000
Revenue					
Revenue from continuing operations	8,616	22,376	24,570	7,378	62,940
Other segment information					
Segment assets	44,538	15,554	53,685	2,561	116,338
Unallocated assets					15,888
Total assets					132,226
Capital expenditure:					
– property, plant and equipment	253	329	390	53	1,025
– intangible assets	26,016	3,691	41,727	48	71,482

5. Exceptional items

	2007 £'000	2006 £'000
Reorganisation costs	**1,236**	–
Workers compensation	**149**	–
	1,385	–

Reorganisation costs reflect the costs of integrating LSS and the Schlegel businesses and the closure of certain US facilities.

6. Operating profit before finance cost and tax

Operating profit is stated after charging the following:

	2007 £'000	2006 £'000
Depreciation of property, plant and equipment – owned assets	**4,594**	1,600
Depreciation of property, plant and equipment – leased assets	**108**	46
Amortisation of intangible assets	**7,749**	2,129
Operating lease rentals – land and buildings	**3,280**	946
Fees payable to the Company's auditors for the audit of the Group accounts	**80**	66
Fees payable to the Company's auditors or their associates for other services:		
– Audit of the Company's subsidiaries	**347**	121
– Tax, general and other services	**167**	187
Foreign exchange (profit)/loss	**48**	(69)

In addition £62,000 payable to the auditors in respect of corporate finance work has been included in the transaction costs of the acquisition of LSS (note 3).

Notes to the Group financial statements continued

7. Employees

Number of employees

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

	2007 Number	2006 Number
Administration	**360**	81
Sales	**207**	70
Operations	**2,269**	537
	2,836	688

Employment costs

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

	2007 £'000	2006 £'000
Wages and salaries	**43,167**	14,878
Social Security costs	**5,053**	1,809
Pension costs – defined contribution schemes	**1,231**	469
Pension costs – defined benefit schemes	**187**	(74)
	49,638	17,082

Directors remuneration

The remuneration payable to directors was as follows:

	2007 £'000	2006 £'000
Greg Hutchings	**642**	368
Denis Mulhall	**387**	247
Frederic Hoad	**27**	19
Roland Tate	**28**	19
Michael Jackson	**27**	3
	1,111	656

The fees of Mr Hoad were paid to Hoad & Co (Consultants) Limited: those of Mr Tate were paid to Tiger Corporate Finance Limited and those of Mr Jackson to Michael Jackson Associates.

Mr Jackson and Mr Tate agreed on 17 November 2007 to take payment of their fees in shares of the Company. The relevant letters of agreement stated that their entitlement to fees each of £30,000 for the periods of 12 months commencing on 17 November 2007 and 1 November 2007 respectively, would be satisfied by the issue to them of new ordinary shares in the company; upon the same terms as previously.

Pursuant to these agreements, 37,494 new ordinary shares were issued to each of Mr Jackson and Mr Tate on 17 January 2008, by reference to the closing mid-market price of the shares on 16 January 2008.

8. Finance income and costs

	2007 £'000	2006 £'000
Finance income		
Bank interest receivable	**1,845**	501
Fair value gains on financial instruments	**43**	–
	1,888	501
Finance costs		
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)
	(9,241)	(2,034)
Net finance costs	**(7,353)**	(1,533)

9. Taxation

(a) Tax on profit on ordinary activities

Income tax expense in the income statement

	2007 £'000	2006 £'000 (restated)
Current income tax:		
UK Corporation tax	**2,735**	1,061
Foreign tax	**4,051**	1,522
Current income tax charge	**6,786**	2,583
Adjustments in respect of prior periods	**278**	(1)
Total current income tax	**7,064**	2,582
Deferred tax:		
Effect of change in tax rates	**(2,013)**	–
Origination and reversal of temporary differences	**(1,964)**	344
Other items	**41**	47
Total deferred tax	**(3,936)**	391
Income tax expense in the income statement	**3,128**	2,973

Tax relating to items charged or credited directly to equity

	2007 £'000	2006 £'000 (restated)
Deferred tax:		
Actuarial gains and losses on pension schemes	**(54)**	217
Income tax expense in the statement of recognised income and expense	**(54)**	217

An adjustment has been made to recognise 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 (30%). The differences are explained below:

	2007 £'000	2006 £'000
Profit from continuing operations before taxation	**15,370**	7,905
Rate of corporation tax in the UK of 30% (2006: 30%)	**4,611**	2,372
Effects of:		
Expenses not deductible for tax purposes	**351**	6
Overseas tax rate differences	**307**	355
Other movements	**–**	241
Deferred tax rate changes	**(2,013)**	–
Adjustment in respect of prior periods	**(128)**	(1)
Income tax expense in the income statement	**3,128**	2,973

Notes to the Group financial statements continued

9. Taxation continued

(c) Deferred tax

Deferred income tax at 31 December relates to the following:

	Group balance sheet		Group income statement	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Deferred tax liability				
Fair value adjustments on acquisition	**(25,128)**	(7,828)	**(4,221)**	(632)
Other	**(187)**	—	**6**	—
	(25,315)	(7,828)	**(4,215)**	(632)
Deferred tax assets				
Post-employment benefits	**1,303**	1,310	**—**	522
Fair value adjustments on acquisition	**5,033**	4,768	**180**	483
Other	**275**	—	**99**	18
	6,611	6,078	**279**	1,023
Deferred income tax (income)/expense			**(3,936)**	391
Deferred tax liabilities net	**(18,704)**	(1,750)		
Reflected in the balance sheet as follows				
Deferred tax assets	**6,611**	6,078		
Deferred tax liabilities	**(25,315)**	(7,828)		
Deferred tax liabilities net	**(18,704)**	(1,750)		

(d) Factors that may affect future tax charges:

There are estimated tax losses of £8,401,000 (2006: £11,954,000) within the Group, comprising capital losses of £7,348,000 and other tax losses of £1,053,000. 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:

	2007 £'000	2006 £'000
Tax losses	**(316)**	(1,558)
Capital losses	**(2,057)**	(2,028)
	(2,373)	(3,586)

10. 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. There are no dilutive shares.

	2007 '000	2006 '000
Weighted average number of shares (excluding treasury shares)	**114,648**	51,985[1]
Treasury shares	**(39)**	—
Weighted average number of shares	**114,609**	51,985[1]

[1]The 2006 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.

10. Earnings per share continued

To this end, basic and diluted earnings per share is also 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:

	2007 £'000	2006 £'000
Profit for the year from continuing operations	**12,242**	4,932
Exceptional costs	**1,385**	—
Amortisation of intangible assets and unwinding discount on provisions	**8,266**	2,129
Tax effect on exceptional costs and amortisation of intangible assets	**(2,895)**	(639)
Deferred tax adjustment relating to the rate of corporation tax changing from 30% to 28%	**(2,013)**	—
Adjusted underlying profit after tax	**16,985**	6,422
Adjusted underlying basic and diluted earnings per share	**14.82p**	12.35p

11. Intangible assets

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

[1] Amortisation in the year of £7,749,000 is included in administrative expenses in the income statement.

Goodwill of £179,770,000 is allocated to the Building Products segment and £11,421,000 to the Oil Services segment.

Impairment tests for goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units ("CGU") are determined from value in use calculations.

Cash flow projections are derived from financial plans approved by the Board and cover a three year period. They reflect the management's expectations of revenue growth, operating cost and margin for each CGU based on past experience. Cash flows beyond the three year period have been extrapolated using estimated terminal growth rates averaging 6%. A pre-tax discount rate of 15% has been applied to cash flow projections reflecting management's view that similar risk profiles exist for each CGU.

The forecasts are most sensitive to changes in projected revenue growth rates in the first three years of the forecast period. However, there is significant headroom and total future forecast revenues would have to be perpetually more than 9% lower than currently projected before a possible impairment charge would be indicated.

Certain brands and trademarks are considered to have an indefinite life. This applies to those brands and trademarks which, as a result of their excellent reputation with their core customer base and being well regarded in their market places, command a significant share of the markets in which they operate.

Notes to the Group financial statements continued

12. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2006	292	488	780
Additions	170	855	1,025
Acquisition of Schlegel (note 3)	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 LSS (note 3)	10,350	36,648	46,998
Amounts written off	(513)	(2,595)	(3,108)
Foreign currency adjustment	151	445	596
At 31 December 2007	**12,258**	**51,667**	**63,925**
Accumulated depreciation			
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 LSS (note 3)	1,142	20,748	21,890
Amounts written off	(86)	(970)	(1,056)
Foreign currency adjustment	10	127	137
At 31 December 2007	**1,614**	**25,986**	**27,600**
Net book value			
At 31 December 2007	**10,644**	**25,681**	**36,325**
At 31 December 2006	2,047	10,983	13,030

Depreciation in the year of £4,702,000 is included in administrative expenses in the income statement.

The carrying value of plant and machinery held under finance leases and hire purchase contracts at 31 December 2007 was £871,000 (2006: £689,000).

Additions and acquisition of subsidiaries during the year ended 31 December 2007 includes £187,000 of plant and equipment held under finance leases and hire purchase.

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

13. Inventories

	2007 £'000	2006 £'000
Raw materials and consumables	**17,948**	3,019
Work-in-progress	**2,515**	1,023
Finished goods	**14,798**	3,354
	35,261	7,396

14. Derivative financial instruments

	2007		2006	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Interest rate swaps	**–**	**(1,486)**	–	–
Interest rate cap	**–**	**(60)**	–	–
Cash flow hedges	**–**	**(1,546)**	–	–

The full fair value of the hedging derivatives are classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the hedged item is less than 12 months.

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2007 were £87.8 million (2006: £nil).

At 31 December 2007 the fixed interest rates vary from 5.025% to 5.27% (2006: 5.27%) and the main floating rates are UK LIBOR and US Dollar LIBOR. Gains and losses recognised in the hedging reserve (Note 22) on interest rate swap and cap contracts as of 31 December 2007 will be continually released to the income statement until the repayment of the bank borrowings
(Note 17).

15. Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	**31,409**	12,277
Other receivables	**2,068**	1,051
Prepayments and deferred income	**3,278**	1,882
	36,755	15,210

All amounts are short term. The carrying amounts are considered to be a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for impairment. Certain trade receivables were found to be impaired and a provision of £1,853,000 (2006: £1,555,000) has been recorded. The individually impaired receivables mainly relate to customers affected by the unexpected difficult economic situation.

At 31 December 2007 trade receivables of £27,726,000 (2006: £10,120,000) were considered to be fully performing.

Trade receivables of £8,551,000 (2006: £3,723,000) were past due but not impaired as at 31 December 2007. These relate to customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007 £'000	2006 £'000
Up to 3 months	**7,877**	2,172
3 to 6 months	**508**	1,143
6 months to one year	**166**	408
	8,551	3,723

Movements in the Group provisions for impairment of trade receivables are as follows, which are included in administrative expenses in the income statement:

	2007 £'000	2006 £'000
At 1 January	**1,555**	4
Acquisition in year	**1,012**	75
Provision for receivables impairment	**1,367**	1,491
Receivables written off in year	**(523)**	(15)
Unused amounts released	**(1,508)**	–
Other	**(50)**	–
At 31 December	**1,853**	1,555

Notes to the Group financial statements continued

15. Trade and other receivables continued

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies.

	2007 £'000	2006 £'000
Pounds	**22,306**	5,357
US Dollars	**8,614**	4,267
Euros	**4,384**	4,545
Other currencies	**1,451**	1,041
	36,755	15,210

16. Trade and other payables

	2007 £'000	2006 £'000
Trade payables	**25,857**	7,016
Other taxes and social security costs	**3,023**	272
Accruals and deferred income	**29,094**	7,679
	57,974	14,967

All amounts are short term. The carrying amounts are considered to be a reasonable approximation of fair value.

The carring amounts of the Group's trade and other payables are denominated in the following currencies.

	2007 £'000	2006 £'000
Pounds	**35,169**	5,910
US Dollars	**14,827**	4,246
Euros	**4,437**	4,132
Other currencies	**3,541**	679
	57,974	14,967

17. Interest-bearing loans and borrowings

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

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 revolving credit facility of £10,000,000 in connection with the acquisition of Schlegel 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, Royal Bank of Scotland and HSBC 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 in connection with the acquisition of LSS was arranged with bankers during the year. Drawings made under this facility during the year had been repaid at the balance sheet date.

17. Interest-bearing loans and borrowings continued

The carrying amounts of the Group's borrowings approximate to their fair values and are denominated in the following currencies:

	2007 £'000	2006 £'000
Pounds	**27,297**	32,234
US Dollars	**119,302**	—
Euros	**362**	490
	146,961	32,724

There were no defaults in interest payments in the year under the terms of the loan agreements.

18. Provisions

	Property related £'000	Restructuring £'000	Other £'000	Total £'000
At 1 January 2006	—	—	—	—
On acquisition of Schlegel (note 3)	—	2,029	—	2,029
Foreign currency adjustment	—	(161)	—	(161)
At 31 December 2006	—	1,868	—	1,868
On acquisition of Schlegel (note 3)	—	780	—	780
On acquisition of LSS (note 3)	15,540	685	2,166	18,391
Provided during the year	22	256	2,424	2,702
Utilised during the year	(441)	(1,666)	(40)	(2,147)
Released during the year	—	(1,169)	—	(1,169)
Unwinding of discount	517	—	—	517
Foreign currency adjustment	—	(50)	—	(50)
At 31 December 2007	**15,638**	**704**	**4,550**	**20,892**

The property related provisions represent the estimated net present value of future costs for lease rentals, dilapidations and other property costs for facilities that are surplus to business requirements or where the Group has a legal obligation. The leases have terms of up to 10 years to expiry.

The restructuring provisions relate mainly to costs of integrating LSS and the Schlegel business and the closure of certain US facilities, which were committed to at acquisition.

Other provisions mainly comprise product liability and inventory related provisions.

19. Financial instruments: risk profile

The Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, and cash and short-term deposits. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations. No trading in financial instruments is undertaken.

The Board reviews and agrees policies for managing each financial instrument risk and they are summarised below.

Liquidity and credit risk

The Group maintains sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. The Group manages liquidity risk by the pooling of cash resources and depositing funds available for investment in approved financial instruments with financial institutions. Counterparty risk with respect to cash and cash equivalents is managed by only investing in banks and financial instruments with independently assessed credit ratings of at least AA- as published by Standard & Poors. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance by these counterparties.

Credit risk is also attributable to the Group's exposure to trade receivables due from wholesale customers.

Management assesses the credit quality of customers taking into account their financial position, past experience and other factors. In order to mitigate credit risk the Group utilises credit insurance in those areas of its operations where such insurance is available. In areas where such insurance is not available, management monitors the utilisation of credit limits by customers, identified either individually or by group, and incorporates this information in credit risk controls.

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

Notes to the Group financial statements continued

19. Financial instruments: risk profile continued

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2007 £'000	2006 £'000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	**46,969**	9,738
Trade and other receivables	**36,755**	15,210
At 31 December	**83,724**	24,948

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the assets are secured by collateral or other credit enhancements.

During the year ended 31 December 2007 the Group operated within its borrowing facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than I year £'000	Between 1 and 2 yrs £'000	Between 2 and 5yrs £'000	Total £'000
Borrowings	16,882	16,901	113,178	146,961
Derivative financial instruments	—	—	1,546	1,546
Trade and other payables	57,974	1,166	40	59,180
At 31 December 2007	**74,856**	**18,067**	**114,764**	**207,687**
Borrowings	5,094	5,093	22,537	32,724
Derivative financial instruments	—	—	—	—
Trade and other payables	14,967	115	–	15,082
At 31 December 2006	20,061	5,208	22,537	47,806

Interest rate risk

Interest rate risk profile of borrowings

The Group has an overdraft facility, but this was not used for borrowing purposes.

The interest rate profile of the Group's borrowings as at the 31 December 2007 was as follows:

	Floating rate Liabilities £'000	Fixed rate liabilities £'000	Total £'000
Pounds	27,283	14	27,297
US Dollars	119,276	26	119,302
Euros	—	362	362
At 31 December 2007	**146,559**	**402**	**146,961**
Pounds	32,234	—	32,234
Euros	–	490	490
At 31 December 2006	32,234	490	32,724

The interest rate on the floating rate bank loans are linked to LIBOR. The Group has taken out an interest rate swap agreement. This agreement is effective from 4 October 2006 and covers the period until 4 October 2008 and the economic effect of this swap agreement was to fix the interest rate for the borrowings for the Schlegel acquisition.

The Group took out a further swap agreement which was effective from 12 June 2007 and covers the period until 31 March 2010 and the economic effect was to partially fix the interest rate for the borrowings for the LSS acquisition.

19. Financial instruments: risk profile continued

At 31 December 2007	**Floating rate borrowings £'000**	**Covered by interest rate swaps £'000**	**Swap fixed rate %**
Pounds	**27,283**	**27,283**	**5.27%**
US Dollars	**119,276**	**59,638**	**5.025%**
	146,559	**86,921**	
At 31 December 2006			
Pounds	32,234	32,234	6.23%

The weighted average interest rate on the fixed financial liabilities is 7.3% and weighted average interest period is 5 years.

The Group entered into an interest rate cap transaction which was effective from 12 June 2007 and covers the period until 31 March 2010 and the economic effect was to cap the rate at which interest is payable on 50% of the $240m loan facility at 5.5%.

Interest rate risk of financial assets
The Board periodically reviews any exposure the Group may have to interest rate fluctuations. The weighted average interest rate received on deposited funds was 4.8% during the year (2006: 4.5%).

Foreign currency risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro and the Australian Dollar. Foreign exchange risk arises from future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group's functional currency and net investments in overseas entities.

The Group has a number of overseas subsidiaries, whose net assets are subject to currency translation risk. The Group borrows in local currencies as appropriate, to minimise the impact of this risk on the balance sheet.

Overseas subsidiaries are responsible for managing transactional foreign exchange risk arising from future commercial and financing transactions and recognised assets and liabilities in currencies other than their functional currency, usually by using forward currency contracts.

Foreign currency exchange rate sensitivity
The Group receives approximately 41% of its revenues and incurs approximately 38% of its costs in USD. The Group is therefore sensitive to movements in the USD against GBP. Each five cent movement in the USD to GBP exchange rate has a circa £2.2 million impact on revenue and a circa £0.4 million impact on operating profits. Offsetting this will be reductions in USD interest and USD tax liabilities. This analysis assumes all other variables, including interest rates remain constant.

Additionally the Group receives approximately 15% of its revenue and incurs approximately 14% of its costs in euros. Each five cent movement in the euro to GBP exchange rate has a circa £1.0 million impact on revenues and a circa £0.1 million impact on operating profits. Offsetting this will be reductions to euro interest and euro tax liabilities. This analysis assumes all other variables including interest rates remain consistent.

The impact of movements in other exchange rates is immaterial.

Notes to the Group financial statements continued

19. Financial instruments: risk profile continued

Interest rate sensitivity continued

Foreign currency financial assets and liabilities, translated into sterling at the closing rate, are as follows:

	USD £'000	Euros £'000	Other £'000	Total £'000
Short term exposure				
Financial assets	**29,063**	**7,469**	**3,443**	**39,975**
Financial liabilities	**(29,334)**	**(3,567)**	**(3,003)**	**(35,904)**
At 31 December 2007	**(271)**	**3,902**	**440**	**4,071**
Long term-exposure				
Financial assets	**–**	**–**	**–**	**–**
Financial liabilities	**(113,235)**	**(186)**	**(15)**	**(113,436)**
At 31 December 2007	**(113,235)**	**(186)**	**(15)**	**(113,436)**

	USD £'000	Euros £'000	Other £'000	Total £'000
Short term exposure				
Financial assets	7,352	7,200	1,394	15,946
Financial liabilities	(5,258)	(5,727)	(749)	(11,734)
At 31 December 2006	2,094	1,473	645	4,212
Long term-exposure				
Financial assets	–	–	–	–
Financial liabilities	–	–	–	–
At 31 December 2006	–	–	–	–

20. Pensions and other post-employment benefit plans

20.1 Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes, the assets of which are held externally to the Group in separate trustee administered funds. The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due. The Group had unpaid pension contributions of £15,000 (2006: £15,000) included within employee benefit liabilities.

20.2 Defined benefit pension and post retirement benefit schemes

The Group's principal defined benefit pension scheme and post-retirement healthcare scheme is operated in the USA. An actuarial valuation was last performed as at 31 December 2006. When revalued scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. The post-retirement benefit surplus or deficit is included on the Group's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes.

The current service cost and any past service costs are included in the income statement within operating expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the statement of total recognised income and expense.

The pension scheme is closed to new entrants; as a result the service costs to the Group will increase in future years. The expected level of contributions to the defined benefit pension scheme and post-retirement healthcare scheme in the year to December 2008 is £674,000.

Other defined benefit pension schemes had liabilities of £224,000 (2006: £nil).

20. Pensions and other post-employment benefit plans continued
20.2 Defined benefit pension and post retirement benefit schemes continued

The amounts recognised in the income statement are as follows:

	2007 £'000	2006 £'000
Defined contribution schemes	**1,231**	469
Defined benefit scheme – current service cost	**187**	167
– post service cost	**–**	(241)
Total pension charge included in employee benefit expense (Note 7)	**1,418**	395
Finance income and costs	**562**	392
Interest on plan liabilities	**(601)**	(470)
	(39)	(78)
Total expense recognised in the income statement	**1,379**	317

The major assumptions used by the actuary were;

	31 December 2007	31 December 2006	On acquisition
Rate of increase in salaries	**n/a**	n/a	n/a
Rate of increase in pensions in payment	**0.0%**	0.0%	0.0%
Discount Rate	**6.0%**	6.0%	5.75%
Health care cost trend[1]	**9.0%-5%**	9.5%-5%	9.5%-5%

[1]The level of healthcare contributions are capped and adopting a higher trend rate does not materially affect the liability.

The fair value of the schemes' assets, the expected rates of return, the present value of the schemes' liabilities and the net pension liabilities were as follows:

	31 December 2007		31 December 2006		On acquisition	
	Expected rate of return % pa	Fair value £'000	Expected rate of return % pa	Fair value £'000	Expected rate of return % pa	Fair value £'000
Equities	**9.2**	**5,039**	9.2	5,148	9.2	4,994
Bonds	**5.3**	**2,116**	5.1	2,022	5.1	1,777
Other	**3.1**	**90**	3.1	107	3.1	125
Total market value of scheme assets		**7,245**		7,277		6,896
Present value of scheme liabilities		**(10,503)**		(10,552)		(12,015)
Deficit in the scheme		**(3,258)**		(3,275)		(5,119)
Deferred tax asset		**1,303**		1,310		2,048

The components of the defined benefit cost were as follows:

	2007 £'000	2006 £'000
Operating profit		
Current service cost	**187**	167
Past service costs	**–**	(241)
Total operating charge/(credit)	**187**	(74)
Other finance (charge)/income		
Expected return on plan assets	**562**	392
Interest on plan liabilities	**(601)**	(470)
Net return	**(39)**	(78)
Statement of total recognised income and expense		
Actual return less expected return on plan assets	**(335)**	3
Experience gains and losses on the scheme liabilities	**182**	65
Exchange rate	**48**	539
Change in assumptions underlying the present value of the scheme liabilities	**–**	15
Actuarial (loss)/gain	**(105)**	622

Notes to the Group financial statements continued

20. Pensions and other post-employment benefit plans continued

20.2 Defined benefit pension and post retirement benefit schemes continued

The movement in the recognised (deficit) in the schemes during the year was as follows:

	2007 £'000	2006 £'000
Deficit in scheme at 1 January	**(3,275)**	–
On acquisition	**–**	(5,119)
Current service cost	**(187)**	(167)
Past service cost	**–**	241
Contributions	**348**	1,226
Other finance charge	**(39)**	(78)
Actuarial gain	**(105)**	622
Deficit in scheme at 31 December	**(3,258)**	(3,275)

An analysis of the amounts recognised within the consolidated statement of total recognised gains and losses is as follows:

	2007	2006
Difference between the expected and actual return of scheme assets:		
Amount (£'000)	**(335)**	3
Percentage of scheme assets	**4.6%**	0.0%
Experience gains and losses on the scheme liabilities:		
Amount (£'000)	**182**	65
Percentage of present value of the scheme assets liabilities	**1.7%**	0.6%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	**(105)**	622
Percentage of present value of the scheme assets liabilities	**1.0%**	5.9%

21. Share capital

Group and company

	Ordinary shares of 5p each Number of shares[1] '000	£'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	**61,656**	**3,083**
Proceeds of shares issued	**75,556**	**3,778**
31 December 2007	**137,212**	**6,861**

[1]Restated to reflect the share consolidation in December 2007

The total authorised number of ordinary shares is 180,000,000 (2006: 825,000,000) 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 LSS

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 authorised 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 LSS 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.

21. Share capital continued

Employee share ownership trust

5,122,951 ordinary shares of 5p each are held by the trustees of the Lupus Employee Share Ownership Trust ("the Iesot") under the employee incentive arrangements described in the circular dated 21 January 2004 and approved by shareholders on 16 February 2004. These shares are held for the benefit of the family of Greg Hutchings, executive chairman of the Company.

At 1 January 2007 the Iesot held 63,385,676 ordinary shares of 0.5 pence. The Iesot did not subscribe for further ordinary shares in the placing and open offer in connection with the acquisition of LSS and no shares were issued under this scheme in either 2006 or 2007. During the year ended 31 December 2007 12,156,157 ordinary shares of 0.5 pence were bought by an Alliance Trust pension scheme which is for the benefit of Greg Hutchings. The remaining 51,229,519 shares were then subject to consolidation.

Contingent rights to the allotment of shares

At 31 December 2007 there were 71,429 contingent rights to the allotment of shares, in respect of options granted to Mr Hutchings under the EMI scheme. The shares held by the Iesot are available to satisfy these contingent rights.

Issue of shares to directors in payment of fees

Since 31 December 2007, 37,974 shares have been issued to Mr Jackson in payment of his director's fees (£30,000) for the year commencing 17 November 2007 and 37,974 shares have been issued to Mr Tate, in payment of his directors fees (£30,000) for the year commencing 1 November 2007.

22. Reconciliation of movements in equity

	Share capital £'000	Share premium account £'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)
At 31 December 2007	**6,861**	**45**	**10,389**	**(1,546)**	**(1,801)**	**193,184**	**207,132**

	2007 £'000	2006 £'000
Dividends paid in the year were as follows:		
Final dividend for 2005 at 2.78p per share	**–**	661
Interim dividend for 2006 at 0.49p per share	**–**	302
Special interim dividend for 2006 at 1.14p per share	**–**	271
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**	–
	3,753	1,234
Dividends not reflected in the financial statements:		
Proposed final dividend for the year 2007 at 3.51p per share (2006: 3.34p restated)	**4,557**	2,059

All dividends have been adjusted for the share consolidation as described in note 21.

The shares issued in connection with the acquisition of LSS, as described in note 21 above, were issued in consideration for shares in Lupus Capital (Jersey) (2) Limited and the premium thereon represented a capital profit taken to retained earnings.

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.

The other reserves are non-distributable capital reserves which arose on the acquisition of the Octroi Group and the Gall Thomson Group.

Notes to the Group financial statements continued

22. Reconciliation of movements in equity continued

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.

23. Cash and short term equivalents

	£'000
At 1 January 2006	2,654
Cash flow	7,084
At 31 December 2006	9,738
Cash flow	37,231
At 31 December 2007	**46,969**

24. Contingent liabilities

	2007 £'000	2006 £'000
Financial guarantees	**1,574**	1,656
Performance bonds	**9**	9
Legal claims	**–**	578
Contracts for future expenditure	**31**	17
	1,614	2,260

The Group had guarantees amounting to £1,574,000. These guarantees principally relate to letters of credit provided by banks in respect of Workmens' compensation claims on which no losses are anticipated.

25. Financial commitments

The Group has entered into commercial leases on certain properties. There are no restrictions placed upon the lessee by entering into these leases.

The present value of future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings	
	2007 £'000	2006 £'000
Not later than one year	**3,577**	1,023
After one year but more than five years	**10,436**	3,894
Over five years	**9,360**	5,872

	Other	
	2007 £'000	2006 £'000
Not later than one year	**521**	142
After one year but more than five years	**667**	220
Over five years	**136**	45

26. Investments in subsidiaries

Details of the principal subsidiaries of the Group, all of which are wholly owned, are as follows:

	Country of incorporation	Nature of business
Gall Thomson Environmental Limited	UK	Oil services
KLAW Products Limited*	UK	Industrial couplings
Octroi Group Limited	UK	Investment company
Lupus Capital Management Limited	UK	Management services
Schlegel Acquisition Holdings Limited	UK	Holding company
Schlegel UK (2006) Limited*	UK	Building products
Schlegel Systems Inc	USA	Building products
Schlegel Australia Pty Limited*	Australia	Building products
Schlegel Gmbh*	Germany	Building products
Schlegel Belgium BVBA*	Belgium	Building products
Schlegel SRL*	Italy	Building products
Schlegel Taliana SL*	Spain	Building products
Jasper Acquisition Holdings Limited	UK	Holding company
Jasper Acquisition Limited*	UK	Holding company
Amesbury Acquisition Holdings (No 2) Inc*	USA	Holding company
Amesbury Industries Inc*	USA	Building products
Amesbury Finance Holdings LLC*	USA	Holding company
Lupus Investments Unlimited Company*	UK	Investment company
Amesbury Door Hardware Inc (SD)*	USA	Building products
Amesbury Group Inc*	USA	Holding company
Amesbury Group Plastic Profiles Inc*	USA	Building products
Bandlock Corporation Inc*	USA	Building products
Balance Systems Inc*	USA	Building products
Fastek Products Inc*	USA	Building products
LSSD UK Limited*	UK	Holding company
Balance UK Limited*	UK	Building products
ERA Products Limited*	UK	Building products
EWS (Manufacturing) Limited*	UK	Building products
Intron Limited*	UK	Building products
LSH (UK) Limited*	UK	Building products
Linear Limited*	UK	Building products
Lindman Group Limited*	UK	Building products
Securidor Holdings Limited*	UK	Building products
Ventrolla Limited*	UK	Building products

*held by a subsidiary

Notes to the Group financial statements continued

27. Related party transactions

Directors

During the financial year, no contracts of significance were entered into by the Group or any of it's subsidiaries in which the directors had a material interest.

Key management compensation

Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group is disclosed in note 7.

Inter-company transactions with subsidiary undertakings

There were no transactions of the Company during the year with subsidiary companies.

28. Effect of adoption of IFRS

The date of transition to IFRS was 1 January 2006.

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

Income statement

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

28. Effect of adoption of IFRS continued

Balance Sheet

	Previous GAAP £'000	Effect of re-transition to IFRSs £'000	IFRS (opening IFRS balance sheet) £'000	Previous GAAP £'000	Effect of transition to IFRSs £'000	**IFRS £'000**
	As at 1 January 2006 (date of re-transition to IFRS)			As at 31 December 2006 (end of last period presented under UK GAAP)		
ASSETS						
Non-current assets						
Intangible assets	9,940	1,481	11,421	72,832	7,942	**80,774**
Property, plant and equipment	443	–	443	13,123	(93)	**13,030**
Deferred tax asset	–	–	–	–	6,078	**6,078**
	10,383	1,481	11,864	85,955	13,927	**99,882**
Current assets						
Inventories	331	–	331	7,396	–	**7,396**
Trade and other receivables	2,965	–	2,965	15,210	–	**15,210**
Cash and short term deposits	2,654	–	2,654	9,738	–	**9,738**
Deferred tax	–	–	–	6,067	(6,067)	**–**
	5,950	–	5,950	38,411	(6,067)	**32,344**
TOTAL ASSETS	16,333	1,481	17,814	124,366	7,860	**132,226**
LIABILITIES						
Current liabilities						
Income tax payable	(718)	–	(718)	(1,453)	–	**(1,453)**
Trade and other payables	(1,196)	–	(1,196)	(13,690)	(1,277)	**(14,967)**
Finance lease obligations	(1)	–	(1)	(156)	–	**(156)**
Interest bearing loans and borrowings	–	–	–	(4,938)	–	**(4,938)**
	(1,915)	–	(1,915)	(20,237)	(1,277)	**(21,514)**
Non-current liabilities						
Finance lease obligations	(2)	–	(2)	(334)	–	**(334)**
Deferred tax	(19)	–	(19)	–	(7,828)	**(7,828)**
Interest bearing loans and borrowings	–	–	–	(27,296)	–	**(27,296)**
Employee benefit liability	–	–	–	(3,290)	–	**(3,290)**
Provisions	–	–	–	(1,868)	–	**(1,868)**
Other creditors	–	–	–	(1,365)	1,250	**(115)**
	(21)	–	(21)	(34,153)	(6,578)	**(40,731)**
TOTAL LIABILITIES	(1,936)	–	(1,936)	(54,390)	(7,855)	**(62,245)**
NET ASSETS	14,397	1,481	15,878	69,976	5	**69,981**
EQUITY						
Shareholders' equity						
Called up share capital	1,188	–	1,188	3,083	–	**3,083**
Share premium	–	–	–	45	–	**45**
Merger reserve	10,389	–	10,389	10,389	–	**10,389**
Cumulative translational differences	–	–	–	(1,653)	–	**(1,653)**
Retained earnings	2,820	1,481	4,301	58,112	5	**58,117**
TOTAL EQUITY	14,397	1,481	15,878	69,976	5	**69,981**

Notes to the Group financial statements continued

28. Effect of adoption of IFRS continued

	1 January 2006	31 December 2006
Total equity UK GAAP	**14,397**	**69,976**
Amortisation of goodwill under UK GAAP added back	1,481	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 of holiday pay	—	11
Other differences	—	16
Total adjustment to equity	**1,481**	**5**
Total equity IFRS	**15,878**	**69,981**

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 £8,400,000 in respect of brands and £19,800,000 in respect of customer relationships have been recognised separately from goodwill and £2,108,000 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 profit and loss account 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.

Cash flow statement
There was no impact on cash flow as regards the transition to IFRS.

Report of the independent auditors

to the members of Lupus Capital plc

We have audited the parent company financial statements of Lupus Capital plc for the year ended 31 December 2007 which comprise the principal accounting policies, the balance sheet and notes 1 to 13. The parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Lupus Capital plc for the year ended 31 December 2007.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, and the parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements we also report to you have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Corporate Governance Statement, Directors' Report, Directors' Remuneration Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007; and
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants

London
30 May 2008

Company balance sheet

As at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	4	**185,140**	74,100
		185,140	74,100
Current assets			
Trade and other debtors	6	**8,773**	1,601
Cash at bank and in hand		**14,572**	5,270
		23,345	6,871
Creditors: Amounts falling due within one year	7	**(4,620)**	(4,035)
NET CURRENT ASSETS		**18,725**	2,836
TOTAL ASSETS LESS CURRENT LIABILITIES		**203,865**	76,936
Creditors: Amounts falling due after more than one year	8	**(7,876)**	(7,876)
NET ASSETS		**195,989**	69,060
EQUITY			
Shareholders' funds			
Called up share capital	11	**6,861**	3,083
Share premium	11	**45**	45
Other reserves	11	**8,920**	8,920
Profit and loss account	11	**180,163**	57,012
EQUITY SHAREHOLDERS FUNDS		**195,989**	69,060

The financial statements were approved by the Board on 30 May 2008 and signed on its behalf by:

Greg Hutchings
Chairman

Denis Mulhall
Director

Notes to the Company financial statements

1. Accounting policies

Going concern basis
The financial statements have been prepared on a going concern basis.

Accounting convention
The financial statements have been prepared in accordance with applicable UK accounting standards (UK GAAP). In order to harmonise UK GAAP with International financial Reporting standards a number of new accounting standards have been introduced including FRS 20, FRS 21, FRS 22, FRS 23, FRS 25 and FRS 29. The Company adopted all the required new accounting standards.

There was no material impact on the accounts of prior years arising from the adoption of the new standards.

All other accounting policies remain unchanged from those used in the last annual accounts.

Investments
Investments in subsidiaries are stated at cost less any permanent diminution of value.

Cash
Cash included cash at bank and in hand.

Financial instruments
Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade debtors are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts.

Trade creditors are stated at their nominal amount.

Bank borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received. All borrowing costs are expensed as incurred, on accruals basis, to the Company profit and loss account using the effective interest rate method.

Share-based payments
All share-based arrangements are recognised in the consolidated financial statements. The Group operates equity-settled share-based remuneration plans 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 profit and loss account with a corresponding credit to equity, net of deferred tax where applicable.

Notes to the Company financial statements continued

2. Profit attributable to the shareholders of the Company

The Company is an investment holding company. It receives dividend income from subsidiaries and bank interest. It pays loan interest to a subsidiary. Almost all administrative expenses are paid by the Company's subsidiary, Lupus Capital Management Limited, including the whole amount of relevant auditor's remuneration and operating lease costs.

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these accounts. The profit on ordinary activities attributable to shareholders of the Company dealt with in these accounts was £221,000 (2006: £71,000)

3. Employees

There were no employees of the Company during the year (2006: nil)

4. Fixed asset investments

	£'000
Cost	
At 1 January 2006	25,711
Additions	49,000
At 31 December 2006	74,711
Additions	111,040
At 31 December 2007	**185,751**
Impairment	
At 1 January 2006 and 31 December 2006	611
Charge for the year	–
At 31 December 2007	**611**
Net book value	
At 31 December 2007	**185,140**
At 31 December 2006	74,100

5. Investments in subsidiaries

Details of the principal subsidiaries of the Company, all of which are wholly owned, are as follows:

	Country of incorporation	Nature of business
Gall Thomson Environmental Limited	UK	Oil services
Octroi Group Limited	UK	Investment company
Lupus Capital Management Limited	UK	Management services
Schlegel Acquisition Holdings Limited	UK	Holding company
Jasper Acquisition Holdings Limited	UK	Holding company

6. Debtors

	2007 £'000	2006 £'000
Other debtors	**5**	–
Amount due from subsidiary undertaking	**8,768**	1,601
	8,773	1,601

7. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	**117**	–
Amounts owed to Group undertakings	**4,376**	3,991
Corporation tax	**127**	44
	4,620	4,035

8. Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Loan notes owed to Group undertakings	**7,876**	7,876

9. Borrowing

An overdraft facility of £100,000 is available to the Company. It falls due annually for renewal in October of each year.

10. Share capital

The share capital of the Company is as set out in note 21 of the Group accounts.

Notes to the Company financial statements continued

11. Reconciliation of movements in shareholder funds

	Share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	1,188	–	8,920	8,462	18,570
Shares issued net of costs	1,895	45	–	49,713	51,653
Profit for the year	–	–	–	71	71
Dividends paid	–	–	–	(1,234)	(1,234)
At 31 December 2006	3,083	45	8,920	57,012	69,060
Shares issued net of costs	3,778	–	–	127,758	131,536
Profit for the year	–	–	–	221	221
Dividends paid	–	–	–	(3,753)	(3,753)
Share buyback	–	–	–	(1,075)	(1,075)
At 31 December 2007	**6,861**	**45**	**8,920**	**180,163**	**195,989**

12. Financial commitments

At 31 December 2007 the Company had future annual lease commitments under non-cancellable operating leases as stated below. These commitments are met on the Company's behalf by Lupus Capital Management Limited.

	Land and buildings	
	2007 £'000	2006 £'000
Expiry date		
Within one year	32	35

Form of proxy

Lupus Capital plc

I/We ____________________

(BLOCK CAPITALS PLEASE)

of ____________________

being (a) member(s) of Lupus Capital plc appoint the chairman of the meeting or

(see note 1) of ____________________

as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the offices of Slaughter & May, One Bunhill Row, London, EC1Y 8YY on 2 July 2008 at 2.30 and at any adjournment thereof.

Please indicate with an X in the spaces provided how you wish your votes to be cast on the resolutions specified.

Resolution		For	Against	Abstain
1.	To receive and adopt the audited financial statements for the year ended 31 December 2007			
2.	To declare a final dividend of 3.51p per share			
3.	To re-appoint Mr Hoad as a director			
4.	To re-appoint Mr Tate as a director			
5.	To re-appoint Grant Thornton UK LLP as independent auditors to the Company			
6.	To authorise the directors to set the auditors' remuneration			
7.	To approve the Directors' Remuneration Report			
8.	To ratify and confirm the total sums of directors' remuneration during 1995-2007			
9.	To authorise the directors to allot securities, up to an aggregate nominal amount of £2,135,625.95			
10.	To authorise the directors to allot securities free from pre-emption rights, subject to certain specified limitations			
11.	To authorise the Company to purchase its own shares			
12.	To delete article 83, concerning directors' remuneration, and replace it by a new article 83			
13.	To delete article 89, concerning directors' conflicts of interests, and replace it by a new article 89			

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature ....Dated this.................... day of 2008

NOTES

1. If you so desire you may delete the words 'chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. The proxy form must be lodged at the Company's UK Registrars Agent, Capita Registrars (Proxies) PO Box 25. The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR; not less than 48 hours before the time fixed for the meeting. In default the proxy cannot be treated as valid.
3. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
4. If this proxy form is executed under a power of attorney or other authority, such power of attorney or other authority or a notarially certified copy thereof must be lodged with the Registrars with the proxy form. Alternatively, in the case of CREST members, voting may be effected by using the CREST electronic proxy appointment service. CREST members who wish to utilise the CREST service may do so by following the procedures described in the CREST manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appiontment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specified latest time for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time(as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
5. In the case of joint holders the vote of the senior shall be accepted to the exclusion of the other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.
6. Shareholders wishing to appoint a proxy using CREST should refer to the notes of the Notice of Annual General Meeting.

Second fold

BUSINESS REPLY SERVICE
Licence No. MB122

Capita Registrars (Proxies)
PO Box 25
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4BR

First fold

Third fold
and tuck in flap opposite

Notice of meeting

Notice is hereby given that the Annual General Meeting of Lupus Capital plc will be held at the offices of Slaughter & May, 1 Bunhill Row, London EC1Y 8YY, on 2 July 2008 at 2.30 pm, for the following purposes:

Ordinary resolutions

To consider and, if thought fit, approve the following ordinary resolutions:

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2007 together with the reports of the directors and auditors.
2. To declare a final dividend of 3.51 pence per ordinary share for the financial year ended 31 December 2007.
3. To reappoint Mr Hoad who retires by rotation and offers himself for re-election as a director.
4. To reappoint Mr Tate who retires by rotation and offers himself for re-election as a director.
5. To reappoint Grant Thornton UK LLP as independent auditors of the Company to hold office until the conclusion of the next annual general meeting.
6. To authorise the directors to set the remuneration of the independent auditors.
7. To approve the Directors' Remuneration Report for the financial year ended 31 December 2007.
8. To ratify and confirm the total sums paid to directors by way of remuneration for their services in each of the years 1995-2007.
9. THAT the directors be and are hereby generally and unconditionally authorised (in substitution for all existing authorities) to exercise all powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "Act')) up to an aggregate nominal amount of £2,135,625.95 which authority shall expire on 1 July 2013 (unless previously revoked or varied by the Company in general meeting) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special resolutions

To consider and, if thought fit, approve the following special resolutions:

10. THAT the directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act, as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

    (A) the allotment of equity securities in connection with a rights issue, open offer or any other preemptive offer in favour of ordinary shareholders (excluding any shareholder holding shares as treasury shares) and in favour of holders (excluding any holder holding shares as treasury shares) of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of such persons on a fixed record date are proportionate (as nearly may be) to the respective numbers of equity securities held by them, or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever): and
    (B) the allotment (otherwise than pursuant to 11(A) above) of equity securities up to an aggregate nominal value of £343,218.70.

    and shall expire on the close of the Annual General Meeting of the Company in 2009 save that the Company may make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred thereby had not expired.

11. THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 5 pence nominal value of the Company provided that:

    (A) the maximum number of ordinary shares of 5 pence nominal value hereby authorised to be purchased is 19,463,135, subject to a maximum of 14.99% of the Company's voting ordinary shares in issue at the date of this Meeting;
    (B) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 5 pence;
    (C) the maximum price, exclusive of any expenses, which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
    (D) any ordinary shares purchased pursuant to this authority shall be cancelled, or, if the Directors so determine, held as treasury shares;
    (E) the authority hereby confirmed shall expire on the close of the Annual General Meeting in 2009; and
    (F) the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

Notice of meeting continued

12. THAT the existing article 83 be deleted and replaced by the following new article 83:

(A) The Board or any committee authorised by the Board may from time to time appoint one or more directors to hold any employment or executive office with the Company for such period and upon such other terms as the Board or any committee authorised by the Board may in its discretion decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the director may have against the Company or the Company may have against the director for any breach of any contract of service between him and the Company which may be involved in the revocation or termination. A director so appointed shall receive such remuneration, whether by way of salary, commission, participation in profits or otherwise, as the Board or any committee of the Board may decide, and either in addition to or in lieu of his fee as a director.
(B) Each of the directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all fees so paid to directors shall not exceed £500,000 per year or such higher amount as may from time to time be decided by ordinary resolution of the Company.
(C) Any director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a director may be paid such extra remuneration (by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may in its discretion decide in addition to any remuneration provided by or pursuant to any other article.
(D) Each director may be paid his reasonable travelling, hotel or incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings of the Company or any other meeting which as a director he is entitled to attend and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a director. The Company may also fund a director's expenditure and that of a director of any holding company of the Company for the purposes permitted under the Companies Acts and may do anything to enable a director or a director of any holding company of the Company to avoid incurring such expenditure as provided in the Companies Acts.

13. THAT the existing article 89 be deleted and replaced by the following new article 89:

"Conflicts of interest requiring authorisation by directors
(A) The directors may, subject to the quorum and voting requirements set out in this article, authorise any matter which would otherwise involve a director breaching his duty under the legislation to avoid conflicts of interest ("Conflict").

(B) A director seeking authorisation in respect of a Conflict must tell the directors of the nature and extent of his interest in a Conflict as soon as possible. The director must give the directors sufficient details of the relevant matter to enable them to decide how to address the Conflict together with any additional information which they may request.

(C) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the directors shall be effected in the same way that any other matter may be proposed to and resolved upon by the directors under the provisions of these articles except that:
(i) the relevant director and any other director with a similar interest will not count in the quorum and will not vote on a resolution giving such authority; and
(ii) the relevant director and any other director with a similar interest may, if the other directors so decide, be excluded from any meeting of the directors while the Conflict is under consideration.

(D) Where the directors give authority in relation to a Conflict:
- (i) they may (whether at the time of giving the authority or subsequently) (a) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at directors' meetings or otherwise) related to the Conflict; and (b) impose upon the relevant director such other terms for the purpose of dealing with the Conflict as they think fit;
- (ii) the relevant director will be obliged to conduct himself in accordance with any terms imposed by the directors in relation to the Conflict;
- (iii) the directors may also provide that where the relevant director obtains (otherwise than through his position as a director of the company) information that is confidential to a third party, the director will not be obliged to disclose that information to the company, or to use or apply the information in relation to the company's affairs, where to do so would amount to a breach of that confidence;
- (iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
- (v) the directors may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.

Other conflicts of interest

(E) If a director knows that he is in any way directly or indirectly interested in a proposed contract with the company or a contract that has been entered into by the company, he must tell the other directors of the nature and extent of that interest in accordance with the legislation.

(F) If he has disclosed the nature and extent of his interest in accordance with paragraph (E), a director can do any one or more of the following:
- (i) have any kind of interest in a contract with or involving the company or another company in which the company has an interest;
- (ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the directors may decide;
- (iii) alone, or through a firm with which he is associated do paid professional work for the Company or another company in which the Company has an interest (other than as auditor);
- (iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the Company has an interest; and
- (v) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

Benefits

(G) A director does not have to hand over to the Company any benefit he receives or profit he makes as a result of anything authorised under paragraph (A) or allowed under paragraph (F) nor is any type of contract authorised under paragraph (A) or allowed under paragraph (F) liable to be avoided.

Quorum and voting requirements

(H) A director cannot vote or be counted in the quorum on a resolution of the directors relating to appointing that director to a position with the company or a company in which the company has an interest or the terms or the termination of the appointment.

(I) This paragraph applies if the directors are considering proposals about appointing two or more directors to positions with the Company or any company in which the company has an interest. It also applies if the directors are considering setting or changing the terms of their appointment. These proposals can be split up to deal with each director separately. If this is done, each director can vote and be included in the quorum for each resolution, except any resolution concerning him or concerning the appointment of another director to a position with a company in which the company is interested where the director has a Relevant Interest in it.

(J) A director cannot vote or be counted in the quorum on a resolution of the directors about a contract in which he has an interest and, if he does vote, his vote will not be counted, but this prohibition will not apply to any resolution where that interest cannot reasonably be regarded as likely to give rise to a conflict of interest or where that interest is included in the following list:-
- (i) a resolution about giving him any guarantee, indemnity or security for money which he or any other person has lent or obligations he or any other person has undertaken at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (ii) a resolution about giving any guarantee, indemnity or security to another person for a debt or obligation which is owed by the Company or any of its subsidiary undertakings to that other person if the director has taken responsibility for some or all of that debt or obligation. The director can take this responsibility by giving a guarantee, indemnity or security;
- (iii) a resolution about giving him any other indemnity where all other directors are also being offered indemnities on substantially the same terms;
- (iv) a resolution about the Company funding his expenditure on defending proceedings or the Company doing something to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;
- (v) a resolution relating to an offer by the Company or any of its subsidiary undertakings of any shares or debentures or other securities for subscription or purchase if the director takes part because he is a holder of shares, debentures or other securities or if he takes part in the underwriting or sub-underwriting of the offer;
- (vi) a resolution about a contract in which he has an interest because of his interest in shares or debentures or other securities of the Company or because of any other interest in or through the Company;
- (vii) a resolution about a contract involving any other company if the director has an interest of any kind in that company (including an interest by holding any position in that company or by being a shareholder in that company). This does not apply if he knows that he has a Relevant Interest in that company;
- (viii) a resolution about a contract relating to a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which gives the director benefits which are also generally given to the employees to whom the fund or scheme relates;
- (ix) a resolution about a contract relating to an arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which only gives him benefits which are also generally given to the employees to whom the arrangement relates; and
- (x) a resolution about a contract relating to any insurance which the company can buy or renew for the benefit of directors or of a group of people which includes directors.

Notice of meeting continued

(K) A director will be treated as having a Relevant Interest in a company if he holds an interest in shares representing one per cent. or more of a class of equity share capital (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights of that company. In relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise. Interests which are unknown to the director and which it is unreasonable to expect him to know about are ignored.

(L) Where a company in which a director has a Relevant Interest is interested in a contract, the director will also be treated as being interested in that contract.

(M) Subject to these articles, the directors can exercise or arrange for the exercise of the voting rights attached to any shares in another company held by the Company and the voting rights which they have as directors of that company in any way that they decide. This includes voting in favour of a resolution appointing any of them as directors or officers of that company and deciding their remuneration. Subject to these articles, they can also vote and be counted in the quorum as directors of the Company in connection with any of these things.

(N) If a question comes up at a meeting of the directors about whether a director (other than the chairman of the meeting) has an interest in a contract and whether it is likely to give rise to a conflict of interest or whether he can vote or be counted in the quorum and the director does not agree to abstain from voting on the issue or not to be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman of the meeting's ruling about any other director is final and conclusive unless the nature or extent of the director's interest (so far as it is known to him) has not been fairly disclosed to the directors. If the question comes up about the chairman of the meeting, the question shall be decided by a resolution of the directors. The chairman of the meeting cannot vote on the question but can be counted in the quorum. The directors' resolution about the chairman of the meeting is conclusive, unless the nature or extent of the chairman's interest (so far as it is known to him) has not been fairly disclosed to the directors.

General

(O) References in this article to
- (i) a contract include references to an existing or proposed contract and to an existing or proposed transaction or arrangement whether or not it is a contract; and
- (ii) a conflict of interest include a conflict of interest and duty and a conflict of duties.

(P) The company can by ordinary resolution suspend or relax the provisions of this article to any extent or ratify any contract which has not been properly authorised in accordance with this article".

By order of the Board

Cavendish Administration Limited
Company Secretary

30 May 2008

Registered Office:
Crusader House
145-157 St John Street
London, EC1V 4RU

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than 48 hours before the time fixed for the meeting. CREST members may utilise the CREST proxy appointment service by following the directions set out in the Form of Proxy.
3. Completion and return of a proxy form does not preclude a member from attending and voting at the meeting.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 2.30 pm on 30 June 2008 being 48 hours prior to the time fixed for the meeting or, if the meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.
5. The register of directors' interests in the share capital of the Company is available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

ckd

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by ckd
www.ckdcorp.co.uk

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