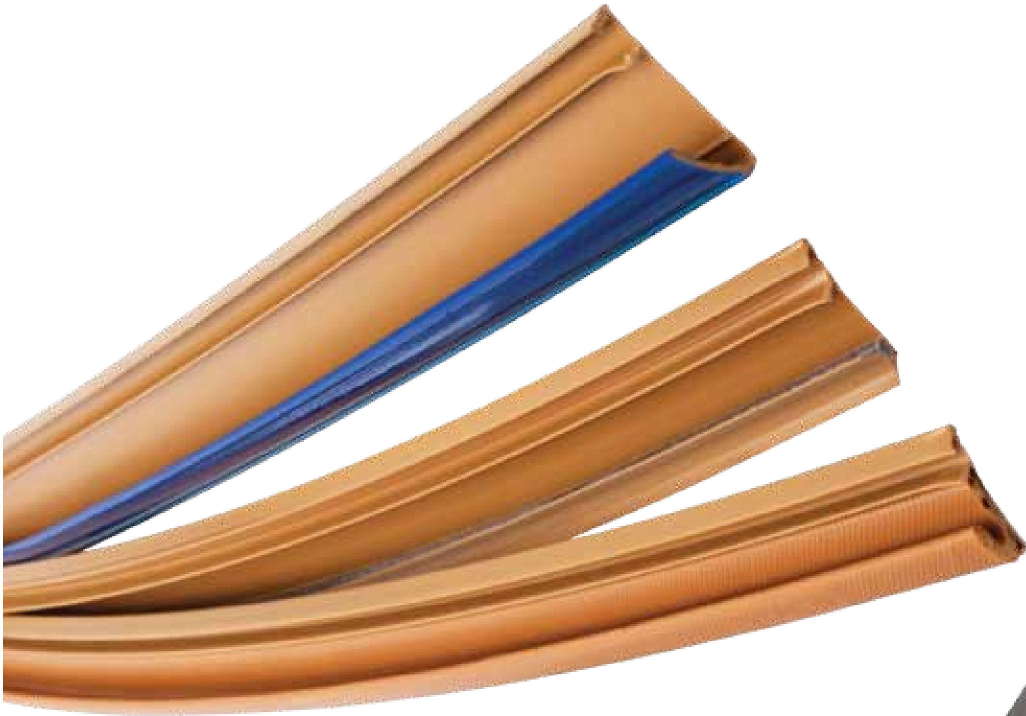
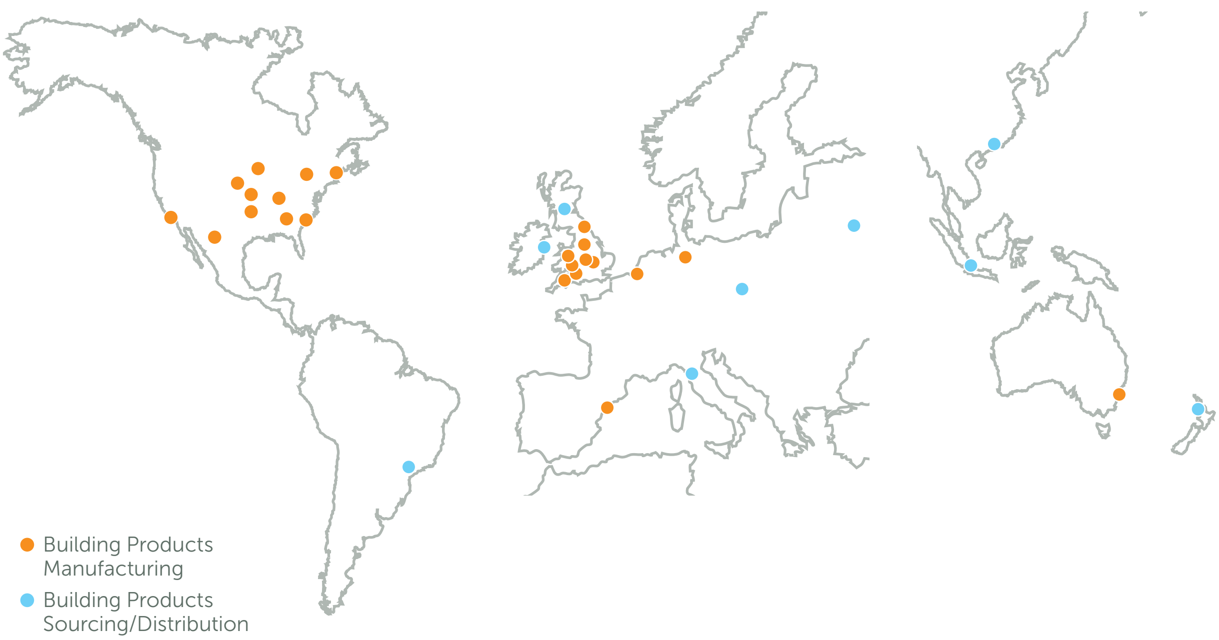
LUPUS CAPITAL



Annual report & accounts 2011

Lupus Capital plc is a leading international supplier of building products to the door and window industry.

Americas **UK & Continental Europe** **Asia & Australasia**



Highlights

- Disposal of Gall Thomson leads to the creation of a focused Building Products Group
- The disposal reduces leverage at 31 December 2011 from 2.24x to 0.7x net debt: EBITDA[1]
- Underlying earnings per share from continuing operations increased by 3 per cent to 9.04 pence (2010: 8.78 pence)
- Dividend increased by 75 per cent to 3.5 pence per share (2010: 2.0 pence)
- Refinancing to March 2016 gives the Group financial flexibility and improved interest profile
- Overland Products acquisition in the US

Sales[2]
£230.4m
2010: £252.5m
(-9%)

Underlying operating profit[2]
22.4m
2010: £26.1m (-14%)

Underlying EPS[2]
9.04p
2010: 8.78p
(+3%)

Dividend per share
3.50p
2010: 2.00p
(+75%)

Leverage[1]
0.7x
2010: 2.4x

Underlying net debt[1]
£23.0m
2010: £94.7m

1 These figures are pro forma figures following the disposal of Gall Thomson.
2 All continuing operations.

Our business at a glance

US Building Products

Amesbury
Our US Building Products division operates as Amesbury. With manufacturing and distribution capability throughout the USA, Amesbury offers the complete range of door and window sealing solutions and hardware.

Amesbury is America's leading manufacturer of door and window seals with brands such as Foam-Tite® and Schlegel's Q-LON® and high-quality textile offerings.

In addition, Amesbury manufactures custom thermoplastic extrusions and multi-durometer profiles.

Amesbury also manufactures block and tackle and constant force window balances for single- and double-hung windows, and is a leading door hardware distributor.

Through its subsidiary Overland, Amesbury supplies an extensive range of stampings for a range of applications, mainly in the fenestration market.

UK Building Products

grouphomesafe
Our UK Building Products division operates as grouphomesafe. grouphomesafe is a leader in the design, development, manufacture and distribution of innovative solutions to improve performance and enhance protection and security for the residential building and home improvement markets.

grouphomesafe provides a wide range of products and solutions including window and door hardware, sash window renovation, composite doors and weather-stripping seals.

International Building Products

Schlegel International
Our International Building Products division operates as Schlegel International in a number of countries worldwide, with manufacturing sites in Germany, Spain, Belgium and Australia, and numerous distribution and sourcing operations. This gives us a unique insight into local markets and offers the potential to sell our extensive product range internationally.

Our core brand internationally is Schlegel, whose seals are sold in more than 75 countries around the world. Also manufactured are related products such as cleaning brushes, static control devices for copiers and printers, speciality automotive products such as sunroof seals and truck spray suppressants, tractor seat trim and sway bar bushes.

Sales
£105.4m
2010: £117.0m[1] (-10%)

Underlying operating profit
£11.3m
2010: £14.0m[1] (-19%)

Sales
£89.0m
2010: £97.9m[1] (-9%)

Underlying operating profit
£7.7m
2010: £8.2m[1] (-6%)

Sales
£36.0m
2010: £37.6m[1] (-4%)

Underlying operating profit
£3.4m
2010: £3.9m[1] (-13%)

1 Comparative figures for 2010 have been revised to reflect the elimination of intragroup trading more accurately and to re-apportion head office overheads previously included in the results of the discontinued Oil Services division.

Chairman's statement
Jamie Pike

The trading environment in the US and UK Building Products markets during 2011 proved to be as challenging as expected. However the continued focus of the Group on self help measures enabled further progress to be made as the Group moves towards recovery in its end markets.

Overview
The disposal of Gall Thomson upon favourable terms marks the completion of the refocusing of Lupus as a supplier of components to the door and window industry worldwide. The Group now has significant financial flexibility to achieve its strategic goals and to accelerate the development of the Building Products division.

We believe that the Building Products division will continue to outperform its key markets in 2012 and beyond due to the Group's relative financial strength following the disposal of Gall Thomson. Market conditions, however, remain challenging across all our markets.

In North America we are pleased with the new facility in Atlanta, Georgia as it comes on stream and the integration of Overland Products into the Group.

Results from continuing operations
Total sales of Building Products in the year of £230.4 million decreased by 8.8 per cent from the prior year (2010: £252.5 million). In constant currency terms, total sales decreased in the year by 7.6 per cent.

Despite our success in passing on pound for pound input cost increases, the lower volumes sold by the Building Products division in 2011 impacted both gross and operating margins. The Group's gross profit margin decreased to 31.5 per cent from 32.9 per cent in 2010. Underlying operating profit decreased by 14.1 per cent to £22.4 million (2010: £26.1 million). Underlying earnings per share from continuing operations increased by 3 per cent to 9.04 pence (2010: 8.78 pence).

During the year the Group refinanced its banking facilities into a new £110 million multicurrency term loan and a £30 million multicurrency working capital facility. This successful early refinancing of facilities gives Lupus a sound financial platform until March 2016 and provides the Group with more favourable terms, reduced costs and significantly enhanced flexibility. As at 31 December 2011, the Group's underlying net debt was £91.2 million (2010: £94.7 million).

Board
There were no changes to the Board during the year. In accordance with best practice, the Board has agreed that each Director will voluntarily offer themselves for re-election at each Annual General Meeting that they are not required to retire from office. Accordingly, James Brotherton, Jamie Pike, Louis Eperjesi, Les Tench and Martin Towers will voluntarily offer themselves for re-election at the 2012 Annual General Meeting.

Dividends
The Group's enhanced financial position following the disposal of Gall Thomson enables the Board to recommend a final dividend of 3.5 pence per share (2010: 2.0p per share), an increase of 75 per cent and covered 2.6 times by underlying earnings per share from continuing operations. The final dividend will absorb approximately £4.5 million of cash resources and is expected to be paid following the Annual General Meeting scheduled for 25 May 2012.

The increased dividend is a sign of our confidence in the Group's improved financial position and prospects. Going forward, the Board intends to continue a progressive dividend policy taking into account the Group's leverage, earnings growth potential and future expansion plans.

The Board has reviewed the Group's dividend policy in the light of the Group's altered profitability and cash flow characteristics. Going forward, the Board intends to target dividend cover of between 2.0–2.5x underlying EPS through the cycle.

The Group intends to resume interim dividend payments during 2012.

Outlook

We believe that the Group will continue to outperform its key markets in 2012 and beyond due in part to the Group's relative financial strength following the disposal of Gall Thomson.

During the course of 2012 the Group intends to change its name and branding to reflect the focus of Lupus as a supplier of components to the door and window industry worldwide. A resolution to permit the Board to make this change will be proposed at the AGM and we will keep shareholders informed of progress in this regard.

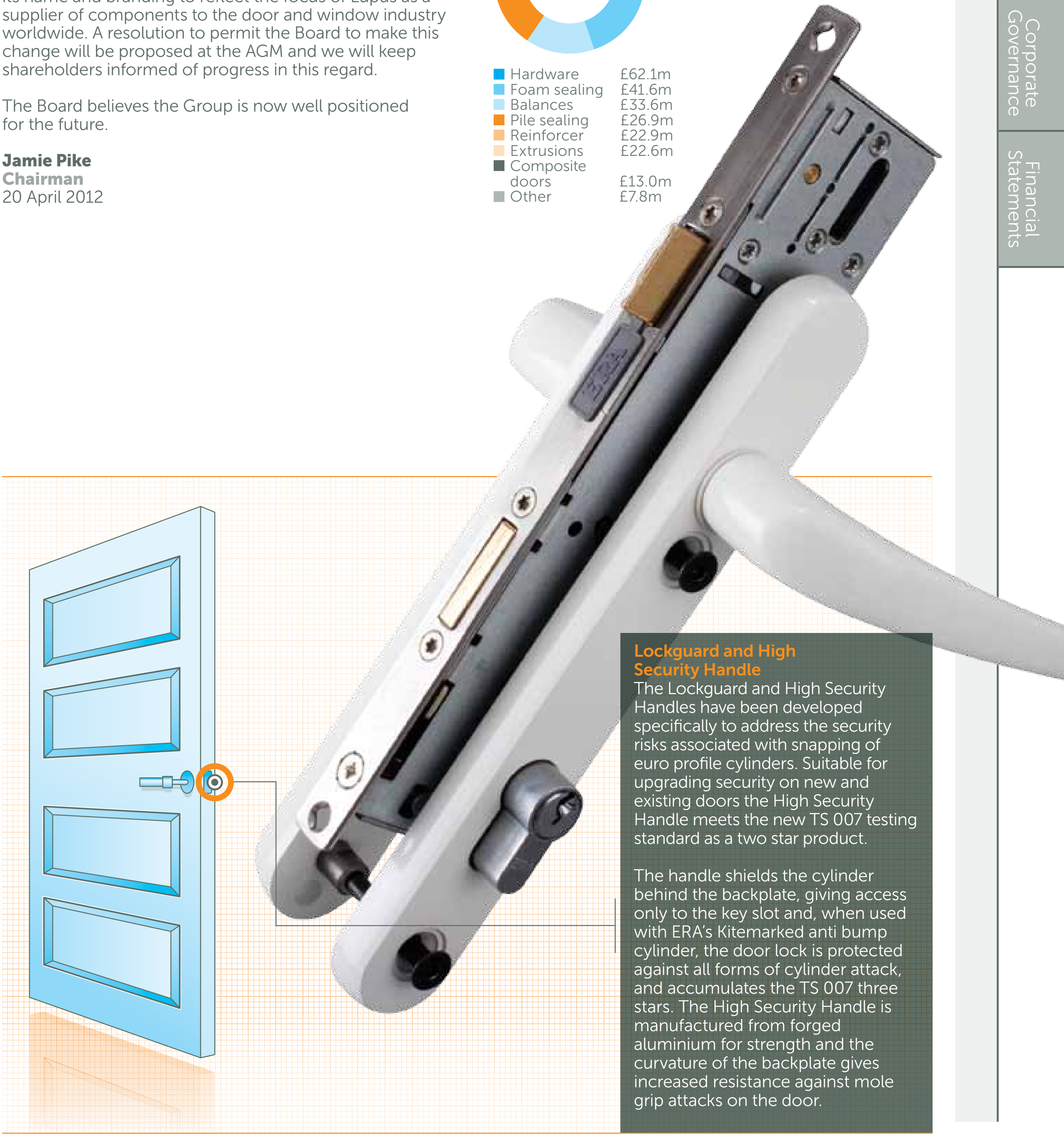
The Board believes the Group is now well positioned for the future.

Jamie Pike
Chairman
20 April 2012

Sales by product

Total Building Products

Hardware	£62.1m
Foam sealing	£41.6m
Balances	£33.6m
Pile sealing	£26.9m
Reinforcer	£22.9m
Extrusions	£22.6m
Composite doors	£13.0m
Other	£7.8m



Lockguard and High Security Handle

The Lockguard and High Security Handles have been developed specifically to address the security risks associated with snapping of euro profile cylinders. Suitable for upgrading security on new and existing doors the High Security Handle meets the new TS 007 testing standard as a two star product.

The handle shields the cylinder behind the backplate, giving access only to the key slot and, when used with ERA's Kitemarked anti bump cylinder, the door lock is protected against all forms of cylinder attack, and accumulates the TS 007 three stars. The High Security Handle is manufactured from forged aluminium for strength and the curvature of the backplate gives increased resistance against mole grip attacks on the door.

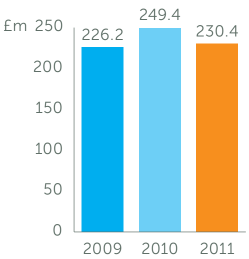
Chief Executive Officer's review

Louis Eperjesi

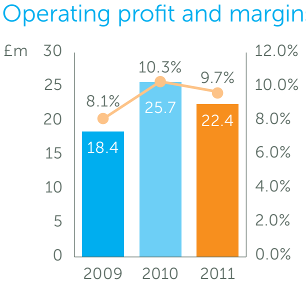
While Building Products sales have decreased in 2011 compared to prior year, they have stayed relatively flat (+2%) compared to 2009. However operating profit in 2011 is up 22% on the level achieved in 2009.

Building Products[1]

Sales



Operating profit and margins



The Building Products division comprises the Group's door and window hardware and seals operations. The division's businesses are market leaders and operate across the Americas, the UK, Europe and Australasia. In 2011, trading in our Building Products businesses declined as markets continued to be difficult.

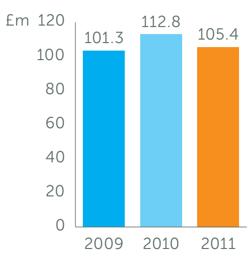
While Building Products sales have decreased in 2011 compared to the prior year, they have stayed relatively flat (+2%) compared to 2009. However operating profit in 2011 is up 22% on the level achieved in 2009 as operating profit margins have been maintained closer to the level achieved in 2010, which is significantly above the margin achieved in 2009.

During the year, we completed an organisational restructuring of our Building Products division outside of North America with separate MD divisional roles created for the UK and Ireland business and the International business. External hires have been appointed to these key management roles and this reorganisation and strengthening of our divisional management team will enable us to provide increased focus to each region and facilitate expansion into new products and geographies.

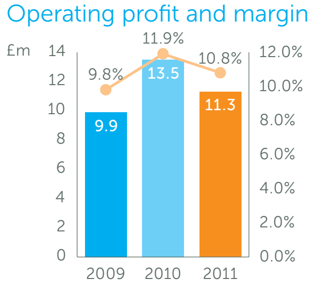
During 2011 we remained focused on maintaining tight controls over costs in all our businesses. Headcount at 31 December 2011 in the Building Products division of 1,880 was lower than the prior year (2010: 1,956) as we flexed labour where necessary and permitted limited selective hiring of permanent personnel only where merited by business activity levels. Raw material prices of steel and oil derivative products increased during the first half of the financial year but ameliorated during the second half. We continued to adopt a structured and disciplined approach to increases to our cost base, ensuring that we multisource product wherever possible and remain diligent in passing permanent cost increases on to customers.

US Building Products[1]

Sales



Operating profit and margins



Amesbury, our North American Building Products business, had an encouraging start to the financial year, however saw demand soften across the remainder of 2011 as US window shipments fell year on year. Quoting levels across Amesbury increased in the fourth quarter as customers continue to look at consolidating their supply base and consider new product development opportunities.

1 At constant exchange rates. Comparative figures for 2009 and 2010 have been revised to reflect the elimination of intragroup trading more accurately and to re-apportion head office overheads previously included in the results of the discontinued Oil Services division.

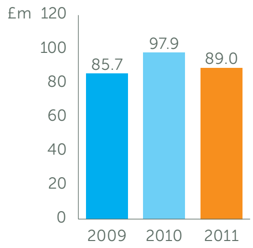
We remain positive about the long-term prospects for Amesbury and in 2011 continued to invest in the North American business. Towards the year end we started the fit out of our new extrusion plant in Atlanta which came on stream in February 2012 and, in December 2011, we announced the US$15 million acquisition of Overland which adds a number of complementary stamping products to the Amesbury offering.

We have started a significant programme of investment in IT systems in Amesbury that will move all our North American businesses onto a common platform, streamlining reporting and improving our customer and supplier interface. Over the next three years we expect to invest approximately US$5 million in this programme.

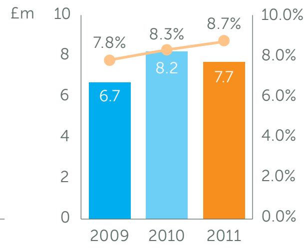
New products launched into the American market in 2011 included our initial casement winder offering, microbial pile, intumescent seals, as well as numerous bespoke products developed for individual customers.

UK Building Products[1]

Sales



Operating profit and margins



1 Comparative figures for 2009 and 2010 have been revised to reflect the elimination of intragroup trading more accurately and to re-apportion head office overheads previously included in the results of the discontinued Oil Services division.

Novaseal
The top two seals in the picture above are Novaseals, which are timber window weatherseals. These seals are designed to be cost effective, high performance weatherseals that are simple and fast to insert. Combining the benefits and performance of urethane foam with the design functionality of extrusions, along with a supple TPE lip for ease of insertion, the result is a seal with excellent memory and very low compression force.

Moaf seal
The bottom seal in the picture above is a Moaf window seal. Moaf seals combine improved compression compared to EPDM, excellent durability, maximum flexibility and do not require a labour intensive fitting process. Combining a variety of QLON profiles with a number of extruded bases we have a wide range of options to suit all rebate sizes and seal gaps. These seals are now fitted in over 30 million windows worldwide.

Chief Executive Officer's review
continued

In the UK and Ireland, grouphomesafe's smaller portfolio businesses – Balance, Ventrolla and Linear – each exhibited very strong growth and continued to take market share, with our differentiated product offering partially offsetting weaker demand from larger customers such as window fabricators and social housing contractors.

The distribution sector held up well during the year as consumers continued to undertake small scale repair projects, however, the OEM sector saw marked declines as homeowners appeared reluctant to commit to larger scale refurbishment projects. The social housing sector continued to contract as Housing Associations and Local Authorities reduced expenditure.

There were significant movements in input costs during the year with increases coming through in the first half which eased in the second half. We successfully continued our policy of passing on cost increases as they occurred in order to defend margins. Despite input cost volatility and continued losses incurred within our composite doors business, the underlying operating margin for grouphomesafe improved slightly in the year as we successfully flexed our cost base.

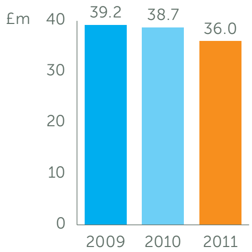
Our composite door business had another difficult year with further declines in its key social housing markets, and remained loss making across the year as a whole. The business had some initial success in the year in selling direct to the trade and retail composite door markets and will look to develop this route to market further in 2012 following the introduction of our online door configurator. In 2011, further actions were taken to reduce the cost base, streamline manufacturing processes and review the operational footprint.

During the period we continued the development of "grouphomesafe" as the umbrella brand for our UK Building Products business and maintained our focus on improving our customer service within the UK market, as we seek to differentiate ourselves from the competition by setting industry leading standards for delivery on time and in full.

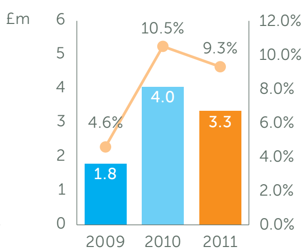
New products launched into the UK and Ireland market in 2011 included a door offering from Ventrolla, a range of suited hardware and a biometric lock offering from ERA and an intumescent seal from Schlegel.

International Building Products[1,2]

Sales



Operating profit and margins



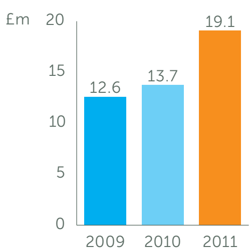
Our International Building Products division, which goes to market under the Schlegel brand, has seen sales decrease in 2011 compared with the corresponding period last year.

Northern and Eastern European markets remained strong and demonstrated growth year on year, however Southern European markets remained subdued. Our Brazilian business continued to gain market share and position. In Australasia, the year started slowly following the various natural disasters in the region but showed some signs of improvement towards the year end. Profitability in the division was affected by a combination of operational gearing and product mix.

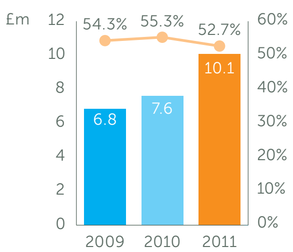
The new management structure we have put in place for the International division enables us to provide increased focus to the division and should facilitate expansion into new products, applications and geographies.

Discontinued operations – Oil and gas services[2]

Sales



Operating profit and margins



In 2011 our Oil and gas services division comprised the Gall Thomson and Klaw businesses. Gall Thomson Environmental is the world's leading supplier of marine breakaway couplings ("MBCs") and, through its KLAW subsidiary, is a supplier of industrial couplings including quick release and breakaway couplings.

1 At constant exchange rates.
2 Comparative figures for 2009 and 2010 have been revised to reflect the elimination of intragroup trading more accurately and to re-apportion head office overheads previously included in the results of the discontinued Oil Services division.

Outlook

2012 has started with sales and orders broadly in line with 2011, which is encouraging considering the relatively strong start we saw last year. However our view is that our end markets will remain relatively subdued across this year as a whole as market conditions remain challenging across all our geographies.

In 2012 the consensus view is for UK and Irish markets to show further decline compared with 2011, reflecting lower consumer spending on RMI and continued downward pressure on social housing budgets. In North America we expect markets to be broadly flat across the year and in Continental Europe we believe markets overall will be slightly down with Southern European markets remaining difficult. In Australasian markets we expect to see a return to growth this year and continued development in South American markets.

We continue to see opportunities for profitable investment that distinguish us from the competition across all of our businesses, as evidenced by the acquisition of Overland Products in December 2011, and will continue to deploy capital selectively where we believe it will enhance shareholder value.

Louis Eperjesi
Chief Executive Officer
20 April 2012

Challenger Plus Hinge

The Challenger Plus hinge builds on the principles of the tried and tested Challenger, which has become the industry standard door hinge. Incorporating increased adjustability and a reduction of components, the Challenger Plus provides superior fitting tolerances and reduced fabrication time. Additionally, the unique lift off feature allows for simple one person installation of door sets.

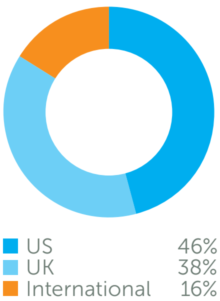
Suitable for PAS 24 specifications, the Challenger Plus is available in an extensive range of finishes.

Chief Financial Officer's review

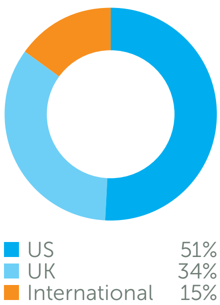
James Brotherton

Net finance costs decreased by 20.2 per cent to £9.7 million (2010: £12.1 million), reflecting a combination of lower levels of absolute debt and the beneficial impact of the 2011 refinancing on margins payable. Net cash interest paid of £6.7 million (2010: £9.3 million) was 27.9 per cent lower than that paid in 2010.

2011 Building Products
Sales by sector



2011 Building Products
Underlying operating profit by sector



Results from continuing operations
For the year ended 31 December 2011, compared with the prior year, the Group generated the following results from continuing operations:

Sales
Total sales of Building Products in the year of £230.4 million decreased by 8.8 per cent from the prior year (2010: £252.5 million). In constant currency terms, total sales decreased in the year by 7.6 per cent

Margins
Despite our success in passing on pound for pound input cost increases, the lower volumes sold by the Building Products division in 2011 impacted both gross and operating margins. The Group's gross profit margin decreased to 31.5 per cent from 32.9 per cent in 2010. The underlying operating margin for the Group decreased from 10.3 per cent in 2010 to 9.7 per cent in 2011.

Profits
Underlying earnings before interest, tax, depreciation and amortisation were £27.7 million (2010: £32.5 million).

Underlying operating profit decreased by 14.1 per cent to £22.4 million (2010: £26.1 million). On a constant currency basis this represents a decrease of 12.8 per cent over the prior year.

Underlying administrative expenses decreased by £6.8 million or 12.0 per cent to £50.1 million (2010: £56.9 million). Administration costs included lower freight, commission and management incentive costs associated with the subdued levels of activity.

Net finance costs decreased by 20.2 per cent to £9.7 million (2010: £12.1 million), reflecting a combination of lower levels of absolute debt and the beneficial impact of the 2011 refinancing on margins payable. Amortisation of borrowing costs increased from £2.3 million to £3.1 million reflecting the write off of £2.9 million of costs associated with the 2009 bank facility. Net cash interest paid of £6.7 million (2010: £9.3 million) was 27.9 per cent lower than that paid in 2010.

Underlying profit before taxation from continuing operations was £0.5 million lower at £16.3 million (2010: £16.8 million) with the improved interest position partially offsetting the decline in Underlying operating profit.

Earnings per share
Underlying earnings per share from continuing operations increased by 3 per cent to 9.04 pence (2010: 8.78 pence). Basic earnings per share from continuing operations increased from 1.15 pence in 2010 to 6.23 pence.

Exceptional costs
Exceptional costs of £0.8 million (2010: £0.4 million) were incurred during the period, principally in connection with the further restructuring of the UK composite doors business and the reorganisation of the Building Products division outside of North America.

Taxation
There was a net tax credit in the year amounting to £6.8 million in respect of continuing operations (2010: charge of £0.3 million). Exceptional tax credit adjustments in respect of prior periods of £5.0 million arose in 2011 from the clarification with the tax authorities of the tax treatment of provisions, principally those made at the time of the acquisitions in 2006 and 2007.

Excluding the effect of the change in tax rates on deferred tax and the adjustments in respect of prior periods, the Underlying tax rate on the Underlying profit before taxation of continuing operations was 28 per cent (2010: 32 per cent). The Underlying tax rate decreased during 2011 due mainly to the corporation tax rate reductions in the United Kingdom.

The Underlying cash tax rate in the year was 11 per cent (2010: 14 per cent) and is lower than the Underlying tax rate due to historic losses utilised and tax deductible goodwill. The Underlying cash tax rate is expected to trend towards the Underlying tax rate over the coming years.

Financial position
During the year the Group continued to focus on the tight management of working capital, operational cash generation and the reduction of net debt.

Working capital
We have continued our focus on tight management of working capital. Some investment in inventory was required during the year, in part a consequence of the high levels of trading that we saw at the end of 2010 which depressed year end inventory levels.

During the year a number of our customers ceased trading, however vigilant management of customer credit risks throughout the year, starting at the point of sale, meant that bad debts written off amounted to only 0.3 per cent of sales (2010: 0.1 per cent). During the year we were successful in extending credit terms over the purchase of certain products which in turn benefited our payables position with no adverse affect on our supplier base.

Constant Force Window Balance
The Constant Force window balance offers many technical and cost benefits to our customers. Because of its coil design, the typical constant force balance will cover the window height spectrum which only leaves the weight of the window to be matched with the coil weight.

Amesbury provides the widest coil weight range in the industry, ranging from 3.5 lbs. up to 40 lbs., which helps to keep the customer's stock keeping unit ("SKU") count very low, thereby minimising inventory costs and maximising stock turns for our customers. Amesbury's patented "Hammerhead" coil tail design further reduces the SKU count as the user is able to connect up to 4 of the same size coils in a row to achieve heavier weight ranges. By contrast the only solution our competitors can offer is to provide 4 different coils each with a different length, thereby increasing the customer's stock holding costs and complicating their assembly process.

Chief Financial Officer's review
continued

We continue to promote the financial strength of the Group to the credit insurers of our major suppliers in order to optimise the credit terms that we receive from our supplier base and to work closely with our customer base to ensure we understand their balance sheet position and creditworthiness.

Cash flow

For the Group as a whole, net cash inflow from operating activities of £30.7 million was approximately 15 per cent lower than the prior year (2010: £36.3 million) principally due to lower levels of operating profit combined with some incremental investment in working capital in the year.

Capital expenditure increased by 32 per cent to £4.4 million (2010: £3.3 million) which meant that operational cashflow fell to £28.2 million (2010: £35.3 million).

Operational cash flow from continuing operations was approximately £19.0 million (2010: £28.7 million) and Operating Cash Conversion from continuing operations was approximately 84.8 per cent (2010: 110.0 per cent). This is lower than our through the cycle target which remains at 100 per cent. Over the past three years the Group has averaged operating cash conversion from continuing operations of 115 per cent.

Net debt position

As at 31 December 2011, the Group's Underlying net debt was £91.2 million (2010: £94.7 million). This figure is stated after the payment of approximately US$15 million to acquire Overland, as announced on 23 December 2011. On a pro forma basis the Group's Underlying net debt following the disposal of Gall Thomson at 31 December 2011 would have been approximately £23 million.

Average Underlying net debt during the year was £91.8 million (2010: £113.9 million). Under the IFRS definition, which reduces debt by unamortised bank fees, net debt at the year end was £88.8 million (2010: £91.7 million).

Banking and covenants

During the year the Group refinanced its banking facilities into a new £110 million multicurrency term loan and a £30 million multicurrency working capital facility. This successful early refinancing of facilities gives Lupus a sound financial platform until March 2016 and provides the Group with more favourable terms, reduced costs and significantly enhanced flexibility.

Covenant measures	Leverage	Interest Cover	Debt Service
Performance requirement: Covenant	Less than 3.25x	More than 4.00x	More than 1.00x
Measure at 31 December 2011[1]	**2.24x**	**6.47x**	**4.45x**
Headroom at 31 December 2011[2]	31.1%	38.2%	77.5%

1 All covenant measures calculated as defined by the Group's 2011 facility agreement.
2 Headroom relates to EBITDA or cashflow available for relevant debt service.

The Group's key banking performance metric is leverage, calculated as the proportion of Underlying net debt to adjusted EBITDA. On a pro forma basis, following the disposal of Gall Thomson, the Group's leverage at the year end would have been approximately 0.7x, measured on the same basis as the banking covenants.

Following the disposal and related permanent debt repayments of approximately £30 million the Group's facilities reduce to a multicurrency term loan of approximately £80 million and a £30 million multicurrency working capital facility.

Defined benefit pension and post-retirement benefit schemes

The Group's principal defined benefit pension scheme and post-retirement healthcare benefit scheme is operated in the US. The pension scheme is closed to new entrants and post-retirement healthcare benefit contributions are capped.

At 31 December 2011, the defined benefit obligation for all Group pension and post-retirement healthcare benefit schemes was £21.8 million (2010: £18.9 million) and the schemes had plan assets of £12.1 million (2010: £11.6 million), resulting in an increased net deficit on the schemes of £9.7 million (2010: £7.2 million).

Cash contributions made to the schemes in the year were £1.2 million (2010: £0.8 million).

Property

During the year we have continued to examine our manufacturing footprint as we seek to develop centres of excellence that give us sufficient flexibility to manage current demand levels but allow us the potential to respond quickly to changes in the market environment if required.

In North America we completed the first stage of rationalisation of operations at Sioux Falls, South Dakota; combining our door and window hardware facilities onto a single site. We retain the freehold of the vacant site and are exploring options for divestiture. We signed a five year lease on our new Atlanta extrusion facility and took on an additional 20,000 sq. ft. at our leasehold facility in Juarez, Mexico as we continue to develop our near shoring strategy for the North American market.

In the UK we extended our lease at EWS Wolverhampton for a further five years to March 2020 and assigned the lease on Unit B, one of the two remaining surplus properties at Peterlee, County Durham.

During the year the Group utilised aggregate property provisions of £1.3 million and released further property provisions of £1.2 million principally in connection with the exit from Unit B at Peterlee.

Since the year end we have successfully assigned the lease on Unit A at Peterlee and have been released from all remaining obligations in connection with the Peterlee site.

This will result in a release to the income statement in 2012 of around £1.9 million of provisions, which will increase 2012 profit after tax by approximately £1.4 million.

The exit of the two Peterlee properties will save the Group in excess of £3.0 million in cash costs of rent, rates, utilities and services over the six years to March 2018.

Discontinued operations

The results of Gall Thomson are presented in aggregate as discontinued and are disclosed as a one line item on the face of the consolidated income statement. Transaction-related costs (including legal and accountancy costs and adviser fees) of approximately £2 million will be charged against the profit on sale of discontinued operations in the 2012 financial statements.

The disposal of Gall Thomson for £75 million was announced on 13 March 2012 and will lead to an accounting profit on disposal of approximately £53 million, which will be recognised in the 2012 financial statements.

2012 guidance

Following the disposal of Gall Thomson, the Group will have very different operating characteristics in 2012 and beyond.

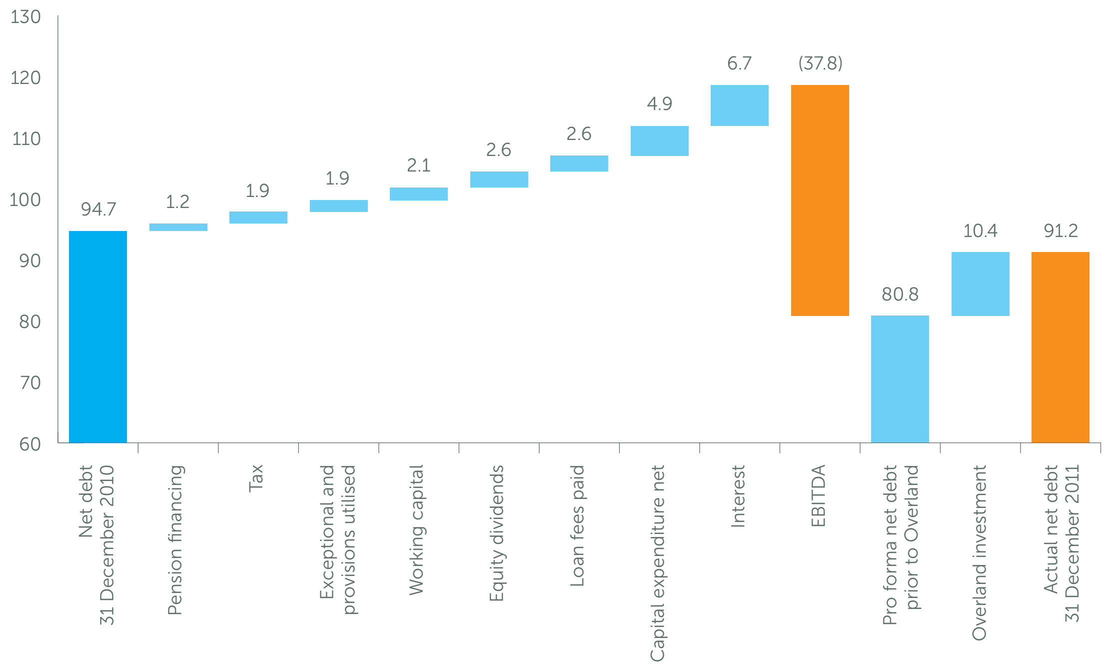
The increased operational gearing of the Group will lead to greater volatility in the income statement depending on whether volumes increase or decrease. The Group will continue to explore routes to make the cost base more flexible in line with changes in sales volumes.

As a predominantly northern hemisphere Building Products company, the Group would expect to turn cash positive in September each year and to generate substantially all of its surplus cash in the last six weeks of the financial year.

Capital expenditure in 2012 is expected to be between £5 million and £6 million, reflecting increased investment in new product development and the announced investment in Amesbury IT systems.

James Brotherton
Chief Financial Officer
20 April 2012

Group net debt movement



Principal risks and uncertainties

Risk

Market conditions

Description

The overall growth and demand for the Group's products is subject to the usual drivers of construction activity (ie general economic conditions, interest rates, business/consumer confidence levels, unemployment, population growth etc.). This demand can be unpredictable and the Group has a low visibility of future orders from its customers. During any economic downturn customers and competitors may apply pressure to prices and this pressure can lead to lasting changes in terms of pricing policies, delivery capabilities and market expectations.

Mitigation

Reductions in the Group's net debt and the negotiation of new banking facilities, committed until March 2016, have strengthened the Group's ability to withstand future downturns in its markets. The geographic spread of our business and our ability to flex our cost base helps to mitigate some of this risk. Management prepares regular forecasts and reviews that focus on remedial action plans required to deliver the desired performance during the balance of the year. Continuing to monitor and measure our commercial performance enables us to offer industry leading customer service which improves customer retention and wins new customers. Planned investment in ERP systems will enhance management visibility of operational performance and drive continuous improvement in customer service, product availability and product quality.

Risk

Competitors

Description

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 are provided by the Group. Competition in the industry is based upon: range and quality products offered, geographical reach, reputation and client relationships. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.

Mitigation

Some of our markets are relatively concentrated with two or three key players, while others are highly fragmented and offer significant opportunities for consolidation and penetration. Furthermore the Directors believe that, in view of its range of products, focus on setting industry leading standards for delivery on time and in full, geographical spread, strategic focus and reputation, the Group can compete effectively with its competitors. We aim to minimise the impact of aggressive pricing by competitors through a low cost manufacturing strategy supported by our programmes of continuous process improvements and building long-term relationships with our customers based on value, quality, service and added value technical support.

Risk

Loss of major customers

Description

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.

Mitigation

The Group aims to build long-term relationships with our customers based on value, quality, service and added value technical support. The Group has a well diversified customer base. The top ten customers account for less than 25% of total Group sales.

Risk

Raw material costs and supply chain failures

Description

The raw materials used in the Group's businesses include commodities that experience price volatility (such as oil derivatives, steel, aluminium and zinc) caused by changes in supply and demand, and commodity market fluctuations. 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 significantly limit the Group's sales and increase its costs.

Mitigation

The Group is developing a strategic sourcing and procurement capability which will enhance our knowledge of raw material price risks and our risk management approach. The Group aims to minimise these risks through strong long-term relationships with suppliers, economies of purchasing, multiple suppliers and inventory management. In addition the Group will seek to increase the price of its products or apply surcharges to its customers to recover unavoidable input cost increases.

Risk

Key executives and personnel

Description

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.

Mitigation

The Remuneration Committee maintains a remuneration policy that aims to attract, motivate and retain key personnel for the Group. This incorporates a significant element of performance related remuneration to align executive interests with those of shareholders. Key elements of this are the Lupus Capital Long Term Incentive Plan and the Deferred Share Bonus Plan. Remuneration packages are reviewed and externally benchmarked on a regular basis. The Group also maintains a strong culture of accountability, empowerment and personal development throughout its business units.

Risk

Financial risks

Description

The Group operates on a global basis and is therefore exposed to transactional and translational foreign exchange risk against Sterling. The Group is also exposed to interest rate risks, liquidity and credit risks.

Mitigation

The Group denominates some of its debt in foreign currency to match some of its exposure to the translational balance sheet risks associated with overseas subsidiaries. Ancillary bank facilities are available to manage some of the foreign exchange transactional risks and interest rate exposure through the use of derivative financial instruments. The Group maintains adequate cash balances and credit facilities based on forecasts of expected cash flow. Further information on these risks is given in note 21 to the Group's financial statements.

Corporate social responsibility report

The Board is committed to providing a clean, healthy and safe working environment and accepts collective responsibility for health and safety management.

The Company, being traded on AIM, is not required to comply with the provisions of the Corporate Governance Code. Nevertheless, the Directors acknowledge the importance of corporate social responsibility reporting and have chosen to make the following voluntary disclosures:

Lupus considers that minimising its impact on the environment, and ensuring that it has a positive interaction with its employees and the local communities it has a presence in, to be important factors in its success.

Health and safety

The Board is committed to providing a clean, healthy and safe working environment and accepts collective responsibility for health and safety management. The Board considers this to make good business sense and regards it as a duty owed to its stakeholders. The Chief Executive is the Board member responsible for the Group's Health and Safety performance and through the divisional management, the operational management of each individual operating unit is responsible for their own health and safety performance. Standards for health and safety vary widely across the countries where the Group operates. As a minimum, the standards adopted are those required by law but the policy is to seek to exceed these where there is a demonstrable benefit.

The profile of the importance of safe working practices has been increased throughout the Group, with details of accidents, potentially serious hazards and remedial or preventative measures taken being shared between all sites. A Health and Safety Report is made by the Chief Executive Officer to the Board at each of its meetings.

It is essential that all employees are made aware of the importance to the Group of health and safety issues and ensure that the working environment is as safe as practical. Local management are tasked with creating a Health and Safety management system which:

- identifies and assesses risks;
- takes actions to reduce risks;
- develops safe working practices; and
- emphasises training and development.

As part of this management system each location is internally audited, corrective actions are identified and a plan is put in place to address deficiencies raised.

Green initiatives at Amesbury

During 2011, Amesbury continued to affirm its position as an industry leader in carbon footprint reduction initiatives.

The statistics below reflect Amesbury's commitment to becoming a more environmentally conscious business.

Recycled and reused in production:

- 206,132 lbs. of recycled corrugated cardboard.
- 14,551 lbs. of recycled paper.
- 815,710 lbs. of repelletised plastics.
- 454,152 lbs. of die drool.

Recycled (not in landfills):

- 1,284,347 lbs. of polypropylene.
- 59,525 lbs. of polyethylene.
- 202,781 lbs. of steel.
- 3,704 lbs. of stainless steel.
- 3,704 lbs. of brass.

Through its recycling efforts, Amesbury has made significant strides in reducing energy consumption and harmful gas emissions. Through source reduction and reuse, Amesbury has reduced its greenhouse gas emissions by 998 metric tons, saved 1,676,000 kilowatts in energy, reduced its annual water consumption by 23,675 metric tons, and achieved landfill savings of 50.41 metric tons. This has the same effect on the environment as removing 328 cars from the road each year, reducing electricity and water consumption by the equivalent of 132 households' annual usage, and saving 7,435 shipping container spaces each year.

The Group requires that the causes of all accidents, dangerous incidents and near-miss situations are promptly and thoroughly investigated. A range of investigatory procedures are used to achieve this with the intended purpose of avoiding or reducing the risk of repetition.

Operations representing over 49 per cent of the value of total Group sales in 2011 have achieved accreditation for OHSAS 18001 (Health and Safety) or for OSHA SHARP (the Safety & Health Achievement Recognition Program run by the Occupational Safety & Health Administration of the United States Department of Labor ("OSHA SHARP")). Most of the other operations in the Group have programmes in place with the objective of achieving accreditation.

Ethics

The Group aims to act responsibly and with integrity, respecting the laws and regulations of all the countries within which it operates as well as internationally accepted standards of responsible business conduct. The Group requires high standards of professional and ethical conduct from all employees and Directors. Every business within the Group is expected to operate with policies and procedures which are consistent with the Group's values and standards. In all dealings, all employees and other persons acting on behalf of the Group are expected to:

- engage in honest and ethical conduct, including the avoidance and reporting of any conflicts of interest;
- maintain effective procedures to prevent confidential information being misused or used for personal gain;
- advance the legitimate interests of the Group, having regard to the Group's values and standards;
- comply with all applicable laws and regulations in every country in which the Group operates, focusing in particular on avoiding bribery, corruption and fraud;
- maintain a healthy and safe working environment for employees to work in;
- treat customers fairly, openly and honestly;
- be intolerant of discrimination or harassment of any kind;
- maintain high standards of integrity in business relationships with suppliers; and
- encourage the use of those suppliers who operate with values and standards equivalent to those of the Group.

Employees

Training and development

Employees are provided with training in order to give them the necessary skills to perform their duties and where appropriate to develop those skills and progress their career. The Group invests in a range of development activities including NVQs and apprenticeship schemes and supports other professional and technical training.

Customers and suppliers

The Group seeks to be honest and fair in its relationships with customers and suppliers, to provide customers with standards of product and service that have been agreed and to pay suppliers and sub-contractors on agreed terms. It is Group policy to maintain accreditation to the quality management standard ISO 9001 and encourage operating units to gain accreditation to any specific standards required by the markets served. Currently operating units with 87 per cent of the Group's turnover have ISO 9001 accreditation.

Community

The Board encourages and supports initiatives by operating units to engage with their local community. Operating units and their staff participate in a variety of local activities including projects with local schools and charity events. The Group policy on donations is to support local educational and charitable causes, and in particular those where employees and their families are involved in the fundraising.

The environment

The Board recognises its responsibilities as a manufacturing concern to continue to reduce the environmental impact of its factories. In addition the Group aims to develop and supply products to help customers meet their own environmental objectives and the demands of their customers and of government.

The most significant areas of environmental impact associated with the Group's operations are energy consumption, waste to landfill, the use of outer packaging and transport.

- Process development: the Group seeks through internal developments and investment to reduce the resource consumption of manufacturing sites. The reuse of waste is encouraged across the Group.
- Energy consumption: the Group continues to invest in energy efficiency measures such as lighting and improved heating and cooling systems.
- Waste to landfill: the Group acts to minimise the amount of waste sent to landfill by selling for recycling any waste that cannot be used internally.
- Outer packaging and transport: the Group minimises the use of outer packaging where appropriate and encourages the use of returnable outer packaging formats. The Group reduces the environmental impact of transport through vehicle efficiency measures such as improved load fill, reductions in empty running and route optimisation.

In developing new products, the Group aims to minimise the environmental impact and maximise energy efficiency and the potential for recycling, while continuing to meet the performance and customer requirements. The increasing dangers from climate change and rising fuel costs are making the specification of thermally efficient products imperative. The Group monitors developments in alternative materials and production processes which may reduce the environmental impact of its products.

The Group is committed to the introduction of environmental management systems such as ISO 14001. Currently five of the Group's manufacturing sites have achieved accreditation to the environmental management systems standard ISO 14001.

Board of Directors

L-R: Martin Towers, Jamie Pike (front), James Brotherton, Les Tench and Louis Eperjesi.

Jamie Pike
Non-executive Chairman
Jamie Pike (aged 56) was chief executive of Foseco plc, an international business serving the foundry and steel making industries, until its acquisition by Cookson Group plc in April 2008. He led the buy-out of Foseco from Burmah Castrol in 2001, which culminated in flotation on the main market in 2005. Mr Pike was educated at Oxford, holds an MBA from INSEAD and is a Member of the Institute of Mechanical Engineers.

His early career was as a consultant with Bain and Co and A T Kearney before joining Burmah Castrol in 1991. He rose to chief executive of Burmah Castrol Chemicals before leading the Foseco buy-out. He has previously been a non-executive director of two FTSE 250 companies, RMC Group plc and Kelda Group plc and was previously the chairman of the Defence Support Group. Mr Pike is also chairman of RPC Group plc and MBA Polymers Inc.

Louis Eperjesi
Chief Executive Officer
Louis Eperjesi (aged 50) was appointed to the Board in February 2010. Mr Eperjesi has an extensive and successful track record in the building materials and manufacturing sectors, most recently at Kingspan Group plc, the international Building Products business, where he was an executive director on the main board and divisional managing director of Kingspan Insulated Panels, the Group's largest division.

Prior to joining Kingspan, Mr Eperjesi held a range of senior management positions at subsidiaries of Baxi Group plc, Lafarge, Redland plc and Caradon plc.

James Brotherton
Chief Financial Officer
James Brotherton (aged 42) was appointed as Chief Financial Officer of Lupus in May 2010. Mr Brotherton joined Lupus as Head of Corporate Development in 2004. He was previously a director in the Investment Banking Division of Citigroup, having also worked for HSBC and Ernst and Young. He is a Chartered Accountant.

Les Tench
Non-executive Director
Les Tench (aged 66) has considerable experience in building products, having joined CRH plc in 1992 where from 1998 until his retirement in December 2002 he was managing director of CRH Europe – Building Products. He was also a non-executive director of the privately owned family business Shepherd Building Group Limited (Construction and Engineering, Manufacturing and Property Development) from 1994 until 2004 and was non-executive chairman of SIG plc from 2004 until January 2011.

Mr Tench is currently a non-executive director of Norcros plc.

Martin Towers
Non-executive Director
Martin Towers (aged 59) was chief executive of Spice plc until its sale to Cinven in December 2010. Previously, he was group finance director of Kelda Group plc from 2003 until February 2008.

Mr Towers is a fellow of the Institute of Chartered Accountants in England and Wales and began his career with Coopers & Lybrand (now PricewaterhouseCoopers) before moving to the retailer Ward White Group plc. He has served as group finance director of McCarthy & Stone plc, The Spring Ram Corporation plc and Allied Textile Companies plc. He was a non-executive director of Homestyle Group plc from 2004 to 2006.

Mr Towers is currently a non-executive director of KCOM Group plc, RPC Group plc and Norcros plc.

Directors' report

Review of the business

The review of the business is set out on pages 6 to 17.

Principal activities

The Company is a holding company. The Group is a leading international supplier of building products to the door and window industry.

Future developments

The statements by the Chairman, the Chief Executive Officer and the Chief Financial Officer set out on pages 6 to 13 contain 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 £15,483,000 (2010: £7,047,000).

The 2010 final dividend of 2.0 pence per ordinary share was paid in the financial year ended 31 December 2011 and amounted to £2,596,000 (2010: £nil). The Board is recommending a final dividend of 3.5 pence per ordinary share (2010: 2.0 pence) to be paid on 1 June 2012, subject to approval at the forthcoming Annual General Meeting of the Company, to shareholders on the register on 27 April 2012. The ex-dividend date will be 25 April 2012.

The Board

The names and biographical details of all the current Directors are set out on page 19. There were no changes to the Board and all the current Directors served 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 23 to 26.

Re-election of Directors

In accordance with best practice, the Board has agreed that each Director will voluntarily offer themselves for re-election at each Annual General Meeting that they are not required to retire from office. Accordingly, Mr Pike, Mr Eperjesi, Mr Brotherton, Mr Tench and Mr Towers will voluntarily offer themselves for re-election at the 2012 Annual General Meeting.

Acquisition

On 20 December 2012 the Group acquired Overland Products Company, Inc ("Overland") for consideration of approximately US$15 million. Overland supplies an extensive range of stampings for a wide range of applications, mainly in the fenestration market, and is a long-standing partner and supplier to the Group's US Building Products division, Amesbury. Overland is based in Fremont, Nebraska and in the year ended 31 December 2010 generated sales in excess of US$10 million.

Post-balance sheet events

Disposal

On 13 March 2012, Lupus Capital plc entered into an unconditional agreement to sell the Group's Oil Services division, Gall Thomson, to Copper Bidco Limited, a company controlled by Phoenix Equity Partners for a total cash consideration of approximately £75 million, subject to certain post-completion adjustments relating to the amounts of cash and net working capital held in the Gall Thomson Group at the date of disposal.

Onerous lease

On 2 March 2012, the Group concluded an agreement with a third party to assign the lease and exit Unit A, the remaining property on the Peterlee site. This will result in savings of £2.1 million in cash costs of rent, rates, utilities and services over the next six years to March 2018, and the release to the income statement in 2012 of around £1.9 million of provisions, which will increase profit after tax by £1.4 million.

Purchase of the Company's own shares

A resolution concerning the purchase of the Company's own shares was approved at the AGM on 27 May 2011 and 172,000 shares were purchased by the Company during the year ended 31 December 2011.

It is expected that the requirements of the Lupus Long Term Incentive Plan may be met by the purchase of shares in the market. Although these requirements are not imminent, the Directors believe that the Company should obtain an authority for this purpose. They therefore propose resolution 13 to obtain authority to make market purchases up to the date of the AGM in 2013. The authority will be limited to 14.99% of voting shares in issue (that is, excluding shares held in Treasury). Resolution 13 is proposed as a special resolution, in accordance with best practice.

Directors' remuneration

The Company, being traded 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 2006 and the UKLA Listing Rules. Nevertheless, the Company has chosen to present a report on Directors' remuneration on pages 27 to 33. The Directors have also determined, on a voluntary basis, that this report should be submitted to shareholders for their approval. This is resolution 10 in the Notice of Meeting.

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 Annual General Meeting held on 27 May 2011.

The Directors' authority to allot shares does not expire until 1 July 2016, whereas the disapplication of pre-emption rights is only effective until the conclusion of the Company's 2012 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 11, which will authorise the Directors to allot shares (subject to specified limits) until 1 July 2017, and resolution 12, 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 2013 AGM.

Substantial shareholders

In addition to the holdings of the Directors described in the Directors' Remuneration Report, 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 voting share capital (the issued share capital less shares held by the Company in Treasury):

	Ordinary shares	%
Standard Life Investments	19,202,333	14.79
Aviva Investors Global Solutions	16,153,926	12.44
F&C Asset Management (UK)	14,958,199	11.52
Mr G Hutchings	13,908,381	10.71
Polar Capital	8,952,108	6.89
SVG Capital	8,895,506	6.85

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 72 days (2010: 64 days).

Directors' report continued

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 21 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. A full description of the Group's policies with respect to health and safety and the environment are given in the Corporate Social Responsibility Report on pages 16 and 17.

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 attract, retain and motivate the highest quality of staff and to determine ways in which their knowledge and skills can best contribute towards the success of the business.

We are committed to ensuring that all our employees are treated equally, regardless of gender, colour, nationality, ethnic origin, race, disability, marital status, sexual orientation or religion. We are committed to regular communication and consultation with our employees and we encourage employee involvement in our performance. Each company in the Group endeavours to provide equality of opportunity in recruiting, training, promoting and developing the careers of disabled people.

Going concern
The Directors have reviewed the Group's budget and cash flow forecasts. On the basis of this review, and in the light of the current financial position and the existing borrowing facilities, the Board believes it is appropriate to continue to adopt the going concern basis in preparing the Annual report and accounts, as stated in the Directors' responsibilities statement on page 26.

By order of the Board

Kevin O'Connell
Company Secretary
20 April 2012
Company registration number: 2806007

Corporate governance

The Company, being traded on AIM, is not required to comply with the provisions of the Corporate Governance Code. Nevertheless, the Directors acknowledge the importance of the Principles set out in the Corporate Governance Code issued by the Financial Reporting Council, and have put in place a framework for corporate governance which they believe is appropriate for the Company. They have chosen to make the following voluntary disclosures:

The Board

Board composition

The Board comprises two Executive and three Non-executive Directors and the names and biographical details of all the current Directors are set out on page 19. All the current Directors served throughout the year ended 31 December 2011 and there were no changes to the Board.

Both Mr Eperjesi and Mr Brotherton are engaged exclusively on the Company's business and have no outside interests that conflict with their responsibilities to the Company. Except for their shareholdings, all Non-executive Directors are independent.

How the Board operates

The Board meets regularly and is responsible for the overall leadership, strategy, development and control of the Group in order to achieve its objectives for continued earnings growth and to enhance shareholder value. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, reviews management performance and ensures that high ethical standards of behaviour are followed. The Board also ensures that there is an effective system of controls to safeguard the Company's assets and to enable risks to be properly assessed and managed.

The Board has a formal schedule of matters specifically reserved for it and this includes key matters such as approval of the Group's objectives, strategic plans, annual budgets, financial reporting, risk assessment and internal controls, monitoring operating and financial performance, capital and legal structure, material capital investments, material contracts and transactions, communication with shareholders, Board membership and appointments, Directors' remuneration and contracts, corporate governance, Group policies, and delegation of responsibilities. Matters not specifically reserved for the Board are delegated to management.

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 Company Secretary, who 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 2011, the number of Board and Committee meetings held and attended by their members was as follows:

	Board		Remuneration Committee		Audit Committee		Nominations Committee	
Director	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
Jamie Pike	10	10	4	4	3	3	0	0
Louis Eperjesi	10	10	N/A	N/A	N/A	N/A	N/A	N/A
James Brotherton	10	10	N/A	N/A	N/A	N/A	N/A	N/A
Martin Towers	10	10	4	4	3	3	0	0
Les Tench	10	10	4	4	3	3	0	0

During 2011 the Board visited three of the Group's operating units, namely Schlegel in the US, EWS in the UK and Schlegel in Spain.

Corporate governance continued

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. In accordance with best practice, the Board has agreed that each Director will voluntarily offer themselves for re-election at each Annual General Meeting that they are not required to retire from office.

Remuneration
A report on Directors' remuneration is included on pages 27 to 33.

Board Committees
The Board has formed an Audit and Corporate Governance Committee, a Remuneration Committee and a Nominations Committee, each comprised of all the Non-executive Directors. The existence of the Committees ensures that time is allocated on a formal basis to consider relevant issues. Terms of reference for the Board and each of the Board Committees were reviewed and refreshed during the year and are available for inspection on the Group website.

Audit and Corporate Governance Committee
The Audit and Corporate Governance Committee is made up of the Non-executive Directors and meets at least three times a year. The Executive Directors also attend certain 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 was chaired by Mr Towers and met three times during 2011.

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, some 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 auditors. Professional firms other than the auditors also provide tax compliance work and tax advice.

The work of the Committee during the year included consideration of the following matters:
- The annual financial statements and the preliminary results announcement for the year ended 31 December 2010 before their submission to the Board for approval, including consideration of the Group on a going concern basis.
- The interim financial statements and interim results announcement for the six months ended 30 June 2011.
- Areas of significance in the preparation of the financial statements, including exceptional items, impairment reviews, tax provisions.
- Reports from the external auditors on the annual and interim financial statements, the approval of the audit plan and fee proposal for the 2011 year end audit.
- Developments in accounting standards and the Group's responses.
- The internal control environment and risk management systems and the Group's statement on internal control systems, prior to endorsement by the Board.
- Revisions to treasury policies and compliance with risk limits.
- Material legal developments.
- Whistleblowing systems in place within the Group and material whistleblowing reports.
- The effectiveness of the external auditors, completion of the audit tender process and the recommendation to the Board of the appointment of PricewaterhouseCoopers LLP as the external auditors.
- The policy on auditor independence and non-audit services, and consideration of the nature, scope and appropriateness of non-audit services supplied by the external auditors.
- Its terms of reference and effectiveness.

Audit tender
The Group's external audit has been carried out since 2004 by Grant Thornton UK LLP and, following a review of all external advisory appointments, the Audit Committee determined that it was an appropriate time in October 2011 to invite proposals for the external audit of the Group for the year ending 31 December 2012. Four audit firms, including Grant Thornton UK LLP were invited to participate in the audit tender process. At the conclusion of this process in December 2011 the Audit Committee made a recommendation to the Board to appoint PricewaterhouseCoopers LLP to be the Group's external auditors for the year ended 31 December 2012 and the Board approved this decision. Accordingly Grant Thornton UK LLP will resign as the Group's auditors before the 2012 AGM.

Remuneration Committee
The Remuneration Committee considers and approves the remuneration and benefits of the Directors. The Committee also determines the remuneration of the members of the Executive Management Committee of the Company and the Company Secretary 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 2011 is described in detail in the Directors' Remuneration Report on pages 27 to 33.

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 Pike, except that Mr Pike would not chair the Committee or attend it if it were to consider the appointment of a successor Chairman.

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 can be found in the Directors' Report. 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.

Going concern
In order to satisfy themselves that the Group has adequate resources for the future, the Board reviewed the Group's committed funding and liquidity positions, its ability to generate cash from trading activities and its ability to raise external funding in the future. The operational performance, as described in the Chief Financial Officer's review on pages 10 to 13, the future plans for the Group and the risks facing the Group, described on page 14 and 15, were also reviewed.

In performing their reviews, the Board acknowledged the current level of uncertainty in the financial markets and has considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group.

Consequently, based on the reviews outlined above, the Board concluded that both the Group as a whole and Lupus Capital plc have adequate resources to meet their operational needs for the foreseeable future, and that it remains appropriate to adopt the going concern basis in preparing the financial statements.

Corporate governance continued

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

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.

Remuneration report letter

Dear Shareholder

I would like to share with you a summary of the Company's remuneration policy and practice over the last year.

Salaries
Below inflation salary increases of 2.5 per cent and 2.0 per cent were awarded to the Executive Directors at the start of the 2011 and 2012 financial years respectively, consistent with the approach taken across the Group.

Annual Bonus Scheme and Deferred Share Bonus Plan
In difficult markets the Company performed creditably during the year, particularly when compared to its closest competitors. The bonuses awarded to the Executive Directors for 2011 averaged 22 per cent of the maximum bonus opportunity of 100 per cent of bonusable salary, reflecting the highly stretching performance targets that were set by the Committee at the start of the financial year. Under the terms of the Group's Deferred Share Bonus Plan, 50 per cent of the awards made to the Executive Directors are made in the form of shares deferred for three years.

During the year the Group's Deferred Share Bonus Plan was extended to include the Group's top managers below Board level who will be required to defer 25 per cent of their 2011 and 2012 bonuses into shares for a period of three years. This focuses the plan on the senior management who are best positioned to drive the Company's performance and aligns their annual incentive arrangements with the creation of long-term shareholder value.

The terms and conditions of the Deferred Share Bonus Plan were amended during the year following changes to legislation concerning disguised remuneration.

Long Term Incentive Plan
The Group's Long Term Incentive Plan was approved by shareholders in 2010 and a first tranche of awards covering the financial years 2011 to 2013 was made in December of that year. During 2011 a second tranche of awards covering the same financial years was made to executive directors and senior managers. Cumulative EPS targets under this second tranche were increased from those contained in the first tranche of awards.

Following the disposal of Gall Thomson, the Committee intends to review the existing EPS targets set for the awards already made in 2010 and 2011.

The Committee has continued its practice of reviewing and discussing with the Group's principal shareholders the proposed metrics and associated targets in advance of grants made under the LTIP Plan.

Shareholding guidelines
The Executive Directors continue to maintain a high level of personal share ownership in accordance with the Company's shareholding guidelines and have agreed to retain at least half of all shares vesting (net of taxes) under the Company's various share schemes until such time as the target personal share ownership is achieved.

Conclusion
The outlook for 2012 remains challenging in terms of the Group's end markets, but our remuneration policy and framework provide a balanced platform to incentivise, motivate, retain and reward our leadership team.

Les Tench
Chairman, Remuneration Committee

Directors' remuneration report

The Remuneration Report is presented to shareholders by the Board and sets out the remuneration policy and details of the remuneration of each Director. The report has been prepared in accordance with the provisions of the Companies Act 2006 (the "Act") and the AIM Rules for Companies as issued by the London Stock Exchange.

A resolution to approve this report will be proposed at the Company's Annual General Meeting on 25 May 2012.

Remuneration Committee
The Remuneration Committee of the Board comprises all Non-executive Directors of the Company. The Executive Directors may, by invitation, attend meetings and provide advice to the Committee, except when their own remuneration is discussed. During 2011 the Committee was chaired by Mr Tench and met four times.

The Remuneration Committee is responsible for:
- setting, reviewing and recommending to the Board for approval the Company's overall remuneration policy and strategy;
- determining and reviewing the terms of appointment and the remuneration arrangements of the Executive Directors of the Company and the Chairman;
- determining and reviewing the terms of appointment and the remuneration arrangements of the members of the Executive Management Committee of the Company; and
- approving the rules, and launch, of any Company share, share option or cash-based incentive plan, and the grant, award, allocation or issue of shares, share options or payments under any such plan.

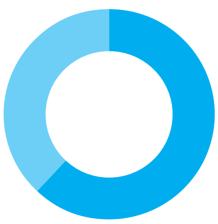
During the year Kepler Associates were engaged by the Committee to provide it with independent remuneration advice. Kepler Associates did not provide any other services to the Company other than remuneration advice.

Remuneration policy
Executive Directors
The Remuneration Committee considers the need to attract, retain and motivate Executive Directors and senior management in determining appropriate remuneration policies and packages. It also takes into account the internal pay and benefits practice and employment conditions both within the Group as a whole and within the particular national context. External comparisons examine equivalent roles in similar companies taking into account their size, business complexity, international scope and relative performance. Consideration is also given to the risks arising from market comparisons and inappropriate performance criteria.

Remuneration
The current remuneration package for the Executive Directors comprises fixed and variable components. The variable components are the performance related incentive arrangements referred to in detail below.

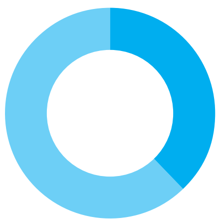
Executive Directors' remuneration 2011

Target



Fixed 62.0%
Performance related 38.0%

Stretch



Fixed 38.0%
Performance related 62.0%

Target assumes that bonus of 50 per cent of base salary is earned and that 25 per cent of the Lupus shares awarded under the LTIP in respect of 2011, based on a market value of £1.12 at 31 December 2011, vest. Stretch assumes that bonus of 100 per cent of base salary is earned and that 100 per cent of the Lupus shares awarded under the LTIP in respect of 2011, based on a market value of £1.12, vest.

The key components of the remuneration of Executive Directors are set out below:

Salary
Salaries are reviewed annually by the Remuneration Committee, although not necessarily increased. This review takes into account an individual's responsibilities, abilities, experience, performance, market competitiveness and pay and conditions in the relevant countries across the Group as described above.

During the year, the Remuneration Committee reviewed Executive Director salaries and determined that, with effect from 1 January 2012, Louis Eperjesi and James Brotherton's annual salaries (comprising base salary plus an allowance in lieu of pension and benefits) would be increased by 2% to £313,650 and £209,100 respectively.

Performance related remuneration

Annual bonus
The annual bonus framework for Executive Directors for 2011 is as follows:
- Target and maximum annual bonus opportunities of 50 per cent and 100 per cent (respectively) of base salary, 70 per cent based on the underlying group profit before tax and 30 per cent based on free cash flow.
- 50 per cent of bonus amounts will be converted into ordinary shares in the capital of the Company under the terms of the recently introduced Deferred Share Bonus Plan and released after three years.

Based on the performance for 2011 against the underlying Group profit before tax and the free cash flow targets set, the Committee determined that the Chief Executive Officer and the Chief Financial Officer have each achieved a bonus level of 22.2% of their respective base salaries, 50% of which will be paid in cash in March 2012 and 50% will be awarded in the form of nil-cost options deferred for three years under the terms of the Deferred Share Bonus Plan.

Under the Deferred Share Bonus Plan, 50% of Executive Director bonuses that would otherwise have been payable will be delivered in the form of either conditional share awards or nil-cost options, to strengthen alignment with shareholders' interests. These awards will normally be released (together with dividend equivalents in cash or shares) after three years. Other key employees are also required to defer a proportion of their bonuses pursuant to the Deferred Share Bonus Plan.

The Lupus Capital Long Term Incentive Plan ("LTIP")
The LTIP provides for the grant of: (i) performance shares (or nil-cost options); and/or (ii) fair-market value options, vesting on the satisfaction of stretching performance criteria over three years (subject to individual and overall limits). The Remuneration Committee currently intends that long-term incentive awards will be in the form of nil-cost options; however, the Remuneration Committee retains the flexibility to consider other forms of award (such as fair-market value options) for future cycles as it is mindful that alternative forms of award remain prevalent in some of the geographies (eg the US) in which the Company competes for senior executive management.

On 6 July 2011 the Remuneration Committee granted nil or nominal cost options over 699,000 ordinary shares in the Company to around 16 senior managers, executives and Executive Directors ("2011 Awards"). In addition, the Remuneration Committee intends to make awards under the LTIP in the period following the announcement of the Company's full-year results ("2012 Awards").

Performance criteria
The vesting of LTIP awards are subject to stretching performance criteria set by the Remuneration Committee at the start of each performance period. 2010 Awards and 2011 Awards will vest, together with dividends foregone, based on three-year cumulative underlying earnings per share ("EPS") for the financial years 2011 to 2013.

The Remuneration Committee adopts a robust process to setting what it feels are stretching, but achievable, annual and long-term incentive performance targets. Performance targets are calibrated to be equivalent to at least 'upper quartile' performance for awards to vest in full and take account of a number of reference points which reflect internal and external expectations, including: the latest internal forecasts, broker forecasts for sector comparators, EPS performance zones used in comparator long-term incentives, straight-line profit growth consistent with median and upper quartile returns over the next three to five years and broker forecast data for the Company.

Underlying EPS is the performance measure that determines vesting of 2010 and 2011 LTIP awards as underlying EPS is well-aligned with shareholder interests, provides good line-of-sight and is well understood. The Remuneration Committee is committed to reviewing the possibility of introducing additional performance measures such as total shareholder return ("TSR") or cash flow (as well as the continuing appropriateness of underlying EPS) in advance of each LTIP cycle.

Additionally, for awards to vest on underlying EPS, the Remuneration Committee must satisfy itself that the recorded underlying EPS is a genuine reflection of the underlying business performance of the Company over the performance period.

Directors’ remuneration report continued

Performance criteria: 2010 Awards
The performance criteria for vesting of 2010 Awards is a three-year cumulative underlying EPS 2011-13 performance range of 38p to 47p. In summary, if over the three financial years 2011 to 2013, cumulative underlying EPS is less than or equal to 38p, no 2010 Awards will vest; 25 per cent of 2010 Awards will vest for cumulative underlying EPS of 38p, rising on a straight-line basis to full vesting for cumulative underlying EPS of 47p or higher.

Performance criteria: 2011 Awards
The performance criteria for vesting of 2011 Awards is a three-year cumulative underlying EPS 2011-13 performance range of 41p to 50p. In summary, if over the three financial years 2011 to 2013, cumulative underlying EPS is less than or equal to 41p, no 2011 Awards will vest; 25 per cent of 2011 Awards will vest for cumulative underlying EPS of 41p, rising on a straight-line basis to full vesting for cumulative underlying EPS of 50p or higher.

Review of performance criteria
The Remuneration Committee intends to review the existing performance criteria for both the 2010 Awards and the 2011 Awards, following the material disposal of the Group’s Oil Services division on 13 March 2012.

Dilution limit
Generally, it is the intention that LTIP awards will be satisfied through the transfer of existing shares by the Company’s employees’ benefit trust unless the Remuneration Committee, in its discretion, feels that a new issue of shares would be more appropriate. In the event that LTIP awards are satisfied through new issue shares, the Company will operate within the Association of British Insurers’ (“ABI”) guideline dilution limit of 10 per cent in 10 years for all share based incentive schemes (excluding awards to the former executive chairman granted in 2004 and 2008). Expected dilution should not exceed the 10 per cent dilution limit, even if the awards made to the former Executive Chairman are taken into account.

The Remuneration Committee has the flexibility to operate outside the ABI guideline of 5 per cent in 10 years dilution limit for discretionary share based incentive schemes to accommodate LTIP awards for a broader employee population. In managing dilution, the Company will nevertheless be mindful of the 5 per cent in 10 years guideline and will be prudent in managing the flow rates, keeping shareholders informed of actual and anticipated dilution levels over time. The 2010 and 2011 LTIP awards are likely to be satisfied through the transfer of existing shares rather than the issue of new shares.

Assuming that all performance targets are met in full, the Remuneration Committee currently envisages that a maximum of 575,000 of the 2,112,000 shares subject to the 2010 Awards and the 2011 Awards (approximately 27%) will be satisfied through new issue shares to ensure that local trusts, tax and securities laws are complied with in certain overseas jurisdiction.

Shareholding guidelines
The Remuneration Committee has also adopted shareholding guidelines for Executive Directors. Executive Directors will be expected to retain at least half of the shares vesting (net of taxes) under the Deferred Share Bonus Plan or the LTIP until such time as a total personal shareholding equivalent to 100 per cent of base salary has been achieved. The table below sets out the individual requirement and level of shareholding achieved for each Executive Director at 31 December 2011:

Directors’ minimum shareholding	Salary[1] £’000	Value of shareholding[2] £’000	Minimum shareholding as % of salary	Actual shareholding as % of salary
Louis Eperjesi	257	162	100%	63%
James Brotherton	195	167	100%	86%

Notes to Directors’ minimum shareholding table above:
1 Base salary as at 31 December 2011.
2 Based on the closing price of a Lupus Capital plc ordinary share of £1.12 on 31 December 2011.

Awards to Executive Directors
The number of shares awarded to the Executive Directors under the LTIP for the 2011 Awards are as follows:

	2011 Awards
Louis Eperjesi	200,000
James Brotherton	150,000

The 2011 Awards are granted over a fixed number of shares to mitigate the impact of share price volatility and strengthen alignment of executive interests with those of shareholders over the period to grant. The Committee intends to adopt the more usual methodology of granting LTIP awards by reference to a percentage of base salary from 2012 onwards and accordingly from 2012, LTIP awards of performance shares or nil-cost options will be restricted to a maximum of 100 per cent of base salary.

Senior executives below the Executive Directors

The policy and practice with regard to the remuneration of senior executives below the Executive Directors who are members of the Executive Management Committee is consistent with that for the Executive Directors. These senior executives all have a significant portion of their reward package linked to performance. They all qualify for an annual bonus, and are eligible for awards under the LTIP, and their financial targets are the same as, or cascaded from, the targets for the Executive Directors. The Remuneration Committee reviews and approves the individual remuneration packages for the Executive Management Committee members and the Company Secretary in accordance with the overriding objectives of the Group's remuneration policy. Their individual performance is reviewed and their increases in base salary, annual bonus payments and any LTIP awards are subject to approval by the Remuneration Committee each year. Other senior employees below Executive Management Committee level are generally treated consistently with the Executive Directors and members of the Executive Management Committee, with the exception that they may participate in local discretionary annual cash bonus plans.

Summary of Directors' service contracts

The following table shows details of the service contracts for Executive Directors who were in office at 31 December 2011:

	Commencement date	Notice period
Louis Eperjesi	20/07/10	12 months
James Brotherton	20/07/10	12 months

For both Executive Directors, their service contracts are terminable on 12 months' notice to or from the Company and contractual termination provisions are limited to salary and benefits over the notice period. Payments are phased monthly and subject to mitigation, in line with best practice.

The Non-executive Directors have letters of appointment, which provide a notice period of one month.

	Commencement date	Notice period
Jamie Pike	23/11/09	1 month
Les Tench	17/12/09	1 month
Martin Towers	17/12/09	1 month

Directors' emoluments

The remuneration payable to Directors, which has been audited by the Company's auditors, in respect of the year ended 31 December 2011 was as follows:

Directors' remuneration for the year ended 31 December	Note	Salary/fees £'000	Cash bonus £'000	Cash payments in lieu of pension and benefits £'000	Non-cash benefits £'000	**Total emoluments 2011 £'000**	Total emoluments 2010 £'000
Current Directors:							
Jamie Pike		96	–	–	–	**96**	90
Louis Eperjesi	1	257	28	51	2	**338**	394
James Brotherton	2	195	22	10	1	**228**	176
Les Tench		36	–	–	–	**36**	30
Martin Towers		36	–	–	–	**36**	30
Past Directors:							
Keith Taylor		–	–	–	–	**–**	73
Denis Mulhall		–	–	–	–	**–**	438
Paul Felton-Smith		–	–	–	–	**–**	142
Michael Jackson		–	–	–	–	**–**	13
Roland Tate		–	–	–	–	**–**	9
Total		620	50	61	3	**734**	1,395

Notes to Directors' remuneration table above:

1 Of the total bonus agreed by the Committee in respect of Louis Eperjesi, 50% was paid in cash in March 2012 and is disclosed in the table above. The other 50% is deferred automatically into the Deferred Share Bonus Plan. Non cash benefits consist of life assurance, membership of a private medical expenses arrangement and permanent health insurance cover.

2 Of the total bonus agreed by the Committee in respect of James Brotherton, 50% was paid in cash in March 2012 and is disclosed in the table above. The other 50% is deferred automatically into the Deferred Share Bonus Plan. Non cash benefits consist of life assurance cover and permanent health insurance cover.

Directors' remuneration report continued

Louis Eperjesi and James Brotherton are not members of any of the Company's pension schemes. During 2011, Louis Eperjesi entered into salary sacrifice arrangements with the Company to pay £60,000 of his annual salary directly into his personal pension plan.

Deferred Share Bonus Plan

Awards made under the Deferred Share Bonus Plan to Executive Directors are set out below:

Deferred Share Bonus Plan	Award date	Market value at award date	Shares over which deferred bonus awards granted after the year end[1]	Normal vesting date
Louis Eperjesi	23/03/11	£1.3265	86,880	23/03/14
Louis Eperjesi	16/03/12	£1.227	23,132	16/03/15
James Brotherton	23/03/11	£1.3265	68,819	23/03/14
James Brotherton	16/03/12	£1.227	17,580	16/03/15

1 The number of shares awarded is calculated by dividing one-half of the gross value of the bonus payable by the Market Value of a share. Market Value means the average of the daily closing prices of a share over the five dealing days immediately preceding the award date.

LTIP

Directors' interests in awards made under the LTIP are set out below:

	Award date	Market value at awards date	**Shares over which LTIP awards held at 1 Jan 2011**	Shares over which LTIP awards granted during the year	**Shares over which LTIP awards held at 31 Dec 2011**	Expected vesting date
Louis Eperjesi	10/12/10	£1.0375	**200,000**	–	**200,000**	23/03/14
Louis Eperjesi	06/07/11	£1.2300	**–**	200,000	**200,000**	23/03/14
James Brotherton	10/12/10	£1.0375	**150,000**	–	**150,000**	23/03/14
James Brotherton	06/07/11	£1.2300	**–**	150,000	**150,000**	23/03/14

Options

Directors' interests in options over ordinary shares in the Company are set out below:

Options	Options at 1 Jan 2011	Lapsed in year	Options at 31 Dec 2011	Exercise price	Earliest normal vesting date
James Brotherton	100,000	(100,000)	–	£0.38	25/07/11

The Group's underlying EPS for the year ended 31 December 2010 was less than the minimum performance threshold of 13.52p per share and consequently these options lapsed in March 2011.

Non-executive Directors' fees and Chairman fees

Non-executive Directors

The Chairman of the Board and the Executive Directors determine the remuneration of Non-executive Directors. Non-executive Director fees are reviewed (from time to time) in light of the commitment and level of involvement that Non-executive Directors are required to devote to the activities of the Board and its Committees, market practice, and surveys by Keipler Associates. Non-executive Directors do not participate in any bonus or share based incentive schemes.

During the year, the fees of the Chairman and the Non-executive Directors were reviewed. With effect from 1 June 2011 the basic fees of the Non-executive Chairman were increased from £90,000 to £100,000 per year and the basic fees paid to the other Non-executive Directors were increased from £30,000 to £35,000 per year. In addition the Chairman of the Remuneration Committee, Mr Tench, was paid a fee of £5,000 per year and the Chairman of the Audit Committee, Mr Towers, was paid a fee of £5,000 per year all with effect from 1 June 2011.

During 2011 Martin Towers agreed with the Company to have all his fees paid directly into his personal pension plan, which amounted to £36,000.

Shares

The Directors' interests in ordinary shares, beneficially held, of the Company at the end of the financial year were as follows:

	Ordinary shares at 31 Dec 2011	Ordinary shares at 31 Dec 2010
Jamie Pike	**325,000**	325,000
Louis Eperjesi	**145,000**	145,000
James Brotherton	**149,191**	149,191
Martin Towers	**50,000**	50,000
Les Tench	**93,750**	93,750

Share price

The market price of ordinary shares in Lupus Capital plc at 31 December 2011 was £1.12 and the range during the year was £0.86 to £1.50.

By order of the Board

Kevin O'Connell
Company Secretary
20 April 2012

Independent auditor's report to the members of Lupus Capital plc

We have audited the group financial statements of Lupus Capital plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. 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 auditor's 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
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters
We have reported separately on the parent company financial statements of Lupus Capital plc for the year ended 31 December 2011.

Steve Maslin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
20 April 2012

Consolidated income statement

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Continuing operations			
Revenue	3	**230,372**	252,464
Cost of sales		**(157,869)**	(169,468)
Gross profit		**72,503**	82,996
Administrative expenses		**(61,499)**	(69,074)
Operating profit	5	**11,004**	13,922
Analysed as:			
Operating profit before exceptional items and amortisation of intangible assets		**22,399**	26,066
Exceptional items	4	**(830)**	(395)
Amortisation of intangible assets	5	**(10,565)**	(11,749)
Operating profit		**11,004**	13,922
Finance income	7	**287**	417
Finance costs	7	**(9,982)**	(12,562)
Net finance costs		**(9,695)**	(12,145)
Profit before taxation		**1,309**	1,777
Income tax credit/(expense)	8	**6,775**	(281)
Profit for the year from continuing operations		**8,084**	1,496
Discontinued operations			
Profit for the year from discontinued operations	9	**7,399**	5,551
Profit for the year		**15,483**	7,047
Basic earnings per share			
From continuing operations	10	**6.23p**	1.15p
From discontinued operations	10	**5.71p**	4.28p
		11.94p	5.43p
Diluted earnings per share			
From continuing operations	10	**6.18p**	1.14p
From discontinued operations	10	**5.66p**	4.21p
		11.84p	5.35p

	Note	2011 £'000	2010 £'000
Non-GAAP measure			
Underlying[1] profit before taxation from continuing operations	10	**16,344**	16,775
Underlying[1] profit before taxation from discontinued operations	10	**10,109**	7,758
		26,453	24,533
Basic earnings per share			
Underlying[1] basic EPS from continuing operations	10	**9.04p**	8.78p
Underlying[1] basic EPS from discontinued operations	10	**5.71p**	4.28p
		14.75p	13.06p

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

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Profit for the year		**15,483**	7,047
Other comprehensive income:			
Exchange differences on retranslation of foreign operations		**(354)**	4,511
Actuarial losses on defined benefit plans	22	**(4,699)**	(117)
Effective portion of changes in value of cash flow hedges		**1,228**	564
Tax on items included in other comprehensive income	8	**1,659**	40
Other comprehensive (loss)/income for the year, net of tax		**(2,166)**	4,998
Total comprehensive income for the year attributable to equity shareholders		**13,317**	12,045

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Other reserves[1] £'000	Treasury reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010	6,864	101	10,389	(6,764)	(2,489)	28,927	189,439	226,467
Total comprehensive income	–	–	–	–	564	4,511	6,970	12,045
Profit for the year	–	–	–	–	–	–	7,047	7,047
Other comprehensive income	–	–	–	–	564	4,511	(77)	4,998
Transactions with owners	–	–	–	–	–	–	63	63
Share based payments	–	–	–	–	–	–	63	63
At 31 December 2010	**6,864**	**101**	**10,389**	**(6,764)**	**(1,925)**	**33,438**	**196,472**	**238,575**
Total comprehensive income	–	–	–	–	1,228	(354)	12,443	13,317
Profit for the year	–	–	–	–	–	–	15,483	15,483
Other comprehensive income	–	–	–	–	1,228	(354)	(3,040)	(2,166)
Transactions with owners	–	–	–	(250)	–	–	(2,424)	(2,674)
Share based payments	–	–	–	–	–	–	172	172
Dividends paid	–	–	–	–	–	–	(2,596)	(2,596)
Purchase of treasury shares	–	–	–	(250)	–	–	–	(250)
At 31 December 2011	**6,864**	**101**	**10,389**	**(7,014)**	**(697)**	**33,084**	**206,491**	**249,218**

1 Other reserves are non-distributable capital reserves which arose on previous acquisitions.

Consolidated balance sheet

As at 31 December 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Goodwill	11	**214,186**	223,531
Intangible assets	12	**98,620**	104,709
Property, plant and equipment	13	**30,461**	31,457
Deferred tax assets	8	**9,618**	7,654
		352,885	367,351
Current assets			
Inventories	14	**26,427**	26,048
Trade and other receivables	15	**28,200**	32,922
Cash and cash equivalents	16	**20,426**	27,748
		75,053	86,718
Assets of disposal group classified as held for sale	9	**21,114**	–
		96,167	86,718
TOTAL ASSETS		**449,052**	454,069
LIABILITIES			
Current liabilities			
Current tax payable		**(1,976)**	(2,679)
Trade and other payables	17	**(34,632)**	(40,365)
Provisions	18	**(1,510)**	(3,584)
Finance lease obligations	19	**–**	(9)
Derivative financial instruments	20	**(777)**	–
Interest bearing loans and borrowings	19	**(12,930)**	(5,163)
		(51,825)	(51,800)
Liabilities of disposal group classified as held for sale	9	**(3,271)**	–
		(55,096)	(51,800)
Non-current liabilities			
Finance lease obligations	19	**–**	(1)
Deferred tax liabilities	8	**(18,834)**	(23,369)
Interest bearing loans and borrowings	19	**(100,235)**	(114,304)
Employee benefit liability	22	**(9,732)**	(7,474)
Provisions	18	**(14,487)**	(14,989)
Derivative financial instruments	20	**–**	(1,998)
Other creditors		**(1,450)**	(1,559)
		(144,738)	(163,694)
TOTAL LIABILITIES		**(199,834)**	(215,494)
NET ASSETS		**249,218**	238,575
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Called up share capital	23	**6,864**	6,864
Share premium		**101**	101
Other reserves		**10,389**	10,389
Treasury reserve		**(7,014)**	(6,764)
Hedging reserve		**(697)**	(1,925)
Translation reserve		**33,084**	33,438
Retained earnings		**206,491**	196,472
TOTAL EQUITY		**249,218**	238,575

The financial statements were approved by the Board on 20 April 2012 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Consolidated cash flow statement

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit before tax – continuing operations		**1,309**	1,777
Profit before tax – discontinued operations	9	**10,108**	7,758
Adjustments	26	**26,335**	30,666
Movement in inventories		**(263)**	451
Movement in trade and other receivables		**965**	(2,728)
Movement in trade and other payables		**(2,830)**	4,011
Provisions utilised		**(1,854)**	(2,515)
Pension contributions		**(1,191)**	(841)
Income tax paid		**(1,870)**	(2,304)
Net cash inflow from operating activities		**30,709**	36,275
Investing activities			
Payments to acquire property, plant and equipment		**(4,384)**	(3,314)
Payments to acquire intangible assets		**(492)**	(197)
Acquisition of subsidiary undertakings	25	**(10,280)**	–
Interest received		**340**	566
Net cash outflow from investing activities		**(14,816)**	(2,945)
Financing activities			
Interest paid		**(7,011)**	(9,822)
Dividends paid		**(2,596)**	–
Purchase of treasury shares		**(250)**	–
New bank loans raised		**112,551**	–
Refinancing costs paid		**(2,643)**	(23)
Repayment of borrowings		**(119,621)**	(21,147)
Repayment of capital element of finance leases		**(10)**	(8)
Net cash outflow from financing activities		**(19,580)**	(31,000)
(Decrease)/increase in cash and cash equivalents		**(3,687)**	2,330
Effect of exchange rates on cash and cash equivalents		**325**	463
Cash and cash equivalents at the beginning of the year		**27,748**	24,955
Cash and cash equivalents at the end of the year		**24,386**	27,748

Notes to the financial statements

1. Basis of preparation and accounting policies

The Group's principal activities are the manufacture, supply and distribution of building products. Lupus Capital plc is the Group's ultimate parent company and it is incorporated and domiciled in England and Wales at the address shown on page 81.

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

The Group's consolidated financial statements are prepared in accordance with the principal accounting policies adopted by the Group 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"), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The following standards have been amended or became effective during the year. The Group's consolidated financial statements have been prepared in accordance with these changes where relevant:

- IAS 24 (Revised), Related party disclosures – introducing revised definitions of related parties.
- IAS 32 (Amendment), Financial instruments: presentation – changes in the classification of certain qualifying financial instruments from financial liabilities to equity instruments.
- IFRIC 14 (Amendment) – Prepayments of a minimum funding requirement.
- IFRIC 19 – Extinguishing financial liabilities with equity instruments.

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

2. Summary of significant accounting policies

Accounting convention

The financial statements are prepared under the historic cost convention, as modified by the revaluation of certain financial instruments. The measurement basis and significant accounting policies are set out below.

Basis of consolidation

The financial statements consolidate the Company and its subsidiary undertakings (note 29) 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 acquisition 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 which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. 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 underlying asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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:

- Amendments to IAS 1 Presentation of financial statements, on other comprehensive income (effective 1 July 2012).
- Amendments to IAS 12 Income taxes (effective 1 January 2012).
- IAS 19 (Revised) Employee benefits (effective 1 January 2013).
- IAS 27 (Revised) Separate financial statements (effective 1 January 2013).
- IAS 28 (Revised) Associates and joint ventures (effective 1 January 2013).
- Amendments to IFRS 1 First time adoption of IFRS on hyperinflation and fixed dates (effective 1 July 2011).
- Amendments to IFRS 7 Financial instruments: Disclosures on derecognition (effective 1 July 2011).
- IFRS 9 Financial instruments (effective 1 January 2013).

Notes to the financial statements continued

2. Summary of significant accounting policies continued

- IFRS 10 Consolidated financial statements (effective 1 January 2013).
- IFRS 11 Joint arrangements (effective 1 January 2013).
- IFRS 12 Disclosures of interest in other entities (effective 1 January 2013).
- IFRS 13 Fair value measurement (effective 1 January 2013).

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's reported results.

Principal accounting policies
The preparation of financial statements in conformity with generally accepted accounting policies requires the Directors to make judgements 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 judgements 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 statements.

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 licences, 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 three years. The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of assets
Goodwill arising on business combinations is allocated to cash-generating units (equivalent to the reported operating 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.

2. Summary of significant accounting policies continued

An impairment review is performed by comparing the carrying value of the property, plant and equipment, intangible asset or cash generating units to which goodwill has been allocated 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 judgement 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 if no impairment loss been previously recognised.

Segment reporting

The Group's operations are divided into two product segments, Oil Services and Building Products, which is consistent with the segments identified in internal reports which are reviewed by the chief operating decision makers, defined as the Board of Directors. A product 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. IFRS 8 also requires disclosure of information on geographical areas with the Group's system of internal reporting to key operating decision makers serving as a starting point.

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 to 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 equivalents

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 readily convertible into cash.

Interest bearing bank loans and borrowings

Interest bearing bank loans and borrowings 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.

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads based on normal levels 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.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

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 fair value or, if lower, 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.

Assets held under finance lease are depreciated over the lower of the useful lives and the term of the lease.

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 Company 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, with the exception of differences on foreign currency borrowings that form part of a net investment in a foreign entity. These are taken directly to equity, other than any ineffective element, until the disposal of the net investment, at which time they are recognised in the consolidated 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 throughout 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 other comprehensive income. On disposal of a foreign entity, the cumulative translation differences recognised in other comprehensive income relating to that particular foreign operation are recognised in the income statement as part of the gain or loss on disposal.

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
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows 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 in the income statement within net finance costs.

Restructuring provisions comprise lease termination penalties and employee termination payments. A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors’ best estimate of the expenditure required to settle the Group’s obligation.

2. Summary of significant accounting policies continued

Pensions and other post-employment benefits

The Group operates a defined contribution pension and two defined benefit schemes.

The cost of providing benefits under the defined benefit schemes is determined using the projected unit credit actuarial valuation method. The operating and financing costs of the pension schemes 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 through the consolidated statement of comprehensive income. The net surplus or deficit is presented with the other net assets on the balance sheet. The related deferred tax is shown with the other deferred tax balances.

The defined benefit assets and liabilities 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 plus transaction costs 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 less transaction costs 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 all amounts due to it in accordance with the original terms of those receivables. The amount of the writedown is determined as the difference between the carrying amount and present value of estimated future cash flows.

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.

For those instruments designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

The Group designates certain derivatives as either a cash flow hedge, where exposures to variability in cash flows attributable to either a particular risk associated with a recognised asset or liability or highly probable purchase are hedged; or hedges of net investments in foreign operations (net investment hedges), where exposures to changes in fair value or future cash flows of the investment are hedged.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

In relation to cash flow hedges (forward foreign currency contracts) to hedge either highly probable anticipated purchases or firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in net profit or loss.

When the hedged firm commitment results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses that were previously recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Investments in foreign operations

A foreign currency exposure arises from net investments in Group entities whose functional currency differs from the Group's presentation currency. The Group uses foreign currency loans to hedge foreign currency risk. This translation risk does not give rise to a cash flow exposure. Its impact only arises from the translation of the net investment in the Group's presentation currency.

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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit or loss nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that have been enacted or substantively 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 to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Where certain income or expense items recorded in the period are material by their size or incidence, the Group reflects such items as exceptional items within a separate line on the income statement, except for those exceptional items that relate to net finance costs and tax.

Separate presentation of exceptional items provides an improved understanding of the elements of financial performance in the year so as to facilitate comparison with prior periods and to assess trends in financial performance.

2. Summary of significant accounting policies continued

Share based payments

The Group operates an equity-settled share based remuneration scheme for certain employees under which the entity receives services from employees as consideration for equity instruments (share options) of the Group.

The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using a probability model to predict EPS levels.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Non-GAAP measure accounting policy

The Directors believe that the "underlying" 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 recognised under IFRS and may not be comparable with "underlying" 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.
- Amortisation of intangible items and borrowing costs because of their non-cash nature and expected infrequency of the events giving rise to them.

Critical accounting estimates and judgements

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following areas represent the key judgements made by management in order to facilitate the preparation of the Group's financial statements:

Taxation

The Group is subject to taxation in numerous jurisdictions. Judgement is required in determining the world wide provision for income taxes as there are transactions for which the ultimate tax determination is uncertain.

Impairment reviews and discount rates

The Group tests intangible assets and goodwill for impairment in accordance with the stated accounting policy. The value in use calculations requires the use of estimates of future growth and assessment of appropriate discount rates.

Exceptional items

Exceptional items are expense or income items recorded in a period which have been determined by management as being material by their size or incidence and are presented separately within the results of the Group. The determination of which items are disclosed as exceptional will affect the presentation of profit measures including EBITA and adjusted earnings per share, and requires a degree of judgement. Details regarding exceptional items reported during the year are set out in note 4.

Non-current assets (disposal groups) held for sale

Non-current assets and all assets and liabilities classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

Non-current assets and all assets and liabilities, or disposal groups, are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions. 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 adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill and other intangible assets

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets. In determining whether goodwill is impaired an estimation of value in use of the cash-generating units to which goodwill has been allocated has been prepared. 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 (note 11).

Provisions

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material (note 18).

Valuation of financial instruments at fair value

Management makes a number of assumptions with regards to the models used to value financial instruments at their fair value at year end. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument (note 20).

Intangible assets acquired in a business combination

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, trademarks and licences. The determination of fair value requires the Directors to estimate the useful economic life of each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate (note 12).

Inventories

Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Net realisable value is based on current assessments of future demand, market conditions and new product development initiatives. Should demand for the Group's products decline further during the next financial year as a result of the current economic downturn, additional allowances may be necessary in respect of excess or slow-moving items (note 14).

Defined benefit pension and post-retirement benefit schemes

The benefit obligation is calculated using a number of assumptions including future salary increases, increases to pension benefits, mortality rates and, in the case of post-employment medical benefits, the expected rate of increase in medical costs. The present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date. The plan assets consist largely of listed securities and their fair values are subject to fluctuation in response to changes in market conditions. Effects of changes in the actuarial assumptions underlying the benefit obligation, effects of changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the plan assets are classified as actuarial gains and losses and are recognised directly in equity. Further actuarial gains and losses will be recognised during the next financial year. An analysis of the assumptions that will be used by management to determine the cost of defined benefit plans that will be recognised in the income statement in the next financial year is presented in note 22.

Deferred tax assets

Estimation is required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where deductible temporary differences exist, management's judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from management's estimates (note 8).

3. Segmental analysis

Product analysis

The following tables present Group revenue and profit and certain assets and liability information regarding the Group's product segments, which have been generated using Group accounting policies, with no differences of measurement applied.

Comparative figures for 2010 have been revised to reflect the elimination of intragroup trading more accurately and to re-apportion head office overheads previously included in the results of the discontinued Oil Services division.

Segment revenues and results

The Group has two operating segments: Building Products and Oil Services and the table below also contains a geographical analysis of each segment.

		Continuing operations – Building Products				Discontinued operations – Oil Services	
Year ended 31 December 2011	Note	United Kingdom £'000	United States £'000	Rest of the World £'000	Total £'000	United Kingdom £'000	Total £'000
Revenue							
External sales		88,984	105,370	36,018	230,372	19,088	249,460
Result							
Operating profit before exceptional items and amortisation of intangible assets		7,719	11,327	3,353	22,399	10,056	32,455
Amortisation of intangible assets					(10,565)	(1)	(10,566)
Exceptional items	4				(830)	–	(830)
Operating profit					11,004	10,055	21,059
Net finance costs					(9,695)	53	(9,642)
Profit before tax					1,309	10,108	11,417
Tax					6,775	(2,709)	4,066
Profit after tax					8,084	7,399	15,483
Other segment information							
Cost of goods sold					157,869	5,856	163,725
Depreciation					5,252	51	5,303

Segment assets and liabilities

	Continuing operations – Building Products				Discontinued operations – Oil Services	
Year ended 31 December 2011	United Kingdom £'000	United States £'000	Rest of the World £'000	Total £'000	United Kingdom £'000	Total £'000
Segment assets						
Total segment assets	100,618	267,832	55,245	423,695	21,114	444,809
Unallocated segment assets				2,616	–	2,616
Unallocated Group assets						1,627
Consolidated total assets						449,052
Segment liabilities						
Total segment liabilities	(27,676)	(41,067)	(7,270)	(76,013)	(3,271)	(79,284)
Unallocated segment liabilities				(115,281)	–	(115,281)
Unallocated Group liabilities						(5,269)
Consolidated total liabilities						(199,834)

Notes to the financial statements continued

3. Segmental analysis continued

Year ended 31 December 2011	Continuing operations – Building Products United Kingdom £'000	Continuing operations – Building Products United States £'000	Continuing operations – Building Products Rest of the World £'000	Continuing operations – Building Products Total £'000	Discontinued operations – Oil Services United Kingdom £'000	Total £'000
Non-current assets[1]	**68,078**	**232,650**	**42,539**	**343,267**	**11,849**	**355,116**
Other segment information						
Employee benefit liability				**(9,732)**	**–**	**(9,732)**
Goodwill allocation				**214,186**	**11,421**	**225,607**
Intangible asset allocation				**98,620**	**35**	**98,655**
Capital expenditure						
– Property, plant and equipment	**1,143**	**2,588**	**516**	**4,247**	**137**	**4,384**
– Intangible assets	**69**	**350**	**37**	**456**	**36**	**492**

1 Non-current assets exclude amounts relating to deferred tax assets.

Comparative information
Segment revenues and results

Year ended 31 December 2010	Note	Continuing operations – Building Products United Kingdom £'000	Continuing operations – Building Products United States £'000	Continuing operations – Building Products Rest of the World £'000	Continuing operations – Building Products Total £'000	Discontinued operations – Oil Services United Kingdom £'000	Total £'000
Revenue							
External sales		97,927	116,987	37,550	252,464	13,748	266,212
Result							
Operating profit before exceptional items and amortisation of intangible assets		8,167	14,031	3,868	26,066	7,609	33,675
Amortisation of intangible assets					(11,749)	–	(11,749)
Exceptional items	4				(395)	–	(395)
Operating profit					13,922	7,609	21,531
Net finance costs					(12,145)	149	(11,996)
Profit before tax					1,777	7,758	9,535
Tax					(281)	(2,207)	(2,488)
Profit after tax					1,496	5,551	7,047
Other segment information							
Cost of goods sold					169,468	3,935	173,403
Depreciation					6,449	44	6,493

3. Segmental analysis continued

Segment assets and liabilities

Year ended 31 December 2010	Building Products United Kingdom £'000	Building Products United States £'000	Building Products Rest of the World £'000	Building Products Total £'000	Oil Services United Kingdom £'000	Total £'000
Segment assets						
Total segment assets	106,843	266,565	57,610	431,018	17,384	448,402
Unallocated assets						5,667
Consolidated total assets						454,069
Segment liabilities						
Total segment liabilities	(35,607)	(43,826)	(5,846)	(85,279)	(4,782)	(90,061)
Unallocated segment liabilities				(118,729)	–	(118,729)
Unallocated group liabilities						(6,704)
Consolidated total liabilities						(215,494)
Non-current assets[1]	70,762	231,638	45,572	347,972	11,725	359,697
Other segment information						
Employee benefit liability				(7,474)	–	(7,474)
Goodwill allocation				212,110	11,421	223,531
Intangible asset allocation				104,709	–	104,709
Capital expenditure						
– Property, plant and equipment	1,268	1,542	446	3,256	58	3,314
– Intangible assets	51	137	9	197	–	197

1 Non-current assets exclude amounts relating to deferred tax assets.

4. Exceptional items

	2011 £'000	2010 £'000
Redundancy and restructuring costs	**813**	151
Acquisition expenses	**282**	–
Adjustments to fair value accounting of acquisitions	**(265)**	–
Other costs, net	**–**	244
	830	395

All exceptional items relate to continuing operations.

5. Operating profit

Operating profit is stated after charging the following:

	Continuing operations 2011 £'000	Continuing operations 2010 £'000	Discontinued operations 2011 £'000	Discontinued operations 2010 £'000	Total 2011 £'000	Total 2010 £'000
Depreciation of property, plant and equipment – owned assets	**5,251**	6,250	**51**	44	**5,302**	6,294
Depreciation of property, plant and equipment – leased assets	**1**	199	**–**	–	**1**	199
Amortisation of intangible assets	**10,565**	11,749	**1**	–	**10,566**	11,749
Operating lease rentals – land and buildings	**3,690**	4,009	**58**	–	**3,748**	4,009
Foreign exchange loss/(gain)	**455**	256	**–**	(2)	**455**	254

Notes to the financial statements continued

5. Operating profit continued

The analysis of auditor's remuneration is as follows:

Group	2011 £'000	2010 £'000
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	**90**	94
Fees payable to the company's auditor for other services:		
– The audit of the company's subsidiaries pursuant to legislation	**378**	399
– Other services pursuant to legislation	**25**	29
– Other services	**12**	2
	505	524

6. Employees

Number of employees

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

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
Administration	**220**	204	**12**	13	**232**	217
Sales	**180**	172	**8**	4	**188**	176
Operations	**1,541**	1,669	**31**	28	**1,572**	1,697
	1,941	2,045	**51**	45	**1,992**	2,090

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

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
Administration	**209**	218	**12**	12	**221**	230
Sales	**172**	192	**8**	8	**180**	200
Operations	**1,499**	1,546	**32**	28	**1,531**	1,574
	1,880	1,956	**52**	48	**1,932**	2,004

Employment costs

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

	Continuing operations		Discontinued operations		Total	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Wages and salaries	**44,847**	49,412	**2,600**	2,096	**47,447**	51,508
Social Security costs	**6,258**	5,321	**289**	226	**6,547**	5,547
Pension costs – defined contribution schemes	**1,884**	1,452	**112**	113	**1,996**	1,565
Pension costs – defined benefit schemes	**639**	507	**–**	–	**639**	507
Share based payments	**172**	63	**–**	–	**172**	63
	53,800	56,755	**3,001**	2,435	**56,801**	59,190

6. Employees continued

Directors' remuneration

The remuneration payable to Directors, considered to be the Group's key management personnel, was as follows:

	2011 £'000	2010 £'000
Salary/fees	**620**	834
Bonuses	**50**	171
Benefits	**64**	57
Share based payments	**54**	6
Severance payments	**–**	333
	788	1,401

Full details of individual Directors' remuneration are given in the Remuneration Report on pages 27 to 33.

7. Finance revenue and costs

Finance costs from continuing operations:

	2011 £'000	2010 £'000
Finance income		
Bank interest receivable	**287**	417
Finance costs		
Interest payable on bank loans and overdraft	**(6,205)**	(9,429)
Amortisation of borrowing costs	**(3,148)**	(2,295)
Ineffective portion of changes in value of cash flow hedges	**(8)**	(26)
Interest on obligations under finance leases	**–**	(1)
Unwinding of discount on provisions	**(492)**	(559)
Pension scheme and other finance costs	**(129)**	(252)
	(9,982)	(12,562)
Net finance costs	**(9,695)**	(12,145)

8. Taxation

(a) Tax on profit on ordinary activities

Income tax in the income statement

	Continuing operations		Discontinued operations		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Current income tax:						
UK Corporation tax (credit)/expense	**(986)**	(1,408)	**2,778**	2,163	**1,792**	755
Foreign tax expense	**3,168**	5,090	**–**	–	**3,168**	5,090
Current income tax charge	**2,182**	3,682	**2,778**	2,163	**4,960**	5,845
Adjustments in respect of prior periods	**–**	(545)	**–**	48	**–**	(497)
Exceptional adjustments in respect of prior periods	**(3,767)**	–	**–**	–	**(3,767)**	–
Total current income tax (credit)/expense	**(1,585)**	3,137	**2,778**	2,211	**1,193**	5,348
Deferred tax:						
Origination and reversal of temporary differences	**(1,850)**	(2,225)	**(3)**	9	**(1,853)**	(2,216)
Adjustment due to deferred tax rate change	**(2,137)**	(892)	**–**	–	**(2,137)**	(892)
Adjustments in respect of prior periods	**–**	261	**(66)**	(13)	**(66)**	248
Exceptional adjustments in respect of prior periods	**(1,203)**	–	**–**	–	**(1,203)**	–
Total deferred tax (credit)	**(5,190)**	(2,856)	**(69)**	(4)	**(5,259)**	(2,860)
Income tax (credit)/expense in the income statement	**(6,775)**	281	**2,709**	2,207	**(4,066)**	2,488

The standard rate of Corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the Group's UK profits for this accounting period are taxed at an effective rate of 26.5% (2010: 28%). The tax rate of 25% was substantively enacted in July 2011, and UK deferred tax assets and liabilities have been provided at this rate.

Notes to the financial statements continued

8. Taxation continued

Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

Exceptional adjustments in respect of prior periods arose from the clarification with the tax authorities of the tax treatment of provisions, mainly those originally made at the time of the Schlegel acquisition in 2006 and the LSS acquisition in 2007.

Tax relating to items charged or (credited) directly to equity – continuing operations

	2011 £'000	2010 £'000
Deferred tax:		
Actuarial losses on pension schemes	**(1,659)**	(40)
Income tax (credit) in the statement of comprehensive income	**(1,659)**	(40)

(b) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 26% (2010: 28%). The differences are explained below:

	Continuing operations		Discontinued operations		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Profit before taxation	**1,309**	1,777	**10,108**	7,758	**11,417**	9,535
Rate of corporation tax in the UK of 26.5% (2010: 28%)	**347**	498	**2,679**	2,172	**3,026**	2,670
Effects of:						
(Income not taxable)/expenses not deductible for tax purposes	**(495)**	167	**96**	–	**(399)**	167
Overseas tax rate differences	**481**	790	**–**	–	**481**	790
Adjustment due to deferred tax rate change	**(2,137)**	(892)	**–**	–	**(2,137)**	(892)
Adjustment in respect of prior periods	**(4,971)**	(282)	**(66)**	35	**(5,037)**	(247)
Income tax (credit)/expense in the income statement	**(6,775)**	281	**2,709**	2,207	**(4,066)**	2,488

(c) Deferred tax

Deferred income tax at 31 December relates to the following:

	Group balance sheet		Group income statement	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Deferred tax liability				
Intangible assets on acquisition	**(16,399)**	(22,808)	**(4,426)**	(4,271)
Other	**(2,435)**	(561)	**1,136**	1,241
	(18,834)	(23,369)	**(3,290)**	(3,030)
Deferred tax assets				
Post-employment benefits	**3,304**	1,705	**3,185**	–
Purchased goodwill	**5,349**	4,612	**(1,942)**	290
Other	**965**	1,337	**(3,212)**	(120)
	9,618	7,654	**(1,969)**	170
Deferred income tax credit			**(5,259)**	(2,860)
Deferred tax liabilities net	**(9,216)**	(15,715)		
Reflected in the balance sheet as follows:				
Deferred tax assets	**9,618**	7,654		
Deferred tax liabilities	**(18,834)**	(23,369)		
Deferred tax liabilities net	**(9,216)**	(15,715)		

8. Taxation continued

The gross movement in deferred tax is as follows:

	Note	2011 £'000	2010 £'000
At beginning of year		**(15,715)**	(18,209)
Acquisition	25	**1,954**	–
Income statement credit – continuing operations		**5,190**	2,856
Income statement credit – discontinued operations		**69**	4
Tax charge directly to equity		**(1,346)**	(366)
Reclassification from current tax to deferred tax		**712**	–
Transfer of assets of disposal group classified as held for sale		**(80)**	–
		(9,216)	(15,715)

(d) Factors that may affect future tax charges

There are estimated tax losses of £13,745,000 (2010: £9,980,000) within the Group, comprising capital losses of £7,348,000 and trading losses of £6,397,000. As the future use of these losses is uncertain, in accordance with the Group's accounting policy only a portion of these losses have been recognised as a deferred tax asset.

The amounts of deferred tax not recognised are as follows:

	2011 £'000	2010 £'000
Tax losses	**(846)**	(785)
Capital losses	**(1,837)**	(2,057)
	(2,683)	(2,842)

No deferred tax liability is recognised on temporary differences of £32.9 million (2010: £29.9 million) relating to the unremitted earnings of overseas subsidiaries. As a result of UK legislation, which largely exempts from UK tax the overseas dividends received, the temporary differences arising on unremitted profits are unlikely to lead to additional UK corporate taxes. Furthermore, although the remittance to the UK of those earnings could still result in a tax liability, arising as a result of withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate, such jurisdictions provide currently for zero dividend withholding tax in their tax agreements with the UK.

9. Discontinued operations

During 2011, the Group determined to dispose of its Oil Services business, comprising Gall Thomson and its subsidiaries, and undertook a process to identify preferred bidders which was completed in December 2011 (see note 31).

On 13 March 2012, the Group completed this sale. These activities have been presented as discontinued as they satisfy the definition of discontinued operations as defined by IFRS 5, as the disposal was highly probable at 31 December 2011.

Notes to the financial statements continued

9. Discontinued operations continued

Results attributable to discontinued operations are as follows:

	2011 £'000	2010 £'000
Revenue	**19,088**	13,748
Cost of sales	**(5,856)**	(3,935)
Gross profit	**13,232**	9,813
Administrative expenses	**(3,177)**	(2,204)
Operating profit	**10,055**	7,609
Analysed as:		
Operating profit before exceptional items and amortisation of intangible assets	**10,056**	7,609
Amortisation of intangible assets	**(1)**	–
Operating profit	**10,055**	7,609
Net finance income	**53**	149
Result from discontinued operations before taxation	**10,108**	7,758
Income tax expense	**(2,709)**	(2,207)
Net profit attributable to discontinued operations	**7,399**	5,551

The assets and liabilities comprising the operations classified as held for sale are as follows:

	2011 £'000
Assets of disposal group classified as held for sale	
Goodwill	**11,421**
Intangible assets	**35**
Property, plant and equipment	**393**
Deferred tax asset	**80**
Inventories	**1,127**
Trade and other receivables	**4,098**
Cash and cash equivalents	**3,960**
	21,114

	2011 £'000
Liabilities of disposal group classified as held for sale	
Current tax payable	**617**
Trade and other payables	**2,654**
	3,271

The net cash flows attributable to the operations classified as held for sale are as follows:

	2011 £'000
Net cash inflow from operating activities	**9,676**
Net cash outflow from investing activities	**(120)**
Net cash flow from financing activities	**–**
Net cash inflow	**9,556**

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.

	2011 '000	2010 '000
Weighted average number of shares (including treasury shares)	**137,287**	137,287
Treasury shares	**(7,580)**	(7,447)
Weighted average number of shares – basic	**129,707**	129,840
Effect of dilutive potential ordinary shares – LTIP awards and options	**1,011**	1,967
Weighted average number of shares – diluted	**130,718**	131,807

	2011 £'000	2010 £'000
Profit for the period – continuing operations	**8,084**	1,496
Profit for the period – discontinued operations	**7,399**	5,551
	15,483	7,047
Basic earnings per share		
From continuing operations	**6.23p**	1.15p
From discontinued operations	**5.71p**	4.28p
	11.94p	5.43p
Diluted earnings per share		
From continuing operations	**6.18p**	1.14p
From discontinued operations	**5.66p**	4.21p
	11.84p	5.35p

Earnings per share from continuing operations before exceptional items

Basic and diluted underlying earnings per share information is presented as an additional measure using the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

Underlying profit after taxation from continuing operations is derived as follows:

	2011 £'000	2010 £'000
Profit before taxation from continuing operations	**1,309**	1,777
Exceptional costs	**830**	395
Amortisation of intangible assets	**10,565**	11,749
Unwinding discount on provisions	**492**	559
Amortisation of borrowing costs	**3,148**	2,295
Underlying profit before taxation from continuing operations	**16,344**	16,775
Income tax expense	**6,775**	(281)
Adjustment due to tax rate change	**(2,137)**	(892)
Exceptional prior year tax adjustments	**(4,971)**	–
Tax effect on exceptional costs and amortisation of intangible assets	**(4,285)**	(4,199)
Underlying profit after taxation from continuing operations	**11,726**	11,403

Notes to the financial statements continued

10. Earnings per share continued

Underlying profit after taxation from discontinued operations is derived as follows:

	2011 £'000	2010 £'000
Profit before taxation from discontinued operations	**10,108**	7,758
Amortisation of intangible assets	**1**	–
Underlying profit before taxation from discontinued operations	**10,109**	7,758
Income tax expense	**(2,709)**	(2,207)
Underlying profit after taxation from discontinued operations	**7,400**	5,551

Earnings per share is summarised as follows:

	2011 £'000	2010 £'000
Basic earnings per share		
From continuing operations	**9.04p**	8.78p
From discontinued operations	**5.71p**	4.28p
	14.75p	13.06p
Diluted earnings per share		
From continuing operations	**8.97p**	8.65p
From discontinued operations	**5.66p**	4.21p
	14.63p	12.86p

11. Goodwill

	Note	£'000
Cost and net carrying value		
At 1 January 2010		219,850
Exchange difference		3,681
At 31 December 2010		223,531
Acquisition of subsidiary	25	2,389
Transfer of assets of disposal group classified as held for sale	9	(11,421)
Exchange difference		(313)
At 31 December 2011		**214,186**

Impairment tests for goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

CGUs are defined as the Group's reported operating segments, namely Building Products and Oil Services, which are consistent with the product segments reported in the segment analysis in note 3. In 2010, the Group reported three CGUs (LSS, Schlegel and Gall Thomson) then defined as the three groups of businesses acquired that each generated goodwill.

The recoverable amounts of the CGUs are determined from value in use calculations. Value in use is determined by discounting the future pre-tax cash flows generated from the continuing use of the CGU, using a pre-tax discount rate.

Cash flow projections are derived from financial plans approved by the Board and cover a three year period. They reflect management's expectations of revenue growth, operating cost and margin for each CGU based on past experience. Cash flows beyond the first three years have been extrapolated using revenue growth rates of 3.0% for Building Products and 3.5% for Oil Services. After the five year forecast period, no further growth in revenue and profit has been assumed based on a prudent view of long-term growth rates.

Discount rates are estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk profiles of the CGUs.

11. Goodwill continued

Additional disclosures for the two CGUs are as follows:

	Building Products 2011 £'000	Building Products 2010 £'000	Oil Services 2011 £'000	Oil Services 2010 £'000
Carrying amount of goodwill	**214,186**	212,110	**11,421**	11,421
Average discount rate	**11.2%**	11.0%	**8.5%**	11.0%
Average revenue growth for years 1 to 3	**6.1%**	2.4%	**4.8%**	17.2%
Average revenue growth rate for years 4 and 5	**3.0%**	3.0%	**3.5%**	3.0%

Sensitivity analysis was calculated on the basis of lowering the forecast earnings before interest, taxation, depreciation and amortisation ("EBITDA") by a constant percentage each year from year one onwards in perpetuity until the excess of value in use over the carrying value of the CGU's assets was reduced to zero. EBITDA would need to decrease by 25 percentage points for each year from year one onwards in perpetuity before any impairment would arise in respect of the CGU with the lowest impairment headroom.

12. Intangible assets

	Note	Computer software £'000	Acquired brands £'000	Customer relations £'000	Total £'000
Cost					
At 1 January 2010		245	33,013	115,600	148,858
Additions		119	78	–	197
Amounts written off		(7)	–	–	(7)
Exchange difference		–	489	2,197	2,686
At 31 December 2010		357	33,580	117,797	151,734
Additions		353	139	–	492
Acquisition of subsidiary	25	–	–	4,094	4,094
Transfer of assets of disposal group classified as held for sale		–	(36)	–	(36)
Exchange difference		6	(68)	(127)	(189)
At 31 December 2011		**716**	**33,615**	**121,764**	**156,095**
Amortisation					
At 1 January 2010		75	9,942	24,693	34,710
Amortisation for the year[1]		102	3,346	8,301	11,749
Amounts written off		(7)	–	–	(7)
Exchange difference		–	175	398	573
At 31 December 2010		170	13,463	33,392	47,025
Amortisation for the year[1]		118	2,314	8,134	10,566
Transfer of assets of disposal group classified as held for sale		–	(1)	–	(1)
Exchange difference		–	(38)	(77)	(115)
At 31 December 2011		**288**	**15,738**	**41,449**	**57,475**

1 Amortisation for the year is included in administrative expenses in the income statement.

	Computer software £'000	Acquired brands £'000	Customer relations £'000	Total £'000
Net book value				
At 31 December 2011	**428**	**17,877**	**80,315**	**98,620**
At 31 December 2010	187	20,117	84,405	104,709
At 1 January 2010	170	23,071	90,907	114,148

Certain brands and trademarks with a carrying value of £3,160,000 (2010: £3,230,000) 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 marketplaces, command a significant share of the markets in which they operate.

Notes to the financial statements continued

13. Property, plant and equipment

	Note	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2010		15,203	57,869	73,072
Additions		99	3,215	3,314
Disposals		–	(1,713)	(1,713)
Exchange difference		83	710	793
At 31 December 2010		15,385	60,081	75,466
Additions		170	4,214	4,384
Disposals		–	(1,481)	(1,481)
Acquisition of subsidiary	25	–	704	704
Transfer of assets of disposal group classified as held for sale		(329)	(673)	(1,002)
Exchange difference		(44)	(210)	(254)
At 31 December 2011		**15,182**	**62,635**	**77,817**
Accumulated depreciation				
At 1 January 2010		2,889	35,887	38,776
Charge for the year		376	6,117	6,493
Disposals		–	(1,637)	(1,637)
Impairment		–	200	200
Exchange difference		19	158	177
At 31 December 2010		3,284	40,725	44,009
Charge for the year		491	4,812	5,303
Disposals		–	(1,167)	(1,167)
Transfer of assets of disposal group classified as held for sale		(95)	(514)	(609)
Exchange difference		(9)	(171)	(180)
At 31 December 2011		**3,671**	**43,685**	**47,356**
Net book value				
At 31 December 2011		**11,511**	**18,950**	**30,461**
At 31 December 2010		12,101	19,356	31,457
At 1 January 2010		12,314	21,982	34,296

Depreciation in the year of £5,303,000 (2010: £6,493,000) is included in administrative costs in the income statement.

The carrying value of plant and machinery held under finance leases and hire purchase contracts at 31 December 2011 was £nil (2010: £15,000).

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

14. Inventories

	2011 £'000	2010 £'000
Raw materials and consumables	**12,388**	14,726
Work-in-progress	**2,010**	2,499
Finished goods	**12,029**	8,823
	26,427	26,048

The cost of materials charged to the income statement during the year ended 31 December 2011 was £109,197,000 (2010: £117,964,000).

As at 31 December 2011, inventories are stated net of an allowance for excess, obsolete or slow-moving items of £5,366,000 (2010: £7,449,000).

An impairment charge of £931,000 was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the group (2010: £nil).

15. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	**26,644**	30,533
Less: provision for impairment	**(2,587)**	(2,360)
Trade receivables – net	**24,057**	28,173
Other receivables – net	**1,441**	860
Prepayments and accrued income	**2,702**	3,889
Total trade and other receivables	**28,200**	32,922

All trade and other receivables are current. The net carrying values of trade and other receivables are considered to be a reasonable approximation of their fair values.

At 31 December 2011 trade receivables of £21,923,000 (2010: £25,389,000) were considered to be fully performing.

Net trade receivables of £2,072,000 (2010: £1,871,000) were past due but not impaired as at 31 December 2011. These relate to customers for whom there is no recent history of default. The ageing of the net trade receivables is as follows:

	Within normal payment terms		Past due		
	Fully performing £'000	Not fully performing £'000	Within 3 months £'000	3 to 6 months £'000	Over 6 months £'000
At 31 December 2011					
Trade receivables	**21,923**	**62**	**2,008**	**64**	**–**
At 31 December 2010					
Trade receivables	25,389	913	1,780	82	9

All of the Group's trade and other receivables have been reviewed for impairment. At 31 December 2011, trade receivables of £2,587,000 (2010: £2,360,000) were determined to be specifically impaired and provided for. The individually impaired receivables mainly relate to customers affected by difficult economic situations.

Notes to the financial statements continued

15. Trade and other receivables continued

Movements on the provisions for impairment of trade receivables are as follows:

	Note	2011 £'000	2010 £'000
At 1 January		**2,360**	1,909
Impairment losses recognised		**1,358**	974
Amounts written off during the year as uncollectible		**(651)**	(336)
Impairment losses reversed		**(205)**	(207)
Acquisition of subsidiary	25	**32**	–
Transfer of assets of disposal group classified as held for sale		**(302)**	–
Foreign exchange translation gains and losses		**(5)**	20
At 31 December		**2,587**	2,360

The creation of provisions for impaired trade receivables is included in administrative expenses in the income statement.

Ageing of impaired trade receivables:

	2011 £'000	2010 £'000
Trade receivables within normal payment terms not fully performing	**995**	1,095
Trade receivables past due date and aged up to three months from invoice date	**1,297**	1,000
Trade receivables past due and aged between three and twelve months after invoice date	**295**	265
	2,587	2,360

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

	2011 £'000	2010 £'000
British Pounds	**13,060**	14,394
US Dollars	**9,924**	11,520
Euros	**2,887**	4,242
Other currencies	**2,329**	2,766
	28,200	32,922

16. Cash and cash equivalents

	2011 £'000	2010 £'000
Cash at bank and in hand	**25,822**	28,949
Short-term deposits	**14,945**	13,333
Bank overdrafts	**(16,381)**	(14,534)
	24,386	27,748
Cash held in disposal group classified as held for sale	**(3,960)**	–
	20,426	27,748

17. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	**20,435**	19,773
Other taxes and social security costs	**1,808**	2,596
Accruals and accrued income	**12,389**	17,996
	34,632	40,365

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

17. Trade and other payables continued

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

	2011 £'000	2010 £'000
British Pounds	**17,948**	21,391
US Dollars	**11,280**	13,413
Euros	**3,084**	3,468
Other currencies	**2,320**	2,093
	34,632	40,365

18. Provisions

	Property related £'000	Restructuring £'000	Warranty £'000	Other £'000	Total £'000
At 1 January 2010	13,088	731	1,474	5,722	21,015
Provided during the year	142	412	607	–	1,161
Utilised during the year	(1,604)	(472)	(439)	–	(2,515)
Released during the year	(565)	(307)	(100)	(700)	(1,672)
Unwinding of discount	559	–	–	–	559
Exchange differences	13	12	–	–	25
At 31 December 2010	11,633	376	1,542	5,022	18,573
Provided during the year	262	105	1,201	300	1,868
Utilised during the year	(1,290)	(228)	(336)	–	(1,854)
Released during the year	(1,165)	(56)	(187)	(1,700)	(3,108)
Unwinding of discount	492	–	–	–	492
Exchange differences	(9)	2	33	–	26
At 31 December 2011	**9,923**	**199**	**2,253**	**3,622**	**15,997**
Current liabilities	1,153	175	100	82	1,510
Non-current liabilities	8,770	24	2,153	3,540	14,487
Total	9,923	199	2,253	3,622	15,997

Current liabilities are those aspects of provisions that are expected to be utilised within the next year.

Property related
Property provisions relate to provisions for onerous leases of £7,936,000, and leasehold dilapidations of £1,987,000, and are expected to be utilised by 2018.

For onerous leases, the Group has provided for the rental payments due over the remaining term of existing operating lease contracts where a period of vacancy is ongoing. The provision has been calculated after taking into account both the periods over which properties are likely to remain vacant and any likely sub-lease income on a property-by-property basis. The provision covers potential transfer of economic benefit over the full range of current lease commitments disclosed in note 28.

The provision for leasehold dilapidations relates to contractual obligations to reinstate leasehold properties to their original state of repair. The transfer of economic benefits will occur at the end of the leases set out in note 28.

Restructuring
Restructuring provisions include provisions for staff redundancy costs at restructured/closed business units and are expected to be utilised by the end of 2013.

Warranty
The warranty provision is calculated based on historical experience of the ultimate cost of settling product warranty claims and potential claims. Warranty provisions are expected to be utilised by the end of 2017.

Other
Other provisions comprise taxation and inventory-related provisions, expected to be utilised by 2013 and 2018 respectively.

Notes to the financial statements continued

19. Interest-bearing loans and borrowings

	2011 £'000	2010 £'000
Unsecured borrowing at amortised cost		
Bank loans	**113,080**	–
Secured borrowing at amortised cost		
Bank loans	**85**	119,467
Finance lease liabilities	**–**	10
	85	119,477
Total borrowings	**113,165**	119,477
Analysed as:		
Amount due for settlement within 12 months	**12,930**	5,172
Amount due for settlement after 12 months	**100,235**	114,305
	113,165	119,477

On 14 September 2011, the Group entered into a new debt facility agreement which extends the Group's committed facilities to 31 March 2016. The multicurrency term loan of £110 million, as well as the £30 million multicurrency working capital facility, are unsecured and guaranteed by Lupus Capital plc and its principal subsidiary companies.

At 31 December 2011, the Group had drawn down $4,000,000 of the £30 million multicurrency working capital facility.

Scheduled repayments are to commence annually on 31 December 2012 and will continue until 31 December 2015, with the balance outstanding payable on the termination date of the facility, being 31 March 2016.

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

20. Derivative financial instruments

	2011		2010	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Cash flow hedges:				
Interest rate swaps	**–**	**(777)**	–	(1,998)

Cash flow hedges

The full fair value of the hedging derivatives are classified as a non-current asset or liability if the remaining maturity of the hedged instrument is more than 12 months and, as a current asset or liability, if the hedged item is less than 12 months. Fair value measurements are based on quoted prices in active markets for the same instrument.

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2011 were £95.7 million (2010: £120.5 million).

During the year £1,228,000 (2010: £564,000) was recognised in the statement of comprehensive income and £8,000 (2010: £26,000) in the income statement for change in the value of cash flow hedges.

Details of the interest rate swaps are as follows:

	Notional amount '000	Fixed interest rate paid	Floating interest rate received	Fair value '000
At 31 December 2011				
US Dollar swaps	**$93,300**	**1.850%**	**0.4625%–0.5484%**	**$880**
British Pounds swaps	**£35,300**	**2.045%**	**1.0252% – 1.2306%**	**£208**
At 31 December 2010				
US Dollar swaps	$112,500	1.850%	0.4394%–0.4625%	$2,203
British Pounds swaps	£47,800	2.045%	0.8794%–1.0252%	£574

20. Derivative financial instruments continued

Fair value measurement

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Other techniques for which all inputs which have significant effect on the recorded fair value are observable either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value which are not based on observable market data.

Derivatives shown at fair value in the balance sheet have been valued by reference to level 2 techniques described above.

Net investment hedges

The Group uses foreign currency denominated debt to hedge the value of its foreign currency denominated net assets due to movements in foreign exchange rates. The value of the net investment hedge was £78,518,000 at 31 December 2011 (2010: £74,483,000). This hedge is considered highly effective, and no ineffective portion has been recognised in profit or loss.

21. Financial instruments: risk profile

Capital risk management

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents (note 16), borrowings (note 19) and equity attributable to the shareholders of the parent as disclosed in the consolidated statement of changes in equity.

Financial management

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 A-2 as published by Standard and Poor's. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance of these counterparties.

Credit risk is also attributable to the Group's exposure to trade receivables due from 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. There are no significant concentrations of credit risk due to the diverse nature of the Group's client base.

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.

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:

	2011 £'000	2010 £'000
Classes of financial instruments – carrying amounts		
Cash and cash equivalents	**24,386**	27,748
Trade and other receivables	**28,200**	32,922
At 31 December	**52,586**	60,670

Notes to the financial statements continued

21. Financial instruments: risk profile continued

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.

During the year ended 31 December 2011 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 1 yr £'000	Between 1 and 2 yrs £'000	Between 2 and 5 yrs £'000	Total £'000
Borrowings	12,930	10,409	89,826	113,165
Derivative financial instruments	777	–	–	777
Interest cash flows on debt and derivatives, settled net	2,830	2,829	5,219	10,878
Trade and other payables	32,824	1,450	–	34,274
At 31 December 2011	**49,361**	**14,688**	**95,045**	**159,094**
Borrowings	5,172	114,305	–	119,477
Derivative financial instruments	–	1,998	–	1,998
Interest cash flows on debt and derivatives, settled net	6,040	2,905	–	8,945
Trade and other payables	40,365	1,559	–	41,924
At 31 December 2010	51,577	120,767	–	172,344

Derivative financial instruments mature between 3 months and 1 year from 31 December 2011.

Interest rate risk

The interest rate profile of the Group's borrowings as at 31 December 2011 was as follows:

	Floating rate liabilities £'000	Fixed rate liabilities £'000	Total £'000
At 31 December 2011			
British Pounds	36,210	–	36,210
US Dollars	76,955	–	76,955
	113,165	**–**	**113,165**
At 31 December 2010			
British Pounds	46,867	–	46,867
US Dollars	72,600	10	72,610
	119,467	10	119,477

The interest rate on the floating rate bank loans are linked to LIBOR.

	Floating rate borrowings[1] £'000	Covered interest swaps £'000	Swap fixed rate %
At 31 December 2011			
British Pounds	36,986	29,400	2.045
US Dollars	78,518	60,377	1.850
	115,504	**89,777**	
At 31 December 2010			
British Pounds	47,914	47,800	2.006
US Dollars	74,483	72,717	1.850
	122,397	120,517	

1 These amounts exclude capitalised loan fees.

Interest rate sensitivity

The impact of a 50 basis point movement in floating interest rates on borrowings would have a circa £0.6 million impact on profits. This impact would be reduced by the tax effect on such a change.

21. Financial instruments: risk profile continued

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 1.82% during the year (2010: 2.15%).

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, the Renminbi 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.

Closing rates:	**2011**	2010
US Dollars	**1.5453**	1.5471
Euros	**1.1933**	1.1675

Average rates:		
US Dollars	**1.6040**	1.5463
Euros	**1.1523**	1.1661

Foreign currency exchange rate sensitivity

The Group receives approximately 42% of its revenues and incurs approximately 43% of its costs in US Dollars. The Group is therefore sensitive to movements in US Dollars against British Pounds. Each 6% movement in the US Dollars to British Pounds exchange rate has circa £0.7 million impact on operating profits and equity. Offsetting this will be reductions to US Dollars interest and US tax liabilities. This analysis assumes all other variables, including interest rates, remain constant.

The Group receives approximately 10% of its revenues and incurs approximately 13% of its costs in Euros. Each 3% movement in the Euro to British Pounds exchange rate has 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 constant.

The movements in exchange rates are considered to be indicative of the historic average movements in exchange rates.

The impact of movements in other exchange rates is immaterial.

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

	US Dollars £'000	Euros £'000	Other £'000	Total £'000
Short-term exposure				
Financial assets	17,280	6,425	3,462	27,167
Financial liabilities	(11,302)	(3,084)	(2,320)	(16,706)
At 31 December 2011	**5,978**	**3,341**	**1,142**	**10,461**
Long-term exposure				
Financial assets	–	–	–	–
Financial liabilities	(79,493)	(172)	(10)	(79,675)
At 31 December 2011	**(79,493)**	**(172)**	**(10)**	**(79,675)**
Short-term exposure				
Financial assets	18,818	6,323	3,445	28,586
Financial liabilities	(16,031)	(3,468)	(2,093)	(21,592)
At 31 December 2010	2,787	2,855	1,352	6,994
Long-term exposure				
Financial assets	–	–	–	–
Financial liabilities	(75,322)	(153)	(30)	(75,505)
At 31 December 2010	(75,322)	(153)	(30)	(75,505)

Notes to the financial statements continued

22. Pensions and other post-employment benefit plans

22.1 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 £nil (2010: £38,000) included within employee benefit liabilities.

22.2 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 2011. When revalued, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the net periodic benefit cost; these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. 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 and costs. 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 consolidated statement of comprehensive income.

The pension scheme is closed to new entrants; as a result the service costs to the Group will rise in future years. The expected level of contributions to the defined benefit scheme and post-retirement healthcare scheme in the year to December 2012 is £1,314,000 (2011: £1,266,000).

Other defined benefit pension schemes had net liabilities of £nil (2010: £230,000).

Amounts recognised in the income statement in respect of the defined benefit pension and post-retirement benefit schemes:

	2011 £'000	2010 £'000
Included in operating profit		
Current service cost	**254**	255
Past service cost	**256**	–
	510	255
Included in finance income and costs		
Interest cost	**977**	1,009
Expected return on plan assets	**(848)**	(757)
	129	252

The major assumptions used by the actuary were:

	2011	2010
Rate of increase in salaries	**N/A**	N/A
Long-term rate of inflation	**3.0%**	3.0%
Rate of increase in pensions in payment	**0.0%**	0.0%
Discount rate	**4.5%**	5.5%
Health care cost trend[1]	**9.0%–5.0%**	9.0%–5.0%

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

22. Pensions and other post-employment benefit plans continued

Life expectancy assumptions were:

	2011	2010
Life expectancies for someone aged 65 in year of valuation – males	**19.8**	19.7
Life expectancies for someone aged 65 in year of valuation – females	**21.7**	21.6
Life expectancy at age 65 for someone aged 45 in year of valuation – males	**21.3**	21.2
Life expectancy at age 65 for someone aged 45 in year of valuation – females	**22.6**	22.5

The mortality assumptions employed in determining the present value of scheme liabilities under IAS 19 are in accordance with the underlying funding valuations and represented actuarial best practice in the relevant jurisdictions taking account of mortality experience and industry circumstances.

Amounts recognised in the consolidated statement of comprehensive income in respect of the defined benefit pension and post-retirement benefit schemes:

	2011 £'000	2010 £'000
Actual return on plan assets	**120**	1,380
Expected return on plan assets	**(848)**	(757)
Experience (loss)/gain on assets	**(728)**	623
Experience loss on liabilities	**(2,217)**	(481)
Net (loss)/gain before exchange	**(2,945)**	142
Foreign exchange differences	**(95)**	(219)
Amounts recognised during the year	**(3,040)**	(77)
Gross amounts recognised in other comprehensive income	**(4,699)**	(117)
Tax on gross amounts recognised	**1,659**	40
Amounts recognised during the year	**(3,040)**	(77)

Changes in the present value of the benefit obligation were as follows:

Change in defined benefit obligation	2011 £'000	2010 £'000
Defined benefit obligation at beginning of year	**18,866**	17,440
Current service cost	**254**	255
Interest cost	**977**	1,009
Plan participant contribution	**50**	67
Actuarial loss	**2,217**	481
Benefits paid	**(918)**	(901)
Past service cost	**256**	–
Foreign exchange	**129**	515
Defined benefit obligation at end of year	**21,831**	18,866

Changes in the fair value of plan assets were as follows:

Change in plan assets	2011 £'000	2010 £'000
Fair value of plan assets at beginning of year	**11,622**	9,942
Actual return on plan assets	**120**	1,380
Plan participant contributions	**50**	67
Employer contributions	**1,191**	841
Benefits paid	**(918)**	(901)
Foreign exchange	**34**	293
Fair value of plan assets at end of year	**12,099**	11,622

Notes to the financial statements continued

22. Pensions and other post-employment benefit plans continued

The fair value of plan assets by asset category was as follows:

Plan assets by category	2011 £'000	2010 £'000
Equity securities	**2,924**	7,414
Debt securities	**7,965**	3,473
Real estate	**726**	734
Other	**484**	1
Total	**12,099**	11,622

The expected return on plan assets was 8.11% (2010: 8.08%).

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income since acquiring the pension obligations in April 2007 is as follows:

	£'000
Recognised in 2007 financial year	(105)
Recognised in 2008 financial year	(3,669)
Recognised in 2009 financial year	(926)
Recognised in 2010 financial year	(77)
Recognised in 2011 financial year	(3,040)
Cumulative actuarial loss recognised in the consolidated statement of comprehensive income	(7,817)

History of scheme assets, liabilities and actuarial gains and losses:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of plan assets at the end of the year	**12,099**	11,622	9,942	8,506	7,245
Defined benefit obligation at end of year	**(21,831)**	(18,866)	(17,440)	(15,822)	(10,503)
Deficit at the end of the year	**(9,732)**	(7,244)	(7,498)	(7,316)	(3,258)
Actual return less expected return on scheme assets	**(728)**	623	1,073	(2,392)	(335)
% of scheme assets	**(6.0)%**	5.4%	10.8%	(28.1)%	(4.6)%
Experience (loss)/gain arising on scheme obligations (present value)	**(2,217)**	(481)	(2,682)	(799)	182
% of scheme obligations (present value)	**10.2%**	2.5%	15.4%	5.0%	(1.7)%

23. Share capital

	Number of shares '000	Ordinary shares of 5p each £'000
As at 31 December 2010 and 31 December 2011	**137,287**	**6,864**

The total authorised number of ordinary shares is 180,000,000 (2010: 180,000,000) with a par value of 5p per share (2010: 5p per share). All issued shares are fully paid.

Share based payments

In 2011, the Group operated the 2008 Share Option Scheme and the LTIP. All options over the 1,413,000 shares awarded under the 2008 Share Option Scheme lapsed on 23 March 2011. The nil cost options awarded under the LTIP were valued using a probability model to predict EPS levels. The charge to the income statement in 2011 was £172,000 (2010: £63,000).

23. Share capital continued

LTIP

Conditional, annual awards of shares are granted under the LTIP to certain executive directors and senior managers at the discretion of the Remuneration Committee. Provided the participant remains an employee of the Group and the performance conditions are met, awards will vest three years after the date of the grant at no cost to the employee. The percentage of shares that will actually vest is dependent upon the Group's earnings per share growth over a three year measurement period ending 31 December 2013. Further information on the LTIP and the performance conditions is given in the Remuneration Report.

The fair value of the awards granted under the LTIP and the assumptions used in the calculation of the share based payment charge are as follows:

	LTIP	LTIP
Valuation model	Probability model to predict EPS levels	Probability model to predict EPS levels
Date of grant	11 December 2010	29 July 2011
Number granted	1,413,000	699,000
Share price at date of award	107 pence	123 pence
Fair value (pence)	34 pence	35 pence
Exercise price (pence)	Nil pence	Nil pence
Expected life of award	3 years	3 years
Vesting conditions	Continuous service and cumulative underlying EPS over 3 years 2011 to 2013 in range of 38 to 47 pence	Continuous service and cumulative underlying EPS over 3 years 2011 to 2013 in range of 41 to 50 pence

Movements in the number of outstanding conditional awards of shares are as follows:

	2011 Number of shares '000	2010 Number of shares '000
At 1 January	**1,413**	–
Granted	**699**	1,413
Lapsed	**(90)**	–
31 December	**2,022**	1,413

24. Dividends

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2010 of 2p per share	**2,596**	–
Amounts not recognised in the financial statements:		
Proposed final dividend for the year ended 31 December 2011 of 3.5p per share	**4,544**	–

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Notes to the financial statements continued

25. Acquisition of subsidiary

On 20 December 2011, the Group acquired 100 per cent of the issued share capital of Overland Products Company, Inc, obtaining control of Overland Products Company, Inc. Overland Products Company, Inc is based in Fremont, Nebraska and supplies an extensive range of stampings for a wide range of applications, mainly for the fenestration market, which provides the Group with access to new markets and customers.

Recognised amounts of identifiable assets and liabilities acquired:

	Book value £'000	Fair value £'000
Property, plant and equipment	57	704
Intangible assets	–	4,094
Inventories	1,382	1,220
Trade and other receivables	479	447
Trade and other payables	(427)	(443)
Loan borrowings	(85)	(85)
Deferred taxation	–	1,954
Total identifiable assets		7,891
Goodwill arising on acquisition		2,389
Total consideration		10,280

Satisfied by:

	£'000
Cash	10,280

The fair value of the financial assets includes trade and other receivables with a fair value of £447,000 and a gross contractual value of £479,000. The best estimate at the acquisition date of the contractual cash flows not recoverable is £32,000.

The Group incurred acquisition related costs of £282,000 for professional fees paid for due diligence, other general professional fees and legal advice. These costs have been included in exceptional costs in the Group's consolidated income statement.

Had the acquisition of Overland Products Company, Inc been completed on the first day of the financial year, an additional £6.6 million of revenue and £1.0 million of profit before taxation would have been contributed to the Group.

Fair values remain provisional in relation to this acquisition and the Group will complete this review in 2012. Any adjustment to the carrying value is unlikely to be significant to the individual acquisition.

The estimated value of intangibles, including goodwill, deductible for tax purposes is $13,037,000.

26. Adjustments to cash flows from operating activities

The following non-cash and financing adjustments have been made to profit before tax for the year to arrive at operating cash flow:

	2011 £'000	2010 £'000
Net finance costs	**9,642**	11,996
Depreciation	**5,303**	6,493
Amortisation	**10,566**	11,749
Intangible and non-current assets written off	**314**	76
Non-cash adjustments	**338**	289
Share based payments	**172**	63
	26,335	30,666

27. Contingent liabilities

	2011 £'000	2010 £'000
Financial guarantees	–	983
Performance bonds	**145**	9
	145	992

The performance bonds relate to guarantees provided by the bank on which no losses are anticipated. These performance bonds extend to July 2013.

The 2010 financial guarantees principally related to letters of credit provided by banks in respect of workers' compensation claims on which no losses were anticipated. The financial guarantees expired in the 2011 year.

28. 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	
	2011 £'000	2010 £'000
Not later than one year	**3,208**	3,422
After one year but less than five years	**13,120**	12,717
Over five years	**7,144**	7,106

	Other	
	2011 £'000	2010 £'000
Not later than one year	**309**	410
After one year but less than five years	**431**	537
Over five years	**9**	62

Notes to the financial statements continued

29. Investments in subsidiaries

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

Subsidiary company	Country of incorporation	Nature of business
Octroi Group Limited	UK	Investment company
Lupus Capital Management Limited	UK	Management services
Schlegel Acquisition Holdings Limited	UK	Holding company
Schlegel UK (2006) Limited[1]	UK	Building products
Schlegel Systems Inc	USA	Building products
Schlegel Australia Pty Limited[1]	Australia	Building products
Schlegel GmbH	Germany	Building products
Schlegel Belgium BVBA[1]	Belgium	Building products
Schlegel SRL[1]	Italy	Building products
Schlegel Taliana SL[1]	Spain	Building products
Jasper Acquisition Holdings Limited	UK	Holding company
Jasper Acquisition Limited[1]	UK	Holding company
Amesbury Acquisition Holdings (No 2) Inc[1]	USA	Holding company
Amesbury Holdings Limited[1]	UK	Holding company
Amesbury Industries Inc[1]	USA	Building products
Amesbury Financial Holdings LLC[1]	USA	Holding company
Lupus Investments[1]	UK	Investment company
Amesbury Door Hardware Inc (SD)[1]	USA	Building products
Amesbury Group Inc[1]	USA	Holding company
Amesbury Group Plastic Profiles Inc[1]	USA	Building products
Bandlock Corporation Inc[1]	USA	Building products
Balance Systems Inc[1]	USA	Building products
Fastek Products Inc[1]	USA	Building products
Overland Products Inc[1]	USA	Building products
grouphomesafe Limited[1]	UK	Holding company
Balance UK Limited[1]	UK	Building products
ERA Products Limited[1]	UK	Building products
EWS (Manufacturing) Limited[1]	UK	Building products
Linear Limited[1]	UK	Building products
Securidor Holdings Limited[1]	UK	Building products
Ventrolla Limited[1]	UK	Building products

1 Held by a subsidiary.

30. Related party transactions

The following transactions were carried out with related parties of Lupus Capital plc:

Subsidiaries

Transactions between the Company and its subsidiaries which are related parties are eliminated on consolidation. There were no transactions between the Company and its subsidiaries, apart from intercompany loans.

Key management compensation

Compensation for Directors who have the sole responsibility for planning, directing and controlling the Group is disclosed in note 6.

Full details of individual Directors' remuneration are given in the Remuneration Report on pages 27 to 33.

31. Post-balance sheet events

Disposal

On 13 March 2012, Lupus Capital plc entered into an unconditional agreement to sell the Group's Oil Services division, Gall Thomson, to Copper Bidco Limited, a company controlled by Phoenix Equity Partners for a total cash consideration of approximately £75 million, subject to certain post-completion adjustments relating to the amounts of cash and net working capital held in the Gall Thomson Group at the date of disposal.

Approximately £30 million of the disposal proceeds will be applied in permanent pay down of the Group's debt facilities, offsetting future scheduled repayments. Approximately £2 million of the disposal proceeds will be spent on fees and expenses relating to the disposal. The disposal will lead to an accounting profit on disposal of approximately £53 million which will be recognised in the 2012 Financial Statements.

The cash consideration payable for Gall Thomson represents an exit multiple of 3.9x Gall Thomson's 2011 sales and 7.4x 2011 EBITDA. The Board believes that the valuation placed on Gall Thomson recognises the high quality of the Oil Service businesses and that, following the disposal, Lupus's focus of resources on the Building Products division will be in the best interest of Lupus shareholders as a whole.

Onerous lease

On 2 March 2012, the Group concluded an agreement with a third party to assign the lease and exit Unit A, the remaining property on the Peterlee site. This will result in savings of £2.1 million in cash costs of rent, rates, utilities and services over the next six years to March 2018 and the release to the income statement in 2012 of £1.9 million of provisions, which will increase profit after tax by approximately £1.4 million.

Independent auditor's report 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 2011 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements
In our opinion the parent company financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters
We have reported separately on the group financial statements of Lupus Capital plc for the year ended 31 December 2011.

Steve Maslin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
20 April 2012

Company balance sheet

As at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investment in subsidiaries	4	**192,453**	192,453
		192,453	192,453
Current assets			
Debtors	5	**9,835**	7,048
Cash at bank and in hand		**16,456**	19,889
		26,291	26,937
Creditors: Amounts falling due within one year	6	**(5,956)**	(5,288)
Net current assets		**20,335**	21,649
Total assets less current liabilities		**212,788**	214,102
Creditors: Amounts falling due after one year	6	**(7,876)**	(7,876)
Net assets		**204,912**	206,226
Capital and reserves			
Called up share capital	8	**6,864**	6,864
Share premium	8	**101**	101
Other reserves	8	**8,920**	8,920
Treasury reserve	8	**(7,014)**	(6,764)
Retained earnings	8	**196,041**	197,105
Shareholders' funds		**204,912**	206,226

The financial statements were approved by the Board on 20 April 2012.

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

Notes to the company financial statements

1. Accounting policies

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

As the Group forecasts that it will be able to meet its debt facility interest and repayment obligations in 2011 and that trading will be at least flat in comparison to 2010, the Group has assumed that the going concern basis of preparation of these financial statements is appropriate.

Accounting convention
The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the financial statements have been prepared in accordance with applicable UK accounting standards (UK GAAP).

The separate financial statements have been prepared using the historical cost convention. All other accounting policies remain unchanged from those used in the last annual accounts.

Operating leases
Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the lease term.

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

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.

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

Share based payments
The Company has applied the requirements of FRS 20 Share based Payments. The Company issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value at the date of grant.

The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using a probability model to predict EPS levels.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported profit for the financial year ended 31 December 2011 of £1,360,000 (2010: £8,677,000).

3. Employees

Other than the Directors, there were no employees of the Company during the year (2010: nil). Directors' emoluments are set out in the Directors' Remuneration Report in the Group's accounts.

4. Investment in subsidiaries

	£'000
Cost	
At 1 January 2010	185,764
Subscription of shares	7,300
At 31 December 2010 and 31 December 2011	**193,064**
Impairment	
At 1 January and 31 December 2010	611
Charge for the year	–
At 31 December 2011	**611**
Net book value	
At 31 December 2010 and 31 December 2011	**192,453**

The 2010 subscription of shares relates to two subscriptions of shares in Lupus Capital Management Limited and Jasper Acquisition Holdings Limited of £5,000,000 and £2,300,000 respectively.

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

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

5. Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	**9,835**	7,048

The amounts due from subsidiary undertakings are repayable on demand but are unlikely to be repaid within one year.

6. Creditors

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	**5,484**	4,826
Corporation tax	**472**	462
	5,956	5,288
Amounts falling due after one year:		
Loan notes to Group undertakings	**7,876**	7,876
	7,876	7,876

The loan note is between the Company and Octroi Group Limited, a subsidiary, and interest is charged at a fixed rate of 2 per cent per annum, payable half yearly in arrears.

7. Share capital

The share capital of the Company is as set out in note 23 of the Group accounts.

Notes to the company financial statements continued

8. Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium account £'000	Other reserves £'000	Treasury reserve £'000	Profit & loss account £'000	Total £'000
At 1 January 2010	6,864	101	8,920	(6,764)	188,365	197,486
Shares issued net of costs	–	–	–	–	–	–
Profit for the year	–	–	–	–	8,677	8,677
Share based payments	–	–	–	–	63	63
At 31 December 2010	6,864	101	8,920	(6,764)	197,105	206,226
Purchase of treasury shares	–	–	–	(250)	–	(250)
Dividends paid	–	–	–	–	(2,596)	(2,596)
Profit for the year	–	–	–	–	1,360	1,360
Share based payments	–	–	–	–	172	172
At 31 December 2011	**6,864**	**101**	**8,920**	**(7,014)**	**196,041**	**204,912**

Details of share based payments are provided in note 23 of the Group accounts.

9. Financial commitments

At 31 December 2011 the Company had future annual lease commitments under non-cancellable operating leases as stated below. These commitments were met on the Company's behalf by Lupus Capital Management Limited.

	Land and buildings	
	2011 £'000	2010 £'000
Expiry date		
Within one year	**113**	14
After one year but less than five years	**226**	–

10. Related party transactions

During the year, the Company had the following transactions and balances with related parties:

	2011 £'000	2010 £'000
Transactions		
Interest paid to subsidiaries	**(158)**	(158)
Balances		
Amounts owed by Group undertakings	**9,835**	7,048
Amounts owed to Group undertakings	**(5,484)**	(4,826)
Loan notes to Group undertakings	**(7,876)**	(7,876)

11. Post-balance sheet events

On 13 March 2012, Lupus Capital plc entered into an unconditional agreement to sell the Group's Oil Services division, Gall Thomson, to Copper Bidco Limited, a company controlled by Phoenix Equity Partners for a total cash consideration of approximately £75 million, subject to certain post-completion adjustments relating to the amounts of cash and net working capital held in the Gall Thomson Group at the date of disposal.

Approximately £30 million of the disposal proceeds will be applied in permanent pay down of the Group's debt facilities, offsetting future scheduled repayments. Approximately £2 million of the disposal proceeds will be spent on fees and expenses relating to the disposal. The disposal will lead to an accounting profit on disposal of approximately £53 million which will be recognised in the 2012 Financial Statements.

The cash consideration payable for Gall Thomson represents an exit multiple of 3.9x Gall Thomson's 2011 sales and 7.4x 2011 EBITDA. The Board believes that the valuation placed on Gall Thomson recognises the high quality of the Oil Service businesses and that, following the disposal, Lupus's focus of resources on the Building Products Division will be in the best interest of Lupus shareholders as a whole.

Advisers

Registered office
65 Buckingham Gate
London, SW1E 6AS

Website
www.lupuscapital.co.uk

Auditors
Grant Thornton UK LLP
Grant Thornton House
Melton Street
London, NW1 2EP

Registrar
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

Nominated adviser and broker
Canaccord Genuity Limited
88 Wood Street
London, EC1V 7QR

Definitions

- Where appropriate "Underlying" is defined as before amortisation of intangible assets, deferred tax on amortisation of intangible assets, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs and the associated tax effect.
- "Underlying Net Debt" is defined as interest bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back.
- "Operating Cash Conversion" is defined as Net cash inflow from operating activities before Income tax paid and after Payments to acquire property, plant and equipment divided by Underlying operating profit.
- "Dropthrough Margin" is defined as Incremental Underlying Operating Profit as a percentage of Incremental Sales.

Roundings

- Percentage increase/decrease numbers have been calculated using figures rounded to the nearest thousand from the financial statements, which may lead to small differences in some figures and percentages quoted.

Exchange rates

Closing rates:	**2011**	2010
US Dollars	**1.5453**	1.5471
Euros	**1.1933**	1.1675

Average rates:		
US Dollars	**1.6040**	1.5463
Euros	**1.1523**	1.1661

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Lupus Capital plc (company number 2806007) will be held at the offices of College Hill, The Registry, Royal Mint Court, London EC3N 4QN, on 25 May 2012 at 10:30 am, 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 2011 together with the reports of the directors and auditors.

2. To declare a final dividend of 3.50p per ordinary share for the financial year ended 31 December 2011.

3. To re-elect Mr Pike.

4. To re-elect Mr Eperjesi.

5. To re-elect Mr Brotherton.

6. To re-elect Mr Tench.

7. To re-elect Mr Towers.

8. To appoint PricewaterhouseCoopers LLP as independent auditors of the Company to hold office until the conclusion of the next Annual General Meeting.

9. To authorise the directors to set the remuneration of the independent auditors.

10. To approve the Directors' Remuneration Report for the financial year ended 31 December 2011.

11. THAT the directors be and are hereby generally and unconditionally authorised (in substitution for all existing authorities) to exercise all powers of the Company in accordance with section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £2,164,013.30 (being one-third of the issued share capital excluding treasury shares of the Company as at the date of the notice of this meeting) such authority shall expire on 1 July 2017 (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 shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if this authority had not ended.

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

12. THAT the directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash and/or sell equity securities held as treasury shares pursuant to section 570 of the Act, as if section 561(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 pre-emptive 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 of (otherwise than pursuant to 12(A) above) of equity securities and/or sale of equity securities held as treasury shares up to an aggregate nominal value of £343,218.70 (being 5% of the issued share capital as at the date of the notice of this meeting),

    and shall expire on the close of the Annual General Meeting of the Company in 2013 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.

13. THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693 (4) of the Companies Act 2006) 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, being 14.99% of the Company's voting ordinary shares in issue (excluding treasury shares) 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 2013; 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.

14. THAT the Articles of Association of the Company be amended by adding the following as Article 133:

    NAME
    The Company may change its name by resolution of the Board.

By order of the Board

Kevin O'Connell
Company Secretary
20 April 2012

Registered Office:
65 Buckingham Gate,
London SW1E 6AS

NOTES

Website address

1. Information regarding the meeting is available from www.lupuscapital.co.uk.

Entitlement to attend and vote

2. Only those holders of ordinary shares registered on the Company's register of members at 6:00 pm on 23 May 2012; or, if this meeting is adjourned, at 6:00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

Appointment of Proxies

3. Members entitled to attend, speak and vote at the meeting (in accordance with Note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at note 7 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of ordinary shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

4. You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.

5. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

   A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

Notice of Annual General Meeting continued

Appointment of Proxy using Hard Copy Form

6. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU at 10.30 am on 23 May 2012 in respect of the meeting.

   Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Capita Registrars no later than 48 hours before the rescheduled meeting.

   On completing the Form of Proxy, sign it and return it to Capita Registrars at the address shown on the reverse of the Form of Proxy. As postage has been pre-paid no stamp is required. You may, if you prefer, return the Form of Proxy in a sealed envelope to the address shown above.

Appointment of Proxies through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using 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(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. 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 by CREST. After this time any change of instructions to proxies appointees through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 10.30 am on 23 May 2012 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Capita Registrars no later than 48 hours before the rescheduled meeting.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid.

   If you submit more than one valid proxy appointment in respect of the same ordinary shares, the appointment received last before the latest time for receipt of proxies will take precedence.

   Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

Issued Shares and total voting rights

9. The total number of shares in issue in the Company is 137,287,481 ordinary shares of 5p each. Of these 7,446,683 are held in Treasury. Therefore the total number of ordinary shares with voting rights is 129,840,798. On a vote by a show of hands, every holder of ordinary shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of ordinary shares who is present in person or by proxy shall have one vote for every ordinary share held by him.

Communication

10. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
    - calling Capita Registrar's shareholder helpline (lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays):
      (i) from UK: 0871 664 0300 (calls cost 10p per minute plus network extras);
      (ii) from Overseas: +44 208 639 3399 (calls from outside the UK are charged at applicable international rates); or
    - in writing to Capita Registrars.

    You may not use any electronic address provided either:
    - in this notice of meeting; or
    - any related documents (including the Form of Proxy for this meeting)

    to communicate with the Company for any purposes other than those expressly stated.

The Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("the Plan") is a convenient and easy way to build up your shareholding by using your cash dividends to buy more shares in the Company.

Benefits of participation

- Increase your ordinary shareholding over the long-term at competitive dealing commission rates (generally lower than available through retail brokers).
- Compounding effect of increasing holding and dividend payments.
- Plan Provider is authorised and regulated by the Financial Services Authority.
- An alternative for overseas shareholders who may have difficulty cashing British Pound dividend cheques due to high bank charges (subject to you having the minimum Cash Dividend amount and living in a country that permits you to participate in the Plan, please see the website www.capitashareportal.com for the detailed conditions).

Features

- Purchase additional shares in the Company using your cash dividend.
- On the dividend payment date, we instruct a broker to buy shares in the market at the prevailing market price. You will therefore not know the share price when you sign up to the Plan.
- The commission is 1% of the purchase price of the shares with a minimum of £2.50. This is exclusive of stamp duty reserve tax at 0.5% of the deal value if applicable. Costs are deducted at source before the new shares are purchased. Due to the minimum charge, the Plan may not be cost effective for all participants.
- You will receive a tax voucher, share certificate and transaction advice following the reinvestment of your dividend.
- You may withdraw from the Plan at any time.
- The value of the shares, and any income from them, can go down as well as up.

How to apply

For information on the detailed conditions of the Plan and how to apply, please call the Capita IRG Trustees Ltd Helpline on: 0871 664 0381 (calls to this number cost 10p per minute plus any network extras, lines are open from 09:00 am to 5:30 pm Monday to Friday, excluding public holidays) or if calling from overseas: +44 20 8639 3402.

Email us at Shares@capitaregistrars.com or log on to www.capitashareportal.com or www.capitaregistrars.com.

This is not a recommendation to purchase shares. If you are in any doubt as to the action you should take, you are recommended to seek advice from your stockbroker, bank manager, solicitor, accountant or other appropriate adviser, who is authorised pursuant to the Financial Services and Markets Act 2000, ("FSMA") if you are in the United Kingdom, or from an appropriately authorised or recognised adviser, should you be resident elsewhere.

Notes

Notes

Form of Proxy

I/We...

of...
(BLOCK CAPITALS PLEASE)

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

or (see notes 1 and 2) .... *

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 College Hill, The Registry, Royal Mint Court, London EC3N 4QN on 25 May 2012 at 10:30 am 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	Vote Withheld
1. To receive and adopt the audited financial statements for the year ended 31 December 2011			
2. To declare a dividend of 3.50p per ordinary share			
3. To re-elect Mr Pike as a director			
4. To re-elect Mr Eperjesi as a director			
5. To re-elect Mr Brotherton as a director			
6. To re-elect Mr Tench as a director			
7. To re-elect Mr Towers as a director			
8. To appoint PricewaterhouseCoopers LLP as independent auditors to the Company			
9. To authorise the directors to set the auditors' remuneration			
10. To approve the Directors' Remuneration Report			
11. To authorise the directors to allot securities, up to an aggregate nominal amount of £2,164,013.30			
12. To authorise the directors to allot securities free from pre-emption rights, subject to certain specified limitations			
13. To authorise the Company to purchase its own shares			
14. To amend the Company's Articles of Association			

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 .... 2012.

NOTES

1. A member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person at the Meeting.
2. 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. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box marked "*" next to the name of the proxy you are appointing the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
3. The proxy form must be lodged at the Company's UK Registration Agent, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time fixed for the meeting. In default the proxy cannot be treated as valid.
4. 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 appointment 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. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
6. 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.
7. 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.
8. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

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