

Lupus Capital plc
Annual Report &
Accounts 2010



LUPUS CAPITAL

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Lupus Capital plc is a leading international supplier of building products to the door and window industry and the world's number one manufacturer of marine breakaway couplings.



Total group

Sales

£266.2m

2009: £241.6m

+10%

Gross Profit Margin

34.9%

2009: 33.3%

Underlying Operating Profit

£33.7m

2009: £25.6m

+32%

Underlying Operating Margin

12.6%

2009: 10.6%

Underlying EPS

13.06p

2009: 9.39p

+39%

Dividend per share

2.0p

2009: Nil

Underlying Net Debt

£94.7m

2009: £116.2m

-19%

Operational highlights

- / Healthy growth in sales and operating profit despite flat building products markets
- / Sustained improvements in gross and net margins
- / Underlying Earnings Per Share increased by 36 per cent. to 13.06p
- / Operating Cash Conversion in year of 105 per cent.
- / Underlying Net Debt reduced to £94.7 million
- / Resumption of Dividend Payments

/ Our business at a glance

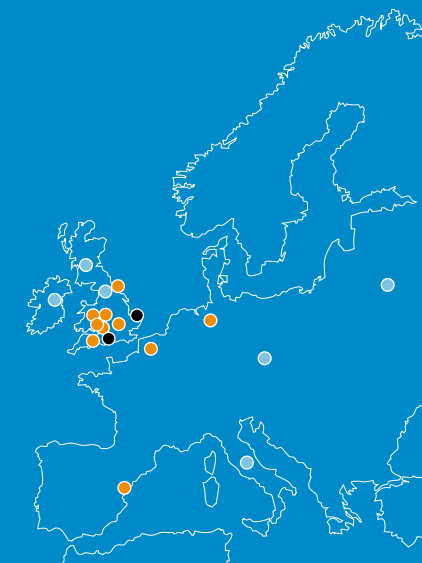
Americas



Asia & Australasia



UK & Continental Europe



- Building Products Manufacturing
- Building Products Sourcing/Distribution
- Gall Thomson

See page 8 for more details

1 US building products



Sales

£117.2m

2009: £105.7m

+11%

Underlying operating profit

£14.4m

2009: £10.8m

+33%

Amesbury

Our US Building Products division operates as the Amesbury Group. 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.

See page 9 for more details

2 UK building products



Sales

£94.7m

2009: £79.7m +19%

Underlying operating profit

£7.9m

2009: £6.3m +26%

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

See page 10 for more details

3 International building products



Sales

£39.8m

2009: £36.7m +8%

Underlying operating profit

£4.5m

2009: £2.6m +74%

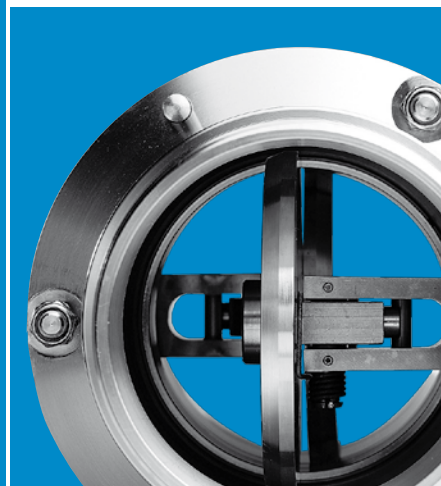
Schlegel

We operate 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.

See page 10 for more details

4 Oil services



Sales

£13.7m

2009: £12.6m +9%

Underlying operating profit

£6.8m

2009: £5.9m +16%

Gall Thomson

Gall Thomson is the world's leading supplier of marine breakaway couplings. Its subsidiary, KLAU, is a supplier of industrial couplings including quick release couplings and breakaway couplings.

A Gall Thomson marine breakaway coupling is used in the oil and gas industry to enable a loading line to part safely and then to shut off the product supply in the event of a vessel moving off station during the loading or discharging of oil and gas products, whether at offshore moorings or jetty terminals. The purpose of the breakaway coupling is to prevent environmental pollution without damage to pumping and transfer equipment.

Chairman's statement



Jamie Pike
Chairman

Sales

£266.2m

2009: £241.6m

+10%

Underlying Operating Profit

£33.7m

2009: £25.6m

+32%

Underlying Operating Margin

12.6%

2009: 10.6%

Overview

2010 was an encouraging year for Lupus despite the building products markets in the US, UK and Europe continuing to show little growth. Our strategy of self help involving focused customer service, tight cost control, supply chain efficiencies and management of working capital has enabled the Group to gain market share and make further progress in what remains a highly competitive environment. Gall Thomson, our Oil and Gas Services business, enjoyed another year of excellent performance.

During the year the Group appointed a new executive team in Louis Eperjesi and James Brotherton, completing the Board restructuring that began in 2009.

The Board is pleased that the Group is now in a position to resume dividend payments to shareholders reflecting the improved operational performance of the Group, underpinned by consistent cash conversion.

2011 is not expected to deliver material improvement in conditions in building products markets and significant input cost pressures are expected to continue for the foreseeable future. However our strong market positions combined with our balance sheet strength, quality of product and service offering and focus on market share growth through self help initiatives means that the Group is well positioned to maintain margins and take advantage of any sustained increase in activity levels.

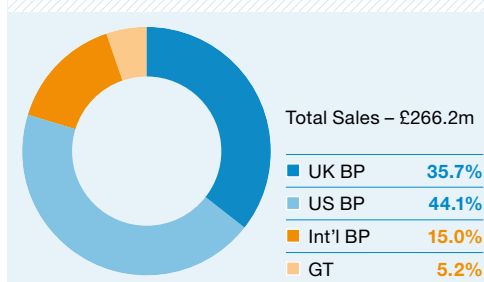
Financial performance in the period

Total sales of £266.2 million increased by 10.2 per cent. from prior year (2009: £241.6 million). In constant currency terms on a like for like basis, total sales increased in the year by 12.4 per cent.

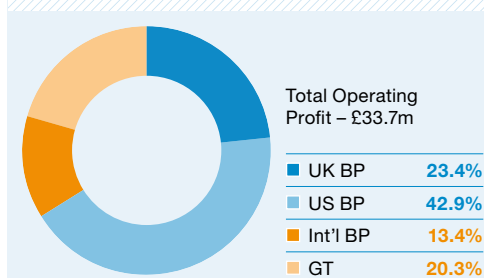
Despite challenging trading conditions and increasing raw material costs, the Group's gross profit margin increased to 34.9 per cent. from 33.3 per cent. in 2009. The Droptrough Margin on incremental sales for the year was 32.8 per cent. Underlying operating profit increased by 31.6 per cent. to £33.7 million (2009: £25.6 million). Underlying earnings per share increased by 3.67 pence or 39.1 per cent. to 13.06 pence (2009: 9.39 pence).

During the year the Group continued to focus on the tight management of working capital, operational cash generation and the reduction of net debt. Despite the 10.2 per cent. increase in sales, in 2010 the Group generated £1.7 million cash from net working capital reductions (2009: £10.7 million). Operating Cash

Sales by Sector



2010 Operating Profit by Sector



Conversion, being the proportion of Underlying operating profit converted into cash, exceeded 100 per cent. at 105 per cent. in 2010 (2009: 142 per cent.). During 2010 the Group repaid £21.1 million of debt, to bring the total debt repayments made since the refinancing in July 2009 to £41.4 million. At 31 December 2010 the Group's Underlying Net Debt was £94.7 million, which was £21.5 million lower than prior year (2009: £116.2 million),

Board

There were a number of changes to the Board during the year. Louis Eperjesi was appointed as Chief Executive Officer in February 2010 and James Brotherton was appointed as Chief Financial Officer in May 2010. There are three independent non-executive directors, Jamie Pike (Chairman), Les Tench and Martin Towers.

James Brotherton was appointed as a Director after the 2010 Annual General Meeting and so is required to offer himself for re-election at the 2011 Annual General Meeting. In accordance with best practice, the Board have 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, Jamie Pike, Louis Eperjesi, Les Tench and Martin Towers will voluntarily offer themselves for re-election at the 2011 Annual General Meeting.

Dividends

Lupus is a cash generative business operating in mature markets and, in the ordinary course, would expect to pay a regular dividend to shareholders. The banking arrangements entered into in June 2009 precluded the payment of dividends by the Group until both Group and subsidiary net debt ratios had reduced.

Over the past two financial years the focus of the Group has been on deleveraging the balance sheet and utilising surplus cash in the permanent paydown of debt. The outcome of this focus is a significantly strengthened balance sheet, underpinned by sustained trading performance and means that the Group now has the consent of its banks to make a modest dividend payment. Accordingly the Board is recommending to shareholders the payment of a final dividend of 2.0 pence per share. The final dividend will absorb approximately £2.6 million of cash resources.

Over time the absolute level of future dividend payments will take into account the Group's underlying earnings, cash flows,

balance sheet strength and capital investment plans, as well as the requirement to comply with the terms of the Group's facility agreements.

The final dividend of 2.0 pence (2009: Nil pence) per share is recommended for payment on 7 June 2011 to shareholders on the register at the close of business on 3 May 2011. The ex-dividend date will be 27 April 2011.

Outlook

Our Building Products division has made a steady start to 2011, with sales and orders broadly in line with 2010, although the seasonal nature of the businesses and short order books means that the first quarter offers little visibility on the full year.

2011 is not expected to deliver material improvement in conditions in our key building products markets and significant input cost pressures are expected to continue for the foreseeable future. However our strong market positions, combined with balance sheet strength, quality of product and service offering and focus on market share growth through self help initiatives means that the Group is well positioned to take advantage of any sustained increase in activity levels.

Our Oil and Gas Services Division continues to see increasing demand for its MBC and industrial coupling products and has a very strong order book coming into 2011.

We expect the Group will continue to make further progress during 2011 from a sound financial platform.

Jamie Pike
Chairman
23 March 2011

/ Over the past two financial years the focus of the Group has been on deleveraging the balance sheet and utilising surplus cash in the permanent paydown of debt. The outcome of this focus is a significantly strengthened balance sheet, underpinned by sustained trading performance and means that the Group now has the consent of its banks to make a modest dividend payment.

Chief Executive Officer's and Chief Financial Officer's review



Louis Eperjesi
Chief Executive Officer



James Brotherton
Chief Financial Officer

We have continued our focus on tight management of working capital. Despite increased turnover we successfully increased our stock turn in 2010 and reduced our investment in inventory held at the year end.

Group 2010 operational performance

During 2010 we remained focused on maintaining tight controls over costs in all our businesses. Headcount at 31 December 2010 of 2,004 was in line with the prior year (2009: 2,003) as we flexed labour where necessary and permitted limited selective hiring of permanent personnel only where merited by business activity levels. Significant increases in raw material prices were seen during the year, most notably in steel and oil derivative products, and local management were diligent in passing these on to customers in order to protect our gross margins.

Throughout 2010 we have continued to reassess and flex our global production footprint to optimise our margins and improve our customer offering. The conversion of our Chinese manufacturing operation to a sourcing operation in February 2010 has allowed us greater flexibility in obtaining the lowest cost, highest quality product. Production levels at the Group's Mexican operation have been significantly increased during the year and we vacated our site at Tipton in the West Midlands. Building work has started in Sioux Falls, South Dakota for a planned expansion to consolidate our Sioux Falls door hardware and balance manufacturing businesses onto a single site. This is expected to be completed during 2011.

We have continued our focus on tight management of working capital. Despite increased turnover we successfully increased our stock turn in 2010 and reduced our investment in inventory held at the year end. 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 0.1 per cent. of sales (2009: 0.3 per cent.).

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.

Financial performance in the period

For the year ended 31 December 2010, compared with the prior year:

Sales

Total sales of £266.2 million increased by 10.2 per cent. from prior year (2009: £241.6 million). In constant currency terms on a like for like basis, total sales increased in the year by 12.4 per cent.

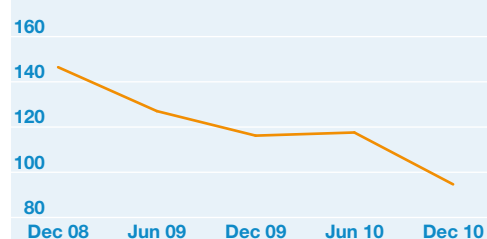
Margins

Despite challenging trading conditions and increasing raw material costs, the Group's gross profit margin increased to 34.9 per cent. from 33.3 per cent. in 2009. The Underlying operating margin for the Group increased from 10.6 per cent. in 2009 to 12.6 per cent. in 2010.

The Group continued to flex its cost base in line with demand such that the Droptthrough Margin on incremental sales in the year was 32.8 per cent.

Underlying net debt (£m)

(before capitalised fees)



Profits

Underlying earnings before interest, tax, depreciation and amortisation were £40.2 million (2009: £32.3 million).

Underlying operating profit increased by 31.6 per cent. to £33.7 million (2009: £25.6 million). On a constant currency basis this represents an increase of 30.4 per cent. over the prior year.

Underlying administrative expenses increased by £4.2 million or 7.7 per cent. to £59.1 million (2009: £54.9 million). Administration costs included higher freight, commission and management incentive costs associated with the increased levels of activity and higher legal costs associated with defence of Intellectual Property rights.

Net finance costs decreased by £0.6 million to £12.0 million (2009: £12.6 million), reflecting reduced debt levels. The 2009 interest rate benefited from the lower margins payable on the Group's facilities prior to the refinancing in July 2009. Net cash interest paid of £9.3 million (2009: £10.5 million) was 12 per cent. lower than that paid in 2009.

Fair value losses on financial instruments increased by £0.9 million in 2010 due to out-of-the-money interest rate hedges taken out in 2007 that did not expire until 30 September 2010. During the year the Group entered into a number of interest rate swap transactions which had the economic effect of fixing the Group's cost of funds, before the applicable margin, at between 1.85 and 2.045 per cent. until July 2012.

Underlying profit before taxation was 56.1 per cent. higher at £24.5 million (2009: £15.7 million).

Earnings per share

Underlying earnings per share increased by 3.67 pence or 39.1 per cent. to 13.06 pence (2009: 9.39 pence). Basic earnings per share increased from 0.32 pence in 2009 to 5.43 pence.

Exceptional costs

Exceptional costs of £0.4 million (2009: £2.1 million) were incurred during the period, principally in connection with the outsourcing of further activity from the UK to China and the General Meeting held in February 2010.

Taxation

The tax charge increased to £2.5 million in 2010 (2009: tax credit £1.1 million). Excluding the effect of the change in tax rates on deferred tax assets and the adjustments in respect of prior periods, the Underlying tax rate on the Underlying profit before taxation was 32 per cent. (2009: 28 per cent.). The Underlying tax rate increased during 2010 due to the geographic mix of profit growth.

The Underlying cash tax rate in the year was 9 per cent. (2009: 14 per cent.) and is lower than the Underlying tax rate due to historic losses. 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.

Cash flow

Despite the 10.2 per cent. increase in sales, in 2010 the Group generated £1.7 million cash from net working capital reductions (2009: £10.7 million). These reductions, combined with the increased operating profit generated by the Group, meant that the net cash inflow from operating activities of £36.3 million remained broadly in line with prior year (2009: £36.5 million).

Operating Cash Conversion, being the proportion of Underlying operating profit converted into cash, exceeded 100 per cent. at 105 per cent. in 2010 (2009: 142 per cent.).

Capital expenditure increased by 57 per cent. to £3.5 million (2009: £2.2 million).

Net debt position

During 2010 the Group repaid £21.1 million of debt, to bring the total debt repayments made since the refinancing in July 2009 to £41.4 million.

At 31 December 2010 the Group's Underlying Net Debt, was £94.7 million, which was £21.5 million lower than prior year (2009: £116.2 million), despite adverse exchange rate movements increasing net debt by £2.0 million.

Average Underlying Net Debt during the year was £113.9 million (2009: £135.6 million). Under the IFRS definition, which reduces debt by the unamortised bank fees, net debt at the year end was £91.7 million (2009: £111.0 million).

Banking

At 31 December the Group had headroom against its banking covenants ranging from 47 per cent. to 75 per cent. and the Board remains confident that the Group will continue to operate within its banking covenants as set out in the current banking facility agreements, which expire in July 2012.

The Group's key banking performance metric, being the proportion of net debt to Underlying EBITDA, at the year end was 2.38x (2009: 3.66x), calculated on the same basis as the banking covenants.

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 2010, the defined benefit obligation for all Group pension and post retirement healthcare benefit schemes was £18.9 million (2009: £17.4 million) and the schemes had plan assets of £11.6 million (2009: £9.9 million), resulting in a slightly reduced net deficit on the schemes of £7.3 million (2009: £7.5 million).

Louis Eperjesi
Chief Executive Officer
23 March 2011

James Brotherton
Chief Financial Officer

/ During 2010 the Group repaid £21.1 million of debt, to bring the total debt repayments made since the refinancing in July 2009 to £41.4 million.

Metres of Pile seals sold

472.1m

Metres of Foam seals sold

195.8m

Window balances sold

40.7m

Locks sold

3.25m

Marine Breakaway Couplings sold

78

Building Products

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 Asia. In 2010, trading in our building products businesses recovered significantly, against a background of broadly flat markets

US Building Products

The Amesbury Group, our North American Building Products business, continued its sales led recovery through a combination of customers rebuilding inventories and net gains in market share despite relatively sluggish markets. We estimate that new build activity in the US market increased by around 6 per cent. across the year as a whole, with demand skewed towards the first quarter as a consequence of the Homebuyer Tax Credit that expired in April 2010. We estimate that Repair and Remodelling activity, which constitutes approximately 70 per cent. of the market, increased by around 4 per cent. over the year and was supported, particularly in the final quarter, by the \$1,500 tax credit for the installation of energy efficient windows which expired on 31 December 2010.

Our US business was less affected by commodity input prices than other businesses during 2010 as it procures key commodities on long-term contracts and agrees surcharge/discount arrangements with key customers by reference to third party indices.

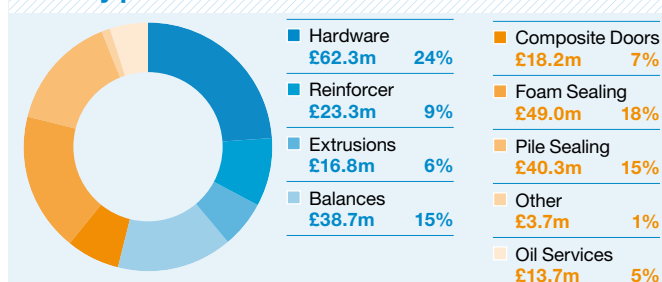
Key initiatives in the year included the expansion of the National Accounts Program, to leverage our product offering within the North American customer base, the continued ramp up of manufacturing at the Group's Mexican facility and a restructured approach to Amesbury marketing.

Intumescent Seal

Q-LON Fire Rated Door Seal is an all-inclusive seal that combines the superior performance of Q-Lon to resist air, water and sound penetration with the fire and smoke protection provided by Category G and H rated gaskets.



Sales by product



UK Building Products

Our UK Building Products business, grouphomesafe, generated encouraging sales by increasing market share in 2010 despite the depressed nature of some of our end markets. While new build activity in the UK market was up by around 30 per cent., we estimate that Repair Maintenance and Improvement activity, which constitutes approximately 95 per cent. of the market, decreased by around 5 per cent.

The weakness of Sterling and increases in the prices of imported raw materials and finished goods produced significant input cost pressures during the year. These pressures were mitigated by an unwavering focus on cost down initiatives and prompt action to increase prices. Of the 19 per cent. increase in total sales year on year, approximately half of this increase was due to price increases. Despite input cost pressures and the losses incurred within our composite doors business, the Underlying operating margin for grouphomesafe improved slightly in the year.

During the period we have consolidated our UK sales force teams into a single customer facing unit and successfully launched "grouphomesafe" as the new umbrella brand for our UK Building Products business. These initiatives have been well received by both customers and employees and have generated incremental sales during the second half of the year for the Group. 2010 has also seen an increased 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.

Double Locking Nightlatch

Designed to replace most existing front door locks, it has been designed with an ergonomic internal locking handle offering added security against forced entry. The main lock bolt is "automatically" deadlocked when the door is closed, preventing the main bolt being retracted by a credit card.



Our composite door business, which is principally focused on the social housing market, experienced a significant decrease in demand during the second half of 2010 and was loss making across the year as a whole. Demand for composite doors within the social housing market is expected to continue to weaken into 2011. In 2010, actions were taken to reduce the cost base, flex labour in line with sales, streamline manufacturing processes, improve customer service levels and redirect the sales focus into building an increased share of the growing trade and retail composite door markets. The composite doors business has now been fully integrated into the wider grouphomesafe business and this should assist the business to access the grouphomesafe customer base. Taken together, these measures mean that the composite door business is much better positioned to cope with the structural changes seen in its end markets and we expect an improved performance from the business in 2011.



Ventrolla help Sarah Beeny restore the windows at her Grade II listed Georgian Mansion

As part of the Channel Four series "Beeny's Restoration Nightmare" Ventrolla, our sash window renovation business, renovated over 100 windows in her Grade II listed Georgian mansion Rise Hall, including one large window spanning two floors. Sarah said: "Ventrolla were the first port of call when I needed to complete the huge task of restoring all the windows at Rise Hall. Having worked with them previously I knew they would work wonders on improving both the look and energy efficiency of the windows."

International Building Products

Our International Building Products division, which goes to market under the Schlegel brand, has seen sales increase in 2010 compared with the corresponding period last year, with encouraging increases in demand in Australasia, South America, Scandinavia and Eastern Europe, tempered by weaker demand for products in Southern Europe. The geographic mix of the sales growth, combined with high levels of operational gearing, enhanced the division's overall margins.

During the year our continued focus on cross selling opportunities achieved some notable successes in our Australian operation. Demand was also boosted by Australian government incentives for first time buyers. The strength of the Australian dollar reduced import costs and increased the translated results of the Australian operation.

We have also bolstered our presence in South America with the expansion of our Brazilian sales office, which is starting to generate revenues and gain market share, and is being used as a base to target other South American markets.

In Europe we are rolling out the same CRM system that has been successfully established in the UK, which will help to focus and enhance our customer facing service and cross selling opportunities across Europe.



Saracen HS Window lock

The Saracen HS Shootbolt system combines strength and durability with exceptional security and performance. The combination of a robust central gearbox with twin mushrooms, bi-directional bolts and roller cams offer the ultimate in window security.

Oil Services

Our oil services division comprises 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.

Gall Thomson generated an increase in sales of 9.2 per cent. across the year as a whole and improved margins due to increased sales of the higher margin MBC product. As expected, an increase in deferred orders and delayed shipments in the second half lowered the overall growth for the whole year from the exceptional growth generated in the first half.

Enquiry levels and order intake in both businesses was very strong towards the end of the year and has continued into 2011.



KLAW Marine Breakaway Couplings are designed specifically to be installed within a hose string, where the coupling would have a length of hose attached to both sides. Typical applications include ship to offshore platform, and ship to ship product transfer operations.

Case study: grouphomesafe



grouphomesafe



We had a vision that our eight autonomous UK units should be combined into one market leading group embracing our eight market leading brands. Each brand commands either first or second position in the UK market, but operated entirely independent of each other under local managers. The vision was to combine the 30 strong unit sales people into one cohesive sales team all selling all of the brands, leveraging our individual brand strength to sell other group brands to our loyal customer base.

In February 2010 we launched an all new business, grouphomesafe comprising ERA, ESH, Homesafe, EWS, Linear, Schlegel, Securidor, and BalanceUK. Ventrolla, our sash window renovation market leader, remains an autonomous brand through its independent strength in both the retail and architectural sash window community.

The sales people were transferred into grouphomesafe and trained on all the group brands. Salesforce.com, the leading global CRM cloud software, and Phocas, a clever business information tool, provide real time sales, orders, OTIF performance, gross margin, debtor and inventory information for the sales and support teams to better serve their customer.

By June the benefits were already emerging with new business wins through cross selling, i.e. selling more brands to existing customers.

The software tools enable management and sales people alike to view customer sales, orders and OTIF seamlessly as if the eight different and diverse local ERP systems were one, enabling us to serve and support the customer across the entire brand spectrum.

Essential to the launch of grouphomesafe was a brand management project, revitalising and redesigning all the UK websites, providing a shop window through which to promote our strong brands. A Homesafe retail door portal incorporating a configurator was introduced. Schlegel seals and ERA locks, door and window hardware technical information and drawings are available to download to help designers and specifiers make informed choices. New brand brochures and marketing material support the sales team in promoting the grouphomesafe vision.

grouphomesafe treat the UK market as two distinct segments, OEM and Distribution, each headed by a sales director. OEM serves the window and door makers supplying every component the window and door maker needs, even manufacturing and supplying the finished door itself making grouphomesafe the UK's strongest, biggest and most comprehensive supplier. Distribution serves DIY retailers such as B&Q and Wickes, builder's merchants such as Travis Perkins and Howden, and locksmiths. Through the Securidor & Homesafe brands we serve the social housing replacement entrance door market both directly with housing associations and local authorities, and through main contractors and maintenance providers.

In 2010 grouphomesafe increased sales 10% by cross selling to the top 50 OEM and Distribution customers.

/ Principal risks and uncertainties

Market conditions

/ Risk description

The overall growth and demand for the Group's products is subject to the usual drivers of construction activity (i.e. 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

The geographic spread of our business and our ability to flex our cost base helps to mitigate some of this risk.

Competitors

/ Risk 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 of services 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.

Loss of major customers

/ Risk 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.

Raw material costs and supply chain failures

/ Risk 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 looks 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.

Key executives and personnel

/ Risk 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

To reinforce the Company's strategy to motivate and retain key individuals, the Remuneration Committee, with the help of outside consultants, has recently revamped remuneration packages offered to executive Directors and key senior management. This now incorporates a significant element of performance related remuneration to align executive interests with those of shareholders. A key element of this was the introduction of the Lupus Capital Long Term Incentive Plan in November 2010.

Financial risks

/ Risk 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 18 to the Group's financial statements.

The Company, being quoted on AIM, is not required to comply with the provisions of the Combined 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.

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 53% of the value of total Group sales in 2010 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;
- 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 91 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 fund raising.

Case study: Green initiatives at the Amesbury Group

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 re-use 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.

Amesbury continues to be a leader in its communities as well as its industry with regard to the focus and responsibility of reducing its carbon footprint.

Accomplishments achieved over the past year include the following:

Recycled & reused in production:

- 165,188 lbs. of recycled corrugated
- 20,689 lbs. of recycled paper
- 898,574 lbs. of repelletized plastics

Recycled (not in landfills):

- 515,242 lbs. of die drool
- 20,200 lbs. of polypropylene
- 57,300 lbs. of polyethylene
- 62,000 lbs. of steel
- 15,000 lbs. of stainless steel
- 3,400 lbs. of brass

In 2010, an initiative was established to reduce significantly electrical consumption at each facility. It was determined that by replacing existing lighting with energy efficient lighting, there would be an annual reduction of 1,519,644 Kilowatts. This project will reduce Carbon Dioxide by 1,010.1 tons, Sulphur Dioxide by 4.0 tons, and Nitrogen Oxide by 1.5 tons per year. By removing these pollutants from the air, we had the same effect on the environment as planting 279 acres of trees, removing 245 cars from the road each year, saving 2,987 barrels of oil per year, or saving 125,448 gallons of gasoline per year.



L-r: James Brotherton, Les Tench, Louis Eperjesi, Jamie Pike and Martin Towers.

Jamie Pike,

Non-Executive Chairman

Jamie Pike (aged 55) 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. Mr Pike is also Chairman of RPC Group PLC, MBA Polymers Inc. and the Defence Support Group.

Louis Eperjesi,

Chief Executive Officer

Louis Eperjesi (aged 49) 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, Redland plc, Lafarge and Caradon plc.

James Brotherton,

Chief Financial Officer

James Brotherton (aged 41) 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.

Mr Brotherton was appointed as Chief Financial Officer of Lupus in May 2010.

Les Tench,

Non-Executive Director

Les Tench (aged 65) 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 58) 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 and RPC Group plc.

/ Corporate governance & Financial statements

In this section

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Review of the business

The review of the business is set out on pages 8 to 11.

Principal activities

The Company is a holding company. The principal activities of the Group are unchanged from last year and is a leading international supplier of building products to the door and window industry and the world's number one manufacturer of marine breakaway couplings.

Future developments

The statement by the Chairman and Chief Executive Officer set out on pages 4 to 7 contains details of the progress of the Group during the year together with an indication of future developments.

Results and dividends

The Group profit for the year after taxation amounted to £7,047,000 (2009: £413,000).

No dividends were paid in the financial year (2009: Nil). The Board is recommending a final dividend of 2.0 pence per ordinary share (2009: Nil) to be paid on 7 June 2011, subject to approval at the forthcoming Annual General Meeting of the Company, to shareholders on the register on 3 May 2011. The ex-dividend date will be 27 April 2011.

The Board

The directors who have held office during the last financial year and in the subsequent period to the date of this report are listed on page 16. Mr Taylor, Mr Jackson and Mr Tate, who were directors of the Company, stepped down from the Board on 22 January 2010. In addition Mr Mulhall and Mr Felton-Smith were also directors of the Company until they retired from the Board on 31 March 2010 and on 7 May 2010 respectively. Mr Eperjesi joined the Board on 22 February 2010 and Mr Brotherton joined the Board on 28 May 2010.

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 20 to 22.

Re-election of directors

Mr Brotherton having been appointed by the Board since the last Annual General Meeting, will seek re-election at the Annual General Meeting. In accordance with best practice, the Board have 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 Tench and Mr Towers will voluntarily offer themselves for re-election at the 2011 Annual General Meeting.

New Long Term Incentive Plan

The Lupus Long Term Incentive Plan was described in the circular dated 10 November 2010 and approved by shareholders at the General Meeting on 30 November 2010. It is a new scheme, unrelated to the 2004 arrangements and the Board have resolved that no further awards will be made under either the 2004 or 2008 incentive plans. The details of Awards to directors under this Plan are given in the Directors' Remuneration Report on page 23.

Purchase of the Company's own shares

No resolution concerning the purchase of the Company's own shares was put forward at the AGM on 28 May 2010 and no shares were purchased by the Company during the year ended 31 December 2010.

It is expected that the requirements of the Lupus Long Term Incentive Plan, outlined above, may be met by the purchase of shares in the market. Although these requirements are not imminent, the directors believe that the Company should now obtain a fresh authority for this purpose. They therefore propose resolution 13 to obtain authority to make market purchases up to the date of the AGM in 2012. 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.

Auditors

In accordance with section 489 of the Companies Act 2006, an ordinary resolution to re-appoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting; this is item 8 in the Notice of Meeting.

Directors' Remuneration

The Company, being quoted on AIM, is not required to comply with the Directors' Remuneration Report Regulations 2002 or the disclosure provisions of Schedule 7A of the Companies Act 1985 and the UKLA Listing Rules. Nevertheless, the Company has chosen to present a report on directors' remuneration on pages 23 to 28. 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 28 May 2010.

The directors' authority to allot shares does not expire until 1 May 2015, whereas the disapplication of pre-emption rights is only effective until the conclusion of the Company's 2011 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 May 2016, 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 2012 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	%
Aviva	18,151,556	13.98
F & C Asset Management	16,158,580	12.44
Standard Life	14,384,891	11.08
Mr G Hutchings	14,300,417	11.01
Polar Capital	8,886,077	6.84
SVG Investment Managers	7,137,808	5.50
Schroder Asset Management	6,405,188	4.93
EPIC	4,261,791	3.28

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 64 days.

Financial risk management

A statement on the financial risk management objectives, policies and other matters in relation to the use of financial instruments is set out in note 18 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 page 14.

Employees

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

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

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

Going concern

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 Basis of Preparation note on page 34.

By order of the Board

Cavendish Administration Limited

Company Secretary

23 March 2011

Company registration number: 3846926

The Company, being quoted on AIM, is not required to comply with the provisions of the Combined Code. Nevertheless, the directors acknowledge the importance of the Principles set out in the Combined 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.

During the year ended 31 December 2010 there were a number of changes to its personnel:

- Mr Taylor, Mr Jackson and Mr Tate stepped down from the Board on 22 January 2010.
- Mr Eperjesi was appointed Chief Executive Officer on 22 February 2010 and joined the Board at the same time.
- Mr Mulhall stepped down from the Board on 31 March 2010.
- Mr Felton-Smith stepped down from the Board on 7 May 2010.
- Mr Brotherton was appointed Chief Financial Officer on 10 May and joined the Board on 28 May 2010.

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. Cavendish Administration Limited, the corporate 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, which is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board meetings

During the year ended 31 December 2010, the number of Board and Committee meetings held and attended by their members was as follows:

Director	Board		Remuneration Committee		Audit Committee		Nominations Committee	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
Jamie Pike	10	10	2	2	3	3	1	1
Louis Eperjesi	8	8	0	0	0	0	0	0
James Brotherton	5	5	0	0	0	0	0	0
Martin Towers	10	9	2	2	3	3	1	1
Leslie Tench	10	8	2	2	3	2	1	1
Paul Felton-Smith	3	3	0	0	0	0	0	0
Denis Mulhall	3	3	0	0	0	0	0	0
Michael Jackson	1	0	0	0	0	0	0	0
Roland Tate	1	1	0	0	0	0	0	0
Keith Taylor	1	1	0	0	0	0	0	0

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 have 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 23 to 28.

Board committees

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

Audit and corporate governance committee

The Audit and Corporate Governance Committee is made up of the non-executive directors and meets at least 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 during 2010.

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

Audit independence

Under the Ethical Standards issued by the Auditing Practices Board, an audit engagement partner responsible for the audit of a listed company normally serves in that role for a period of no more than five years. However, there is scope for audit committees to decide that a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the audit. In 2009 the audit committee determined that, due to substantial changes occurring at board level, it would be in the interests of audit quality that the current audit engagement partner should continue in his role until the completion of the audit of the 2010 accounts. The audit committee is satisfied that by the application of safeguards, the extension does not undermine the objectivity and independence of the auditor.

Grant Thornton UK LLP has agreed to these extensions, which will bring the total period served by the audit engagement partner to seven years, as permitted by the Ethical Standards.

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 2010 is described in detail in the Directors' Remuneration Report on pages 23 to 28.

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.

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 as adopted by the European Union (IFRSs) 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 judgments 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.

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 27 May 2011.

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 2010 the Committee was chaired by Mr Tench and met twice.

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;
- 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.

Following a number of changes to the Board of Directors of the Company, the Remuneration Committee undertook a review of senior executive remuneration arrangements, in conjunction with its independent adviser, Kepler Associates, to ensure remuneration arrangements align executive interests with those of shareholders, reinforce the Company's strategy and motivate and retain key individuals. As a result of the review and following consultation with the Company's principal shareholders and shareholder representative bodies, the Directors proposed the introduction of a new long term incentive plan. At a General Meeting of the Company on 30th November 2010, shareholders passed resolutions to authorise the Directors to establish the Lupus Capital Long Term Incentive Plan (the "LTIP").

Remuneration policy

Non-executive Directors

The Board as a whole determines the remuneration of non-executive directors based on the recommendations of the Executive Directors and comparison with other companies of a similar size and sector. Non-executive directors do not participate in any bonus or share-based incentive schemes.

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.

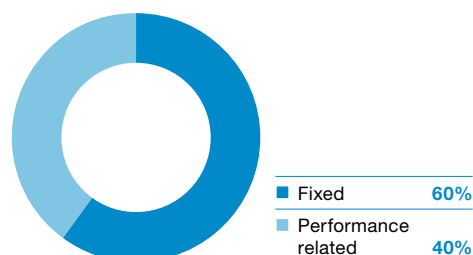
The Remuneration Committee has reviewed the remuneration policy during the year and has continued to give particular consideration to the issue of performance related remuneration and the provisions contained within Section D of the UK Corporate Governance Code that the performance related element should form a significant proportion of the remuneration package of executive directors. The adoption of the LTIP in November 2010 enabled progress to be made towards increasing performance related remuneration as a proportion of executive directors' total remuneration and compliance with the UK Corporate Governance Code.

Remuneration

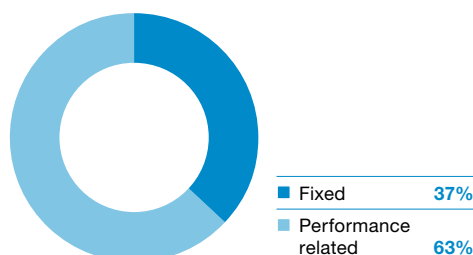
The current remuneration package for the Executive Directors comprises fixed and variable components. The variable components are the performance related incentive arrangements referred to in detail below.

Executive Directors remuneration 2010

Target



Stretch



Target assumes that bonus of 50% of base salary is earned and that 25% of the Lupus shares awarded under the LTIP in respect of 2010, based on a market value of £1.11276 at 31 December 2010, vest. Stretch assumes that bonus of 100% of base salary is earned and that 100% of the Lupus shares awarded under the LTIP in respect of 2010, based on a market value of £1.11276, 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 2011, Louis Eperjesi and James Brotherton's annual salaries (comprising base salary plus an allowance in lieu of pension and benefits) would be increased by 2.5% to £307,500 and £205,000 respectively.

Performance related remuneration

Annual bonus

The Remuneration Committee has introduced the following annual bonus framework for Executive Directors for 2010:

- 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 cashflow; and
- 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 2010 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 100% of their respective base salaries, 50% of which will be paid in cash in March 2011 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. In future years other key employees may be 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 (e.g. the US) in which the Company competes for senior executive management.

In recognition of the fact that there have been no long-term incentive arrangements in place during 2010, and to enable a smooth transition to annual rolling 3-year LTIP cycles, in December 2010 the Remuneration Committee granted nil or nominal cost options over 1,413,000 ordinary shares in the Company to around 50 senior managers, executives and executive directors. In addition, the Remuneration Committee will make awards under the LTIP during the summer of 2011 (the "2011 Award"). For subsequent years, awards made under the LTIP will generally be made in the period following the announcement of the Company's full-year results.

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 3-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 cashflow (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.

Performance criteria: 2010 Awards

The performance criteria for vesting of 2010 Awards is a 3-year cumulative underlying EPS 2011-13 performance range of 38p to 47p. In summary, if over the 3 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

Proposed 2011 Awards will also vest on cumulative 3-year underlying EPS for financial years 2011 to 2013. The Remuneration Committee will review and revert to its principal shareholders with the EPS targets for 2011 Awards in advance of the anticipated grant during the summer of 2011.

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 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 515,000 of the 1,413,000 shares subject to the 2010 Award (approximately 36.44%) 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 2010:

Directors minimum shareholding	Salary ⁽ⁱ⁾ £'000	Value of shareholding ⁽ⁱⁱ⁾ £'000	Minimum shareholding as % of salary	Actual shareholding as % of salary
Louis Eperjesi	250	161	100%	64%
James Brotherton	190	166	100%	87%

Notes to Directors' minimum shareholding table above:

- As at 31 December 2010.
- Based on the closing price of a Lupus Capital plc ordinary share of £1.11275 on 31 December 2010.

Awards to Executive Directors

The number of shares awarded to the Executive Directors under the LTIP for the 2010 Awards and proposed for the 2011 Awards are as follows:

	2010 Awards	Proposed 2011 Awards
Louis Eperjesi	200,000	200,000
James Brotherton	150,000	150,000

The 2010 Awards and the proposed 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 entirely 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 2010:

Name	Commencement date	Notice period
Louis Eperjesi	20/07/2010	12 months
James Brotherton	20/07/2010	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.

Name	Commencement date	Notice period
Jamie Pike	23/11/2009	1 month
Les Tench	17/12/2009	1 month
Martin Towers	17/12/2009	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 2010 was as follows:

Directors' remuneration for the year ended 31 December	Salary/fees £'000	Cash bonus £'000	Cash payments in lieu of pension and benefits £'000	Non cash benefits £'000	Severance payments £'000	Total emoluments 2010 £'000	Notes	Total emoluments 2009 £'000
Current Directors:								
Jamie Pike	90	–	–	–	–	90		9
Louis Eperjesi	231	115	46	2	–	394	i	N/A
James Brotherton	113	56	6	1	–	176	ii,iii	N/A
Les Tench	30	–	–	–	–	30		1
Martin Towers	30	–	–	–	–	30		1
Past Directors:								
Keith Taylor	73	–	–	–	–	73		572
Denis Mulhall	103	–	–	2	333	438	iv	420
Paul Felton-Smith	142	–	–	–	–	142		340
Michael Jackson	13	–	–	–	–	13		78
Roland Tate	9	–	–	–	–	9		62
Greg Hutchings	–	–	–	–	–	–		713
Frederic Hoad	–	–	–	–	–	–		70
Total	834	171	52	5	333	1,395		2,266

Notes to Directors' remuneration table above:

- Of the total bonus agreed by the Committee in respect of Louis Eperjesi, 50% was paid in cash in March 2011 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.
- The 2010 total emoluments figures in respect of James Brotherton are for the period from 28 May 2010 (being his date of appointment to the Board) to 31 December 2010. Of the total bonus agreed by the Committee in respect of James Brotherton as a director, 50% was paid in cash in March 2011 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 and permanent health insurance cover.
- Excluded from the table above is the remuneration received by James Brotherton for the period up to his appointment to the Board on 28 May 2010. In respect of the 2010 financial year, James Brotherton received total cash remuneration as a director and employee of £281,000.
- Denis Mulhall's service agreement entitled him to receive twelve month's salary and benefits upon termination. Non cash benefits consist of membership of life assurance, membership of a private medical expenses arrangement and permanent health insurance cover.

Louis Eperjesi and James Brotherton are not members of any of the Company's pension schemes. During 2010, Louis Eperjesi entered into salary sacrifice arrangements with the Company to pay £46,000 of his salary directly into his personal pension plan.

Deferred Share Bonus Plan Awards

Awards made on 23 March 2011 in respect of the 2010 financial year 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-Mar-11	£1.3265	86,880	23-Mar-14
James Brotherton	23-Mar-11	£1.3265	68,819	23-Mar-14

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.

/ Directors remuneration report continued

LTIP

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

Awards of £nil cost share options made under the LTIP	Award date	Market value at awards date	Shares over which LTIP awards held at 1 Jan 2010	Shares over which LTIP awards granted during the year	Shares over which LTIP awards held at 31 Dec 2010	Expected vesting date
Louis Eperjesi	10-Dec-10	£1.0375	–	200,000	200,000	23-Mar-14
James Brotherton	10-Dec-10	£1.0375	–	150,000	150,000	23-Mar-14

Options

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

Options	Options at 1 Jan 2010 or on later appointment	Exercised in year	Granted in year	Lapsed in year	Options at 31 Dec 2010	Exercise price	Earliest normal vesting date
James Brotherton	100,000	–	–	–	100,000	£0.38	25-Jul-11

James Brotherton was awarded options over 100,000 shares in July 2008, subject to an EPS performance condition for the year ended 31 December 2010. 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, following the signing of these accounts on 23 March 2011, these options will lapse.

Non-executive directors' fees

The basic fees of the non-executive chairman are £90,000 per year and £30,000 per year for the other non-executive directors. During 2010 Martin Towers agreed with the Company to have all his fees paid directly into his personal pension plan, with effect from April 2010, which amounted to £22,500.

Shares

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

Ordinary shares	Ordinary shares at 31 Dec 2010	Ordinary shares at 31 Dec 2009
Jamie Pike	325,000	260,000
Louis Eperjesi	145,000	N/A
James Brotherton	149,191	N/A
Martin Towers	50,000	50,000
Leslie Tench	93,750	38,750
Denis Mulhall	N/A	665,000
Paul Felton-Smith	N/A	–
Michael Jackson	N/A	123,847
Roland Tate	N/A	110,242
Keith Taylor	N/A	–

Share Price

The market price of ordinary shares in Lupus Capital plc at 31 December 2010 was £1.11275 and the range during the year was £0.54 to £1.16.

By order of the Board

Cavendish Administration Limited

Company Secretary

23 March 2011

We have audited the group financial statements of Lupus Capital plc for the year ended 31 December 2010 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 2010 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 matter

We have reported separately on the parent company financial statements of Lupus Capital plc for the year ended 31 December 2010.

Charles Hutton-Potts BSc, FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

23 March 2011

/ Consolidated income statement

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Revenue	3	266,212	241,621
Cost of sales		(173,403)	(161,104)
Gross profit		92,809	80,517
Administrative expenses		(71,278)	(68,527)
Operating profit	5	21,531	11,990
Analysed as:			
Operating profit before exceptional items and amortisation of intangible assets		33,675	25,598
Exceptional items	4	(395)	(2,055)
Amortisation of intangible assets	10	(11,749)	(11,553)
Operating profit		21,531	11,990
Finance income	7	566	450
Finance costs	7	(12,562)	(13,089)
Net finance costs		(11,996)	(12,639)
Profit/(loss) before taxation		9,535	(649)
Income tax (expense)/credit	8	(2,488)	1,062
Profit for the year		7,047	413
Earnings per share			
– Basic EPS from continuing operations	9	5.43p	0.32p
– Diluted EPS from continuing operations	9	5.35p	0.32p

All results relate to continuing operations.

	Note	2010 £'000	2009 £'000
Non GAAP measure			
Underlying¹ profit before taxation		24,533	15,718
Earnings per share			
– Underlying ¹ basic EPS from continuing operations	9	13.06p	9.39p
– Underlying ¹ diluted EPS from continuing operations	9	12.86p	9.39p

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 2010

	Note	2010 £'000	2009 £'000
Profit for the year		7,047	413
Actuarial losses on defined benefit plans		(117)	(1,403)
Exchange differences on retranslation of foreign operations		4,511	(11,892)
Effective portion of changes in value of cash flow hedges		564	1,449
Tax on items recognised directly in other comprehensive income	8	40	477
Other comprehensive income for the year, net of tax		4,998	(11,369)
Total comprehensive income/(expense) attributable to equity shareholders of the Company		12,045	(10,956)

/ Consolidated statement of changes in equity

For the year ended 31 December 2010

	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 2009	6,864	101	10,389	(6,764)	(3,938)	40,819	189,929	237,400
Share based payments	–	–	–	–	–	–	23	23
Transactions with owners	–	–	–	–	–	–	23	23
Profit after tax	–	–	–	–	–	–	413	413
Other comprehensive income/(expense):								
Exchange differences on retranslation of foreign operations	–	–	–	–	–	(11,892)	–	(11,892)
Change in fair value of cash flow hedge	–	–	–	–	(547)	–	–	(547)
Losses on settled cash flow hedges released to the income statement	–	–	–	–	1,996	–	–	1,996
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	(926)	(926)
Total comprehensive income/(expense) for the period	–	–	–	–	1,449	(11,892)	(513)	(10,956)
At 31 December 2009	6,864	101	10,389	(6,764)	(2,489)	28,927	189,439	226,467
Share based payments	–	–	–	–	–	–	63	63
Transactions with owners	–	–	–	–	–	–	63	63
Profit after tax	–	–	–	–	–	–	7,047	7,047
Other comprehensive income/(expense):								
Exchange differences on retranslation of foreign operations	–	–	–	–	–	4,511	–	4,511
Change in fair value of cash flow hedge	–	–	–	–	(1,925)	–	–	(1,925)
Losses on settled cash flow hedges released to the income statement	–	–	–	–	2,489	–	–	2,489
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	–	(77)	(77)
Total comprehensive income for the period	–	–	–	–	564	4,511	6,970	12,045
At 31 December 2010	6,864	101	10,389	(6,764)	(1,925)	33,438	196,472	238,575

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

/ Consolidated balance sheet

As at 31 December 2010

	Note	2010 £'000	2009 £'000
ASSETS			
Non-current assets			
Intangible assets	10	328,240	333,998
Property, plant and equipment	11	31,457	34,296
Deferred tax	8	7,654	7,792
		367,351	376,086
Current assets			
Current tax receivable		–	395
Inventories	12	26,048	26,036
Trade and other receivables	14	32,922	29,850
Cash and cash equivalents		27,748	24,955
		86,718	81,236
TOTAL ASSETS		454,069	457,322
LIABILITIES			
Current liabilities			
Current tax payable		(2,679)	–
Trade and other payables	15	(40,365)	(36,815)
Provisions	17	(3,584)	(3,353)
Finance lease obligations	16	(9)	(8)
Derivative financial instruments	13	–	(2,534)
Interest bearing loans and borrowings	16	(5,163)	(3,063)
		(51,800)	(45,773)
Non-current liabilities			
Finance lease obligations	16	(1)	(10)
Deferred tax	8	(23,369)	(26,091)
Interest bearing loans and borrowings	16	(114,304)	(132,887)
Employee benefit liability	19	(7,474)	(7,650)
Provisions	17	(14,989)	(17,662)
Derivative financial instruments	13	(1,998)	–
Other creditors		(1,559)	(782)
		(163,694)	(185,082)
TOTAL LIABILITIES		(215,494)	(230,855)
NET ASSETS		238,575	226,467
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Called up share capital	20	6,864	6,864
Share premium		101	101
Other reserves		10,389	10,389
Treasury reserve		(6,764)	(6,764)
Hedging reserve		(1,925)	(2,489)
Translation reserve		33,438	28,927
Retained earnings		196,472	189,439
TOTAL EQUITY		238,575	226,467

The financial statements were approved by the Board on 23 March 2011 and signed on its behalf by:

Louis Eperjesi
Chief Executive Officer

James Brotherton
Chief Financial Officer

/ Group cash flow statement

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Profit/(loss) before tax		9,535	(649)
Adjustments	22	30,666	32,839
Movement in inventories		451	9,752
Movement in trade and other receivables		(2,728)	3,840
Movement in trade and other payables		4,011	(2,878)
Provisions utilised		(2,515)	(2,981)
Pension contributions		(841)	(1,317)
Income tax paid		(2,304)	(2,155)
Net cash inflow from operating activities		36,275	36,451
Investing activities			
Payments to acquire property, plant and equipment		(3,314)	(2,144)
Payments to acquire intangible assets		(197)	(91)
Interest received		566	450
Net cash outflow from investing activities		(2,945)	(1,785)
Financing activities			
Interest paid		(9,822)	(10,981)
Refinancing costs paid		(23)	(7,405)
Repayment of short term borrowings		(21,147)	(22,780)
Repayment of capital element of finance leases		(8)	(242)
Net cash outflow from financing activities		(31,000)	(41,408)
Increase/(decrease) in cash and cash equivalents		2,330	(6,742)
Effect of exchange rates on cash and cash equivalents		463	(710)
Cash and cash equivalents at the beginning of the year		24,955	32,407
Cash and cash equivalents at the year end		27,748	24,955

1. Basis of preparation and accounting policies

The Group's principal activities are the manufacture, supply and distribution of building products and the manufacture and supply of coupling products to the oil and gas industry. 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 65.

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/implemented during the year. The Group's consolidated financial statements have been prepared in accordance with these changes where relevant.

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', incorporates IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', and expands on the guidance in IFRIC 11 to address the classification of group arrangements.
- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- IAS 1 (amendment), 'Presentation of financial statements', clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.
- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.
- IAS 36 (amendment), 'Impairment of assets', clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments'.
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category.
- IFRIC 16, 'Hedges of a net investment in a foreign operation', states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.
- IFRIC 17, 'Distribution of non-cash assets to owners', provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.
- IFRIC 18, 'Transfers of assets from customers' clarifies the requirements of IFRSs for agreements in which an entity receives an item of property, plant and equipment from a customer.

Going concern

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

The Group's debt facilities expire in July 2012 and the Group expects that it will be able to meet its debt facility interest and repayment obligations. Accordingly, the Group has assumed that the going concern basis of preparation of these financial statements is appropriate.

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 25) 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.

2. Summary of significant accounting policies continued

All business combinations are accounted for using the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of any assets given, liabilities incurred or assumed, including contingent liabilities, and equity instruments issued by the Group. The identifiable assets and liabilities of the acquiree are measured initially at fair value at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, including those of an intangible and tangible nature, liabilities and contingent liabilities is recognised as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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:

- IFRS 9 Financial Instruments (effective 1 January 2013).
- Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011).
- Improvements to IFRSs (Issued 16 April 2009).
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011).
- Disclosures – Transfers of assets = Amendments to IFRS7 (effective July 2011).

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 judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported income and expense during the reporting periods.

Although the judgments and assumptions are based on the directors' best knowledge of the amount, events or actions, actual results may differ from these estimates.

The accounting policies set out below have been used to prepare the financial 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 licenses, are capitalised at fair value and amortised on a straight-line basis over their estimated useful economic lives as follows:

- Acquired brands – 5 years to indefinite;
- Customer relationships – 9 to 16 years; and
- 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.

An impairment review is performed by comparing the carrying value of the property, plant and equipment or intangible asset or goodwill with its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be obtained on disposal of the asset. The value in use is determined by discounting, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, the expected future cash flows resulting from its continued use, including those on final disposal. Impairment losses are recognised in the income statement immediately. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual cash flows could vary considerably from forecast cash flows. Impairment reversals are permitted to property, plant and equipment or intangible assets (but not goodwill) to the extent that the new carrying value does not exceed the amount it would have been had no impairment loss been previously recognised.

Segment reporting

The Group's continuing operations are divided into two product segments, Oil and Gas Services and Building Products, identified on the basis of internal reports about components of the Group. The Group's reporting formats are products and this is consistent with the segments reviewed by the chief operating decision maker. 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 equivalent

Cash and cash equivalents include cash at bank and in hand as well as short-term highly liquid investments such as money market instruments and bank deposits readily convertible into cash. Money market instruments are financial assets carried at fair value through profit or loss.

Interest bearing bank loans and borrowings

Interest bearing bank loans and 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 – 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.

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.

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 provide a hedge against a net investment in a foreign entity. These are taken directly to equity 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 for the year.

Exchange differences arising on the translation of opening net assets of Group companies, together with differences arising from the translation of the net results at average or actual rates to the exchange rate prevailing at the balance sheet date, are taken to other comprehensive income. On disposal of a foreign entity, the cumulative translation differences recognised in other comprehensive income relating to that particular foreign operation is 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
- the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments.

Provisions are determined at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Pensions and other post employment benefits

The Group operates a defined contribution pension and 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 and subsequently measured at amortised cost, using the effective interest rate method, less appropriate allowances for estimated irrecoverable amounts. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect 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.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; hedge of net investment in foreign operations where they hedge exposure to changes in fair value or future cash flows of the investment, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable purchase.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

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.

2. Summary of significant accounting policies continued

Deferred taxation

Income tax expense represents the sum of the current tax and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

Deferred income tax is calculated at the tax rates enacted at the balance sheet dates and that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the comprehensive income statement, 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

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Share-based payments

The Group has an equity settled share based remuneration scheme for certain employees. The Parent 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 determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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; and
- amortisation of intangible items and borrowing costs because of their non-cash nature and expected infrequency of the events giving rise to them.

Key judgements by management

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 require the use of estimates of future activity and assessment of appropriate discount rates.

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 10).

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 17).

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 13).

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, trade marks and licenses. The determination of fair value requires the directors to estimate the useful economic life each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate (note 10).

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 12).

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 19.

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 reported 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.

	United Kingdom £'000	United States £'000	Rest of the World £'000	Building products Total £'000	Oil and gas services United Kingdom £'000	Total £'000
Year ended 31 December 2010						
Revenue						
Revenue from continuing operations	94,676	117,179	40,609	252,464	13,748	266,212
Operating profit before exceptional items and amortisation of intangible assets	7,880	14,444	4,514	26,838	6,837	33,675
Amortisation of intangible assets				(11,749)	–	(11,749)
Exceptional items (note 4)						(395)
Operating profit						21,531
Net finance costs						(11,996)
Profit before taxation						9,535
Income tax (expense)						(2,488)
Profit after tax						7,047
Other segment information						
Segment Assets	106,843	266,565	57,610	431,018	17,384	448,402
Unallocated assets						5,667
						454,069
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)
				(204,008)		(215,494)
Non-current assets	75,425	234,508	45,693	355,626	11,725	367,351
Capital expenditure:						
– property, plant and equipment	1,268	1,542	446	3,256	58	3,314
– intangible assets	51	137	9	197	–	197
Cost of goods sold				169,468	3,935	173,403
Depreciation				6,449	44	6,493
Amortisation				11,749	–	11,749
Employee benefit liabilities				7,474	–	7,474
Goodwill allocation				212,110	11,421	223,531
Intangible asset allocation				104,709	–	104,709
Exceptional items (note 4)				146	–	146
Exceptional items – unallocated (note 4)						249

All revenue comprises amounts earned on amounts receivable from customers. There is no single external customer from whom significant revenue is generated.

/ Notes to the financial statements continued

3. Segmental analysis continued

Comparative segmental disclosure for the year ended 31 December 2009 is as follows:

Year ended 31 December 2009	United Kingdom £'000	United States £'000	Rest of the world £'000	Building products Total £'000	Oil and gas services United Kingdom £'000	Total £'000
Revenue						
Revenue from continuing operations	79,718	105,666	43,647	229,031	12,590	241,621
Operating profit before exceptional items and amortisation of intangible assets	6,276	10,836	2,586	19,698	5,900	25,598
Amortisation of intangible assets				(11,533)	–	(11,553)
Exceptional items (note 4)						(2,055)
Operating profit						11,990
Net finance costs						(12,639)
Loss before taxation						(649)
Income tax credit						1,062
Profit after tax						413
Other segment information						
Segment Assets	105,451	268,622	62,588	436,661	20,550	457,211
Unallocated assets						111
						457,322
Segment liabilities	(32,944)	(43,348)	(7,485)	(83,777)	(2,150)	(85,927)
Unallocated segment liabilities				(140,975)		(140,975)
Unallocated group liabilities						(3,953)
				(224,752)		(230,855)
Non-current assets	74,391	241,087	48,881	364,359	11,727	376,086
Capital expenditure:						
– property, plant and equipment	906	1,054	158	2,118	26	2,144
– intangible assets	–	86	5	91	–	91
Cost of goods sold				157,384	3,720	161,104
Depreciation				(70)	70	–
Amortisation				11,553	–	11,553
Employee benefit liabilities				7,650	–	7,650
Goodwill allocation				208,429	11,421	219,850
Intangible asset allocation				114,148	–	114,148
Exceptional items (note 4)				335	–	335
Exceptional items – unallocated (note 4)						1,720

4. Exceptional items

	2010 £'000	2009 £'000
Redundancy and restructuring costs	151	695
Other corporate costs including EGM costs	244	708
Costs associated with negotiating new debt facilities	–	1,232
Other	–	(580)
	395	2,055

5. Operating profit

Operating profit is stated after charging the following:

	2010 £'000	2009 £'000
Depreciation of property, plant and equipment – owned assets	6,294	6,520
Depreciation of property, plant and equipment – leased assets	199	221
Amortisation of intangible assets	11,749	11,553
Operating lease rentals – land and buildings	4,009	3,924
Fees payable to the Company's auditors for the audit of the Group accounts	94	91
Fees payable to the Company's auditors or their associates for other services:		
– Audit of the Company's subsidiaries	399	392
– Tax, general and other services	31	70
Foreign exchange loss	254	101

6. Employees

Number of employees

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

	2010 Number	2009 Number
Administration	217	236
Sales	176	170
Operations	1,697	1,635
	2,090	2,041

The number of employees (including directors) of the Group as at 31 December 2010 was:

	2010 Number	2009 Number
Administration	230	227
Sales	200	167
Operations	1,574	1,609
	2,004	2,003

Employment costs

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

	2010 £'000	2009 £'000
Wages and salaries	51,508	49,880
Social Security costs	5,547	5,466
Pension costs – defined contribution schemes	1,037	820
Pension costs – defined benefit schemes	1,035	798
Share based payments	63	23
	59,190	56,987

Directors' remuneration

The remuneration payable to directors was as follows:

	2010 £'000	2009 £'000
Salary/fees	834	1,266
Bonuses	171	510
Benefits	57	4
Share-based payments	6	18
Severance payments	333	481
Total	1,401	2,279

7. Finance revenue and costs

	2010 £'000	2009 £'000
Finance income		
Bank interest receivable	566	450
Finance costs		
Interest payable on bank loans and overdraft	(9,429)	(9,901)
Amortisation of borrowing costs	(2,295)	(2,125)
Ineffective portion of changes in value of cash flow hedges	(26)	(45)
Finance charges payable under finance lease and hire purchase contracts	(1)	(29)
Unwinding of discount on provisions	(559)	(634)
Pension scheme and other finance costs	(252)	(355)
Total finance costs	(12,562)	(13,089)
Net finance costs	(11,996)	(12,639)

8. Taxation

(a) Tax on profit on ordinary activities

Income tax in the income statement

	2010 £'000	2009 £'000
Current income tax:		
UK Corporation tax	755	798
Foreign tax	5,090	905
Current income tax charge	5,845	1,703
Adjustments in respect of prior periods	(497)	(766)
Total current income tax	5,348	937
Deferred tax:		
Origination and reversal of temporary differences	(2,216)	(1,911)
Change in UK statutory tax rates	(892)	–
Adjustments in respect of prior periods	248	(88)
Total deferred tax	(2,860)	(1,999)
Income tax expense/(credit) in the income statement	2,488	(1,062)

Tax relating to items charged or credited directly to other comprehensive income

Deferred tax:

Actuarial gains and losses on pension schemes	(40)	(477)
Income tax expense in the statement of comprehensive income	(40)	(477)

(b) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 28% (2009: 28%). The differences are explained below:

	2010 £'000	2009 £'000
Profit/(loss) from continuing operations before taxation	9,535	(649)
Rate of corporation tax in the UK of 28% (2009: 28%)	2,670	(182)
Effects of:		
Expenses not deductible/(income not taxable) for tax purposes	167	(158)
Overseas tax rate differences	790	182
Change in UK statutory tax rates	(892)	–
Other movements	–	(50)
Adjustment in respect of prior periods	(247)	(854)
Income tax expense/(credit) in the income statement	2,488	(1,062)

8. Taxation continued

(c) Deferred tax

Deferred income tax at 31 December relates to the following:

	Group balance sheet		Group income statement	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Deferred tax liability				
Intangible assets on acquisition	(22,808)	(24,527)	(4,271)	(3,230)
Other	(561)	(1,564)	1,241	795
	(23,369)	(26,091)	(3,030)	(2,435)
Deferred tax assets				
Post-employment benefits	1,705	1,640	–	–
Purchased goodwill	4,612	4,761	290	592
Other	1,337	1,391	(120)	(156)
	7,654	7,792	170	436
Deferred income tax (income)			(2,860)	(1,999)
Deferred tax liabilities net	(15,715)	(18,299)		
Reflected in the balance sheet as follows:				
Deferred tax assets	7,654	7,792		
Deferred tax liabilities	(23,369)	(26,091)		
Deferred tax liabilities net	(15,715)	(18,299)		

(d) Factors that may affect future tax charges:

There are estimated tax losses of £9,980,000 (2009: £13,296,000) within the Group, comprising capital losses of £7,348,000 and trading losses of £2,632,000. As the future use of these losses is uncertain, in accordance with the Group's accounting policy, no deferred tax asset has been recognised in respect of them.

The amounts of deferred tax not recognised are as follows:

	2010 £'000	2009 £'000
Tax losses	(785)	(1,666)
Capital losses	(2,057)	(2,057)
	(2,842)	(3,723)

9. 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.

	2010 '000	2009 '000
Weighted average number of shares (including treasury shares)	137,287	137,287
Treasury shares	(7,447)	(7,447)
Weighted average number of shares – basic	129,840	129,840
Effect of dilutive potential ordinary shares – options	1,967	–
Weighted average number of shares – diluted	131,807	129,840

The effect of dilutive potential ordinary shares above is nil in 2009 due to the average market value of the shares being less than the option price.

Earnings per share from continuing operations before exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

9. Earnings per share continued

To this end, basic and diluted underlying Earnings per Share information is presented as an additional measure and using the weighted average number of ordinary shares for both basic and diluted amounts as per the table above. Underlying earnings are derived as follows:

	2010 £'000	2009 £'000
Profit for the year from continuing operations	7,047	413
Exceptional costs	395	2,055
Amortisation of intangible assets, unwinding discount on provisions and amortisation of borrowing costs	14,603	14,312
Adjustment due to deferred tax rate change	(892)	–
Tax effect on exceptional costs, amortisation of intangible assets, unwinding discount on provision and amortisation of borrowing costs	(4,199)	(4,582)
Underlying profit after tax	16,954	12,198
Underlying basic earnings per share	13.06p	9.39p
Underlying diluted earnings per share	12.86p	9.39p

10. Intangible assets

	Computer software £'000	Acquired brands £'000	Customer relations £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2009	598	34,979	124,517	234,085	394,179
Additions	–	91	–	–	91
Amounts written off	(307)	–	–	–	(307)
Exchange difference	(46)	(2,057)	(8,917)	(14,235)	(25,255)
At 31 December 2009	245	33,013	115,600	219,850	368,708
Additions	119	78	–	–	197
Amounts written off	(7)	–	–	–	(7)
Exchange difference	–	489	2,197	3,681	6,367
At 31 December 2010	357	33,580	117,797	223,531	375,265
Amortisation					
At 1 January 2009	53	7,176	17,690	–	24,919
Amortisation for the year	26	3,294	8,233	–	11,553
Exchange difference	(4)	(528)	(1,230)	–	(1,762)
At 31 December 2009	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
Net book value					
At 31 December 2010	187	20,117	84,405	223,531	328,240
At 31 December 2009	170	23,071	90,907	219,850	333,998

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

Impairment tests for goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash-generating units (“CGU”) are determined from value in use calculations. The CGU’s have been defined as the three groups of businesses acquired that each generated the current goodwill and intangibles assets, namely Gall Thomson, and the two Building Products acquisitions. The net book value of the intangible assets and goodwill is analysed by CGU below:

CGU	Intangible Assets		Goodwill	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
LSS	86,748	92,959	158,443	154,986
Schlegel	17,962	21,190	53,667	53,444
Gall Thomson	–	–	11,420	11,420
	104,709	114,148	223,531	219,850

10. Intangible assets continued

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 averaging 3%. 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. A pre-tax discount rate of 11% has been applied to cash flow projections reflecting management's view that similar risk profiles exist for each CGU.

The forecasts are most sensitive to changes considered possible by management in projected revenue growth rates in the first three years of the forecast period. Total future forecast revenue would have to be perpetually 9% lower than currently projected before a possible impairment charge would be indicated.

Certain brands and trade-marks with a book value of £3,230,000 (2009: £3,330,000) 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 market places command a significant share of the markets in which they operate.

11. Property, plant and equipment

	Freehold land and buildings £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 January 2009	15,871	66,054	81,925
Additions	346	1,798	2,144
Disposals	–	(6,110)	(6,110)
Exchange difference	(1,014)	(3,873)	(4,887)
At 31 December 2009	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
Accumulated depreciation			
At 1 January 2009	2,486	37,776	40,262
Charge for the year	541	6,200	6,741
Disposals	–	(5,938)	(5,938)
Exchange difference	(138)	(2,151)	(2,289)
At 31 December 2009	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
Net book value			
At 31 December 2010	12,101	19,356	31,457
At 31 December 2009	12,314	21,982	34,296

Depreciation in the year of £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 2010 was £15,000 (2009: £18,000).

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

12. Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	14,726	15,465
Work-in-progress	2,499	1,900
Finished goods	8,823	8,671
	26,048	26,036

The cost of materials charged to the income statement during the year ended 31 December 2010 was £119,936,000 (2009: £116,149,000). As at 31 December 2010, inventories are stated net of an allowance for excess, obsolete or slow-moving items of £7,449,000 (2009: £7,370,000).

13. Derivative financial instruments

	2010		2009	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate swaps	–	(1,998)	–	(2,489)
Interest rate cap	–	–	–	(45)
Cash flow hedges	–	(1,998)	–	(2,534)

Cash flow hedges

The Group uses interest rate swaps to hedge the cash flows from floating rate borrowings and these cash flows will occur within two years of the balance sheet date.

The full fair value of the hedging derivatives are classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the hedged item is less than 12 months. 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 2010 were £120.5 million (2009: £58.4 million).

At 31 December 2010 the fixed interest rate was 1.85% (2009: 5.025%) on the US denominated swaps (\$112.5 million). 2.045% and 1.88% (2009: nil) were the interest rates fixed on two swap contracts with notional principals at 31 December 2010 of £35.4 million and £12.4 million respectively.

Gains and losses recognised in the hedging reserve on interest rate swap and cap contracts as of 31 December 2010 will be continually released to the income statement until the repayment of the bank borrowings (Note 16).

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 £33,438,000 at 31 December 2010 (2009: £28,927,000).

14. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	28,173	24,935
Other receivables	860	1,475
Prepayments and deferred income	3,889	3,440
	32,922	29,850

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

All of the Group's trade and other receivables have been reviewed for impairment. Certain trade receivables were found to be impaired and a provision of £2,360,000 (2009: £1,909,000) has been recorded. The individually impaired receivables mainly relate to customers affected by the unexpected difficult economic situation.

At 31 December 2010 trade receivables of £27,182,000 (2009: £23,528,000) were considered to be fully performing.

14. Trade and other receivables continued

Trade receivables of £991,000 (2009: £1,407,000) were past due but not impaired as at 31 December 2010. These relate to customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 £'000	2009 £'000
Trade receivables within normal payment terms and considered to be fully performing	25,389	23,528
Trade receivables within normal payment terms but considered not to be fully performing	913	–
Trade receivables past due date and aged up to three months from invoice date	1,780	1,407
Trade receivables past due and aged between three and twelve months after the invoice date	91	–
Trade receivables	28,173	24,935

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

	2010 £'000	2009 £'000
At 1 January	1,909	1,586
Provision for receivables impairment	974	1,086
Receivables written off in year	(336)	(608)
Unused amounts released	(207)	(155)
Other	–	56
Exchange differences	20	(56)
At 31 December	2,360	1,909

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

	2010 £'000	2009 £'000
Pounds	14,394	14,477
US Dollars	11,520	9,091
Euros	4,242	4,684
Other currencies	2,766	1,598
	32,922	29,850

15. Trade and other payables

	2010 £'000	2009 £'000
Trade payables	19,773	18,045
Other taxes and social security costs	2,596	2,007
Accruals and accrued income	17,996	16,763
	40,365	36,815

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

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

	2010 £'000	2009 £'000
Pounds	21,391	18,727
US Dollars	13,413	11,360
Euros	3,468	3,049
Other currencies	2,093	3,679
	40,365	36,815

16. Interest-bearing loans and borrowings

	2010 £'000	2009 £'000
Current		
Bank borrowings	5,163	3,063
Obligations under finance leases and hire purchase contracts	9	8
	5,172	3,071
Non-current		
Bank borrowings	114,304	132,887
Obligations under finance leases and hire purchase contracts	1	10
	114,305	132,897
Minimum lease payments due under finance leases are as follows:		
Less than one year	9	8
1 to 5 years	1	10
	10	18

All the bank borrowings are secured over the majority of the Building Products Division assets. In addition the Company has given the banks a share pledge over its shares in Gall Thomson.

The Group also has revolving credit facilities of \$10,015,000 and £5,000,000 neither of which were drawn down at 31 December 2010.

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

	2010 £'000	2009 £'000
Pounds	46,867	57,352
US Dollars	72,610	78,616
	119,477	135,968

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

17. Provisions

	Property related £'000	Restructuring £'000	Other £'000	Total £'000
At 1 January 2009	13,459	3,202	3,780	20,441
Provided during the year	932	361	647	1,940
Utilised during the year	(1,758)	(954)	(269)	(2,981)
Released during the year	(110)	(1,711)	(62)	(1,883)
Re-categorisation	–	–	3,100	3,100
Unwinding of discount	634	–	–	634
Exchange differences	(69)	(167)	–	(236)
At 31 December 2009	13,088	731	7,196	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)	(800)	(1,672)
Unwinding of discount	559	–	–	559
Exchange differences	13	12	–	25
At 31 December 2010	11,633	376	6,564	18,573
Current liabilities	1,293	376	1,915	3,584
Non-current liabilities	10,340	–	4,649	14,989
Total	11,633	376	6,564	18,573

The property related provisions represent the estimated net present value of future costs for lease rentals, dilapidations and other property costs for facilities that are surplus to business requirements. The leases have terms of up to seven years to expiry.

Other provisions comprise product liability, taxation and inventory related provisions.

18. Financial instruments: risk profile

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

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

Liquidity and credit risk

The Group maintains sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. The Group manages liquidity risk by the pooling of cash resources and depositing funds available for investment in approved financial instruments with financial institutions. Counterparty risk with respect to cash and cash equivalents is managed by only investing in banks and financial instruments with independently assessed credit ratings of at least A-2- as published by Standard and Poors. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance by these counterparties.

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

Management assesses the credit quality of customers taking into account their financial position, past experience and other factors. In order to mitigate credit risk the Group utilises credit insurance in those areas of its operations where such insurance is available. In areas where such insurance is not available, management monitors the utilisation of credit limits by customers, identified either individually or by group, and incorporates this information in credit risk controls. There are no significant concentrations of credit risk, due to the diverse nature of the Groups 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:

	2010 £'000	2009 £'000
Classes of financial instruments – carrying amounts		
Cash and cash equivalents	27,748	24,955
Trade and other receivables	32,922	29,850
At 31 December	60,670	54,805

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 2010 the Group operated within its borrowing facilities.

The table below analyses the Group's financial liabilities, which are classified as level 3, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, including interest payments under cash flow hedges.

	Less than 1 year £'000	Between 1 and 2 yrs £'000	Between 2 and 5 yrs £'000	Total £'000
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
Borrowings	3,071	6,755	126,142	135,968
Derivative financial instruments	2,534	–	–	2,534
Interest cash flows on debt and derivatives, settled net	9,071	8,945	4,278	2,534
Trade and other payables	36,815	782	–	37,597
At 31 December 2009	51,491	16,482	130,420	178,633

18. Financial instruments: risk profile continued

Interest rate risk

The Group has an overdraft facility, but this was not used for borrowing purposes. The interest rate profile of the Group's borrowings as at 31 December 2010 was as follows:

	Floating rate liabilities £'000	Fixed rate liabilities £'000	Total £'000
Pounds	46,867	–	46,867
US Dollars	72,600	10	72,610
At 31 December 2010	119,467	10	119,477
Pounds	57,352	–	57,352
US Dollars	78,598	18	78,616
At 31 December 2009	135,950	18	135,968

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

The Group took out a swap agreement which was effective from 12 June 2007 and covered the period until 30 September 2010 and the economic effect was to partially fix the interest rate for the borrowings for the LSSD acquisition.

The Group entered into an interest rate cap transaction which was effective from 12 June 2007 and covered the period until 30 September 2010. The economic effect was to cap the rate at which interest is payable on 50% of the \$240 million loan facility at 5.5%.

On 10 February 2010, Jasper Acquisition Holdings Limited entered into new interest swap agreements with the economic effect of fixing the USD denominated debt related to the LSS acquisition in excess of the existing swap agreement at an interest rate of 1.85% per annum. The GBP denominated debt related to the LSS acquisition was fixed at an interest rate of 2.045%. All the swap agreements cover the period from 30 March 2010 to 02 July 2012.

On 9 April 2010, a GBP swap agreement was entered into by Schlegel Acquisition Holdings Limited, with the economic effect of fixing the debt related to the Schlegel acquisition at an interest rate of 1.88%. The swap agreement covers the period from 30 June 2010 to 02 July 2012.

	Floating rate borrowings £'000	Covered by interest rate swaps £'000	Swap fixed rate %
At 31 December 2010			
Pounds*	47,914	47,800	2.006
US Dollars*	74,483	72,717	1.850
	122,397	120,517	
At 31 December 2009			
Pounds	–	–	–
US Dollars*	81,913	58,388	5.025
	81,913	58,388	

* These amounts exclude capitalised loan fees.

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 2.15% during the year (2009: 1.98%).

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 RMB 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 presentational currency and net investments in overseas entities.

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

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

18. Financial instruments: risk profile continued

	2010	2009
Closing rates:		
US Dollars	1.5471	1.5928
Euros	1.1675	1.1113
Average rates:		
US Dollars	1.5463	1.5659
Euros	1.1661	1.1230

Foreign currency exchange rate sensitivity

The Group receives approximately 44% of its revenues and incurs approximately 43% of its costs in USD. The Group is therefore sensitive to movements in the USD against GBP. Each five cent movement in the USD to GBP exchange rate has circa £0.4 million impact on operating profits. Offsetting this will be reductions to USD interest and US tax liabilities. This analysis assumes all other variables, including interest rates, remain constant.

The Group receives approximately 11% of its revenues and incurs approximately 10% of its costs in Euros. Each five cent movement in the Euro to GBP exchange rate has a circa £0.2 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.

Additionally the Group incurs approximately 7% of its costs in Chinese Renminbi ("RMB"). Each RMB 0.40 movement in the RMB to GBP exchange rate has a circa £0.6 million impact on operating profits.

The impact of movements in other exchange rates is immaterial.

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

	USD £'000	Euros £'000	Other £'000	Total £'000
Short term exposure				
Financial assets	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)
	USD £'000	Euros £'000	Other £'000	Total £'000
Short term exposure				
Financial assets	15,768	7,381	2,411	25,560
Financial liabilities	(15,159)	(3,049)	(3,679)	(21,887)
At 31 December 2009	609	4,332	(1,268)	3,673
Long term exposure				
Financial assets	–	–	–	–
Financial liabilities	(80,717)	(205)	–	(80,922)
At 31 December 2009	(80,717)	(205)	–	(80,922)

19. Pensions and other post-employment benefit plans

19.1 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 £38,000 (2009: £40,000) included within employee benefit liabilities.

19.2 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 2010. 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.

19. Pensions and other post-employment benefit plans continued

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 2011 is £1,266,000 (2010: £821,000).

Other defined benefit pension schemes had net liabilities of £230,000 (2009: £152,000)

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

	2010 £'000	2009 £'000
Included in operating profit		
Current service cost	255	216
	2010 £'000	2009 £'000
Included in finance income and costs		
Interest cost	1,009	995
Expected return on plan assets	(757)	(640)
	252	355

The major assumptions used by the actuary were:

	31 December 2010	31 December 2009
Rate of increase in salaries	n/a	n/a
Long term rate of inflation	3%	3%
Rate of increase in pensions in payment	0.0%	0.0%
Discount Rate	5.5%	5.75%
Health care cost trend ¹	9.0%-5.0%	8.25%-5.0%

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

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:

	2010 £'000	2009 £'000
Actual return on plan assets	1,380	1,713
Expected return on plan assets	(757)	(640)
Experience gain/(loss) on assets	623	1,073
Experience gain/(loss) on liabilities	(481)	(2,682)
Net loss before exchange	142	(1,609)
Foreign exchange differences	(219)	683
Amounts recognised during the year	(77)	(926)

19. Pensions and other post-employment benefit plans continued

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

	2010 £'000	2009 £'000
Change in defined benefit obligation		
Defined benefit obligation at beginning of year	17,440	15,822
Current service cost	255	216
Interest cost	1,009	995
Actuarial loss	481	2,682
Benefits paid	(834)	(784)
Foreign exchange	515	(1,491)
Defined benefit obligation at end of year	18,866	17,440

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

	2010 £'000	2009 £'000
Change in plan assets		
Fair value of plan assets at beginning of year	9,942	8,506
Actual return on plan assets	1,380	1,713
Employer contributions	841	1,317
Plan participant contributions	67	–
Benefits paid	(901)	(784)
Foreign exchange	293	(810)
Fair value of plan assets at end of year	11,622	9,942

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

	2010 £'000	2009 £'000
Plan assets by category		
Equity securities	7,414	6,535
Debt securities	3,473	2,864
Real estate	734	543
Other	1	–
Total	11,622	9,942

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)
Cumulative actuarial loss recognised in the consolidated statement of comprehensive income	(4,777)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
History of scheme assets, liabilities and actuarial gains and losses					
Fair value of plan assets at the end of the year	11,555	9,942	8,506	7,245	7,277
Defined benefit obligation at end of year	(18,866)	(17,440)	(15,822)	(10,503)	(10,552)
Deficit at the end of the year	(7,311)	(7,498)	(7,316)	(3,258)	(3,275)
Actual return less expected return on scheme assets	623	1,073	(2,392)	(335)	3
% of scheme assets	5.4%	10.8%	(28.1)%	(4.6)%	0.0%
Experience (loss)/gain arising on scheme obligations (present value)	(481)	(2,682)	(799)	182	65
% of scheme obligations (present value)	2.5%	15.4%	5.0%	(1.7)%	(0.6)%

20. Share capital

	Number of shares '000	Ordinary shares of 5p each £'000
31 December 2009 and 31 December 2010	137,287	6,864

The total authorised number of ordinary shares is 180,000,000 (2009: 180,000,000) with a par value of 5p per share (2009: 5p per share). All issued shares are fully paid. 7,446,683 ordinary shares (2009: 7,446,683) are held by the Company as treasury shares.

Share-based payments

In 2010 the Group operated two share schemes: the 2008 Share Option Scheme and the LTIP.

For the purposes of assessing the income statement change under IFRS 2, the options awarded under the 2008 Share Option Scheme were valued using a Black Scholes model. 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 2010 was £63,000 (2009: £23,000).

2008 Share Option Scheme

Share options were granted under the 2008 Share Option Scheme to executive directors and managers in July 2008. The Remuneration Committee has resolved that no further options will be granted under the 2008 Share Option Scheme. The exercise price was the market price at the close of business on the day preceding the date of grant. Options are exercisable three years after the date of grant provided the participant remains an employee of the Group and performance targets for earnings per share growth are met.

The fair value per option granted under the 2008 Share Option Scheme and the assumptions used in the calculation of the share-based payment charge are as follows:

	2008 Share Option Scheme
Valuation model	Black Scholes
Date of grant	25 July 2008
Number granted	6,475,000
Share price at date of award	38 pence
Fair value (pence)	8 pence
Exercise price (pence)	38 pence
Expected volatility (per cent. p.a.)	35%
Expected dividends (per cent. p.a.)	1.5%
Vesting period	3 years
Vesting conditions	Continuous service and cumulative Underlying EPS in 2010 in range of 13.52 to 14.58 pence

As the vesting conditions for the 2008 Share Option Scheme have not been met, all outstanding options will lapse upon the signing of these accounts.

Movements in the number of share options outstanding and their related weighted average exercise price ("WAEP") are as follows:

	2010		2009	
	Number of options '000	WAEP	Number of options '000	WAEP
At 1 January	4,400	38.00p	6,475	38.00p
Lapsed	–	–	(2,075)	38.00p
31 December	4,400	38.00p	4,400	38.00p

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 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.

20. Share capital continued

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

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

	2010 Number of shares '000	2009 Number of shares '000
At 1 January	–	–
Granted	1,413	–
31 December	1,413	–

21. Dividends

No dividends were declared or paid in 2010 (2009: nil). A dividend of 2.0 pence per ordinary share has been proposed by the Directors for approval at the forthcoming AGM.

22. Adjustments to cash flows from operating activities

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

	2010 £'000	2009 £'000
Net finance costs	11,996	12,639
Depreciation	6,493	6,741
Amortisation	11,749	11,553
Intangible and Fixed assets written off	76	479
Non cash adjustments	289	1,404
Share based payments	63	23
	30,666	32,839

23. Contingent liabilities

	2010 £'000	2009 £'000
Financial guarantees	983	1,253
Performance bonds	9	9
	992	1,262

The Group has guarantees amounting to £983,000 (2009: £1,253,000). These guarantees principally relate to letters of credit provided by banks in respect of workmens' compensation claims on which no losses are anticipated. These guarantees are defined as financial guarantees under IAS39 and their fair value at 31 December 2010 was £nil (2009: £nil).

24. 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	
	2010 £'000	2009 £'000
Not later than one year	3,422	3,723
After one year but more than five years	12,717	9,709
Over five years	7,106	7,959

	Other	
	2010 £'000	2009 £'000
Not later than one year	410	554
After one year but more than five years	537	588
Over five years	62	2

25. Investments in subsidiaries

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

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

* Held by a subsidiary.

26. Related party transactions

Directors

During the financial year, no contracts of significance other than those disclosed within directors' remuneration were entered into by the Group or any of its subsidiaries in which the directors had a material interest.

Key management compensation

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

Transactions between the Company and its subsidiaries, which are related parties are eliminated on consolidation.

27. Post Balance Sheet Events

There have been no post balance sheet events which the Group must disclose.

We have audited the parent company financial statements of Lupus Capital plc for the year ended 31 December 2010 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 2010;
- 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 matter

We have reported separately on the group financial statements of Lupus Capital plc for the year ended 31 December 2010.

Charles Hutton-Potts BSc, FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

23 March 2011

/ Company balance sheet

As at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	4	192,453	185,153
		192,453	185,153
Current assets			
Debtors	6	7,048	7,048
Cash at bank and in hand		19,889	18,398
		26,937	25,446
LIABILITIES			
Creditors: Amounts falling due within one year	7	(5,288)	(5,237)
NET CURRENT ASSETS		21,649	20,209
TOTAL ASSETS LESS CURRENT LIABILITIES		214,102	205,362
Creditors: Amounts falling due after one year	8	(7,876)	(7,876)
NET ASSETS		206,226	197,486
EQUITY			
Shareholders' equity			
Called up share capital	11	6,864	6,864
Share premium	11	101	101
Other reserves	11	8,920	8,920
Treasury reserve	11	(6,764)	(6,764)
Retained earnings	11	197,105	188,365
TOTAL EQUITY		206,226	197,486

The financial statements were approved by the Board on 23 March 2011.

Louis Eperjesi
Chief Executive Office

James Brotherton
Chief Financial Officer

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.

The Group's debt facilities expire in July 2012 and the Group expects 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. Accordingly, the Company 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).

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

Investments

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

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 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 determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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's profit and loss account has not been included in these accounts. The profit on ordinary activities attributable to shareholders of the Company dealt with in these accounts was £8,677,000 (2009: £4,920,000)

3. Employees

Other than the directors, there were no employees of the Company during the year (2009: nil). Directors' emoluments are set out in the Directors' Remuneration Report in the Group's accounts.

4. Fixed asset investments

	£'000
Cost	
At 1 January 2009	185,762
Capital injection	2
At 31 December 2009	185,764
Subscription of shares	7,300
At 31 December 2010	193,064
Impairment	
At 1 January and 31 December 2009	611
Charge for the year	–
At 31 December 2010	611
Net book value	
At 31 December 2010	192,453
At 31 December 2009	185,153

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

5. Investments in subsidiaries

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

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

6. Debtors

	2010 £'000	2009 £'000
Amount due from subsidiary undertaking	7,048	7,048

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

7. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	–	–
Amounts owed to Group undertakings	4,826	4,809
Corporation tax	462	428
	5,288	5,237

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

	2010 £'000	2009 £'000
Loan notes owed to Group undertakings	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.

9. Borrowing

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

10. Share capital

The share capital of the Company is as set out in note 20 of the Group accounts.

11. Reconciliation of movements in equity

	Share capital £'000	Share premium account £'000	Other reserves £'000	Treasury reserve £'000	Profit & loss account £'000	Total £'000
At 1 January 2009	6,864	101	8,920	(6,764)	183,422	192,543
Shares issued net of costs	–	–	–	–	–	–
Profit for the year	–	–	–	–	4,920	4,920
Share based payments	–	–	–	–	23	23
At 31 December 2009	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

Details of share based payments are given in note 20 of the Group accounts.

12. Financial commitments

At 31 December 2010 the Company had future annual lease commitments under non-cancellable operating leases as stated below. These commitments are met on the Company's behalf by Lupus Capital Management Limited.

	Land and buildings	
	2010 £'000	2009 £'000
Expiry date		
Within one year	14	32

13. Related party transactions

The only transaction between the Company and its subsidiaries, which are related parties, was the payment of interest on the loan note mentioned in note 8. The total interest payable for the year was £158,000.

/ Advisers

Secretary

Cavendish Administration Limited

Company number

2806007

Registered office

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

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

Collins Stewart Europe Limited
88 Wood Street
London, EC1V 7QR

Website

www.lupuscapital.co.uk

/ 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.
- “Droptrough 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

	2010	2009
Closing rates:		
US Dollars	1.5471	1.5928
Euros	1.1675	1.1113
Average rates:		
US Dollars	1.5463	1.5659
Euros	1.1661	1.1230

/ 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 27 May 2011 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 2010 together with the reports of the directors and auditors.
2. To declare a final dividend of 2.00p per ordinary share for the financial year ended 31 December 2010.
3. To re-elect Mr Pike.
4. To re-elect Mr Eperjesi.
5. To elect Mr Brotherton, who offers himself for election as a director, having been appointed by the Board since the last Annual General Meeting.
6. To re-elect Mr Tench.
7. To re-elect Mr Towers.
8. To re-appoint Grant Thornton UK 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 2010.
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 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) which authority shall expire on 1 July 2016 (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 2012 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 Act) of ordinary shares of 5 pence nominal value of the Company provided that:

- (A) the maximum number of ordinary shares of 5 pence nominal value hereby authorised to be purchased is 19,463,135, being 14.99% of the Company's voting ordinary shares in issue at the date of this Meeting;
- (B) the minimum price, exclusive of any expenses, which may be paid for an ordinary share (excluding treasury shares) 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 2012; 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.

By order of the Board

Cavendish Administration Limited

Registered Office:

Company Secretary
23 March 2011

145-157 St John Street
London EC1V 4RU

NOTES

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, 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 25 May 2011; 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.

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, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU at 10.30 am on 25 May 2011 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 appointee 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 25 May 2011 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, Proxy Department, 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.

Nominated Persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:
 - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Questions at the Meeting

10. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:
 - answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Issued Shares and total voting rights

11. 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

12. 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.

/ Form of proxy

Lupus Capital plc

I/We

of.....

(BLOCK CAPITALS PLEASE)

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

or (see note 1).....

of.....

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the offices of College Hill, The Registry, Royal Mint Court, London EC3N 4QN on 27 May 2011 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	Abstain
1. To receive and adopt the audited financial statements for the year ended 31 December 2010			
2. To declare a dividend of 2.00p per ordinary share			
3. To re-elect Mr Pike as a director			
4. To re-elect Mr Eperjesi as a director			
5. To 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 re-appoint Grant Thornton UK 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			

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 2011

NOTES

1. If you so desire you may delete the words 'chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. The proxy form must be lodged at the Company's UK 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.
3. 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.
4. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
5. 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.
6. 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.



www.lupuscapital.co.uk

Lupus Capital plc
65 Buckingham Gate
London SW1E 6AS
+44 (0)20 7976 8000
www.lupuscapital.co.uk