

28 August 2009

## Interim Financial Results for the six month period ended 30 June 2009

Headlam Group plc (“Headlam”), Europe’s leading floorcoverings distributor, announces its interim results for the six months ended 30 June 2009.

### Financial highlights

	2009 £000	2008 £000	Change
Revenue	253,354	276,121	-8.2%
Operating profit	9,015	21,674	-58.4%
Profit before tax	7,701	20,941	-63.2%
Basic earnings per share	6.7p	18.0p	-62.8%
Dividend per share	3.7p	5.6p	-33.9%

### Key points

- UK revenues decrease by 10.7% on a like for like basis
- Indicators suggest UK performance ahead of the market
- Continental European revenues decrease by 9.7% on a like for like basis
- Earnings decrease by 62.8%
- Dividend decreases by 33.9% from 5.6p to 3.7p
- Favourable cash impact from a net reduction in working capital

### Tony Brewer, Headlam’s Group Chief Executive, said:

“We believe the group has performed well in particularly difficult market conditions, reflecting the activities of the individual businesses maximising their market opportunities. Whilst volumes are likely to remain subdued, a continuation of the normal seasonal trend in the final four months should enable the group to achieve its operating objectives for the year.”

### Enquiries:

#### Headlam Group plc

Tony Brewer, Group Chief Executive  
Stephen Wilson, Group Finance Director

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## **Chairman's Statement**

During the first six months of 2009, market conditions proved to be extremely challenging, resulting in group revenues decreasing by 8.2% from £276.1 million to £253.4 million. On a like for like basis, the revenue decreases were 10.7% in the UK and 9.7% in Continental Europe.

Operating profit decreased by 58.4% from £21.7 million to £9.0 million.

### **Earnings and dividend**

Basic earnings per share decreased by 62.8% from 18.0p to 6.7p and the board have therefore declared a reduced interim dividend of 3.7p per share. This represents a decrease of 33.9% on last year's interim dividend of 5.6p per share. The dividend will be paid on 4 January 2010 to shareholders on the register at 4 December 2009.

### **UK operations**

Fundamental to the group's strategy and structure are the autonomous activities and initiatives of our individual businesses. Whilst we undertook certain restructuring in the autumn of 2008, to reduce the number of distribution centres from 22 to 19, we do not propose any additional significant restructuring, assuming there is no further deterioration in market conditions.

Annual payroll costs represent approximately 54% of overhead expenditure and therefore we continue to retain a very tight control on staff recruitment. With the restructuring that we have implemented and a cautious approach to the replacement of employees, current staff numbers at 1,684 are 11.1% below the 2008 planned employment level of 1,895.

By retaining the structure that has developed over the last 18 years, which has delivered consistent increases in revenue and profitability, we are well positioned to take advantage of market conditions as they improve.

The UK operations now incorporate 49 individual businesses, working from 19 principal distribution centres and 12 service centres. The 49 businesses are positioned within five business sectors dependant upon their geographical market position or product offering and are categorised as *regional multi-product*, *national multi-product*, *regional commercial*, *residential specialist* and *commercial specialist*.

This structure ensures that our high service levels to customers are maintained, which incorporates the ongoing launch of new products, a comprehensive stock holding and a distribution infrastructure to provide a next day delivery service for our customers.

Given the challenging market conditions, we have positioned realistic targets for both operational management and sales representatives, to motivate performance and ensure that their measurement and subsequent reward is appropriate.

Various market indicators would suggest that our performance in the first half of 2009 was ahead of the market as a whole. Our business is principally conducted with independent

flooring retailers and contractors and we would therefore suggest that their collective performance has also outperformed the market. The key performance indicators by which we measure the wellbeing of our customer base including payment to terms, debtor days, active accounts and bad debts are all consistent with the previous year.

The gross margin for the first six months has deteriorated slightly; principally due to product mix where our commercial business has increased its contribution to revenue and lower margin roll sales continue to represent an increasing proportion of our business compared with higher margin cut length sales in both the carpet and residential vinyl product categories.

We have not experienced any significant change in our supply base and our commitment remains to work closely with our leading suppliers, in developing product for our various market categories and subsequently launching product in a timely manner, to ensure our customers in both the residential and commercial sector are at the forefront of product development into the UK flooring market.

### **Continental Europe**

Our three businesses in France, Switzerland and the Netherlands have experienced similar market conditions to the UK since January and whilst like for like revenues have reduced, all three businesses continue to make a positive contribution.

The disparity between the overall revenue growth of 7.4% from our Continental businesses and a decrease of 9.7% in the like for like performance was caused by the significant favourable effect of currency translation and a first time contribution from Silvester.

We maintain a tight control on overheads in each of these businesses, but do not intend to alter their structure, leaving them positioned to take advantage as market conditions improve.

### **Investments**

We continue our dialogue with the landowner of the proposed development site in Hadleigh near Ipswich, to relocate Faithfulls to strengthen significantly the business in the south east of England. Whilst this has been a particularly protracted process, it is still our current intention to continue with this development in 2010.

It is unlikely that we will commence any other major capital projects, other than normal maintenance and replacement expenditure, until into 2011 at the earliest.

### **Acquisitions**

In June, we entered into a distribution agreement with Oriental Weavers of Egypt, one of the world's largest rug producers, to assume responsibility for their distribution activities in the UK.

Whilst the group has not completed any further acquisitions during the course of this year, we have continued a dialogue with various businesses in the UK and Continental Europe with a view to making further bolt-on acquisitions to complement and enlarge our floorcovering distribution activities.

**Pensions**

The liability associated with employee benefits deteriorated during the first six months of 2009 from £14.6 million to £22.3 million. The increase is almost entirely attributable to the UK defined benefit pension plan, which is suffering from the combination of declining asset values, reduced bond yields and a predicted rise in long-term inflation. This decline should not have any material impact on second half trading results and will not affect cash flows for the remainder of the year.

**Cash flow**

Cash generated from operations during the first six months of 2009 amounting to £15.4 million compared with £6.9 million in the corresponding period in 2008. Whilst operating profit was substantially down during the period, this was more than offset by the £21.1 million swing in working capital, moving from a net investment of £17.4 million during the first six months of 2008 to a net reduction of £3.7 million during 2009.

The contraction in working capital occurred because the lower revenue activity during the first six months of 2009 has given rise to reduced inventory investment and a decrease in trade debtors. Subject to revenue activity continuing in line with our expectations, we do not anticipate any material adverse movement in net working capital investment during the second half of the year.

Cash flows from investing activities are in line with expectation at this stage of the year. As at 30 June 2009, we had not incurred expenditure in connection with the development site at Hadleigh, this being the only other investment project we had anticipated starting this year. It is now more likely that this expenditure will occur in 2010 and therefore total expenditure on the acquisition of property, plant and equipment for 2009 should be less than the amount invested in 2008.

The net cash outflow from financing activities of £2.8 million compared with the £4.1 million inflow in the comparative period is attributable to a marked reduction in new borrowings and the absence of share buy-back activity.

The net decrease in cash during the period at £0.7 million was broadly similar to the first six months of 2008 at £0.5 million. Group net debt at 30 June 2009 amounted to £2.0 million compared with net funds at 31 December 2008 of £0.7 million.

**Facilities**

The group has now renewed the short-term working capital facilities with each of its banking partners for the next twelve months. During the process, the group elected to reduce its UK facilities by £10.0 million from £45.0 million to £35.0 million on the basis that a larger facility was no longer required. The group's total facilities now amount to £77.7 million of which, £30.0 million is a term loan that lapses in July 2012.

**Outlook**

Due to the particularly challenging market conditions over the last twelve months, the group has restructured, reduced the number of employees and maintained a tight control on overhead expenditure. This realigned structure however, has the capacity to service increased activity, with limited additional cost, therefore creating the potential for favourable operational gearing.

We believe the group has performed well in particularly difficult market conditions, reflecting the activities of the individual businesses maximising their market opportunities. Whilst volumes are likely to remain subdued, a continuation of the normal seasonal trend in the final four months should enable the group to achieve its operating objectives for the year.

Graham Waldron  
28 August 2009

## Condensed Consolidated Interim Income Statement

Unaudited

	Note	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	The year ended 31 December 2008 £000
<b>Revenue</b>	6	<b>253,354</b>	276,121	557,296
Cost of sales		<b>(177,392)</b>	(188,918)	(382,670)
<b>Gross profit</b>		<b>75,962</b>	87,203	174,626
Distribution expenses		<b>(49,081)</b>	(48,694)	(98,517)
Administrative expenses		<b>(17,866)</b>	(16,835)	(34,387)
<b>Operating profit</b>	6	<b>9,015</b>	21,674	41,722
Finance income	7	<b>1,878</b>	3,519	7,016
Finance expenses	7	<b>(3,192)</b>	(4,252)	(8,618)
<b>Net finance costs</b>		<b>(1,314)</b>	(733)	(1,602)
<b>Profit before tax</b>		<b>7,701</b>	20,941	40,120
Taxation	8	<b>(2,156)</b>	(5,968)	(11,433)
<b>Profit attributable to the equity shareholders</b>	6	<b>5,545</b>	14,973	28,687
<b>Dividend per share</b>	10	<b>19.70p</b>	23.10p	23.10p
<b>Earnings per share</b>				
Basic	9	<b>6.7p</b>	18.0p	34.5p
Diluted	9	<b>6.7p</b>	18.0p	34.5p

All group operations during the financial periods were continuing operations.

## Condensed Consolidated Interim Statement of Comprehensive Income

Unaudited

	Note	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	The year ended 31 December 2008 £000
Foreign exchange translation differences arising on translation of overseas operations		(3,614)	1,685	6,631
Actuarial gains and losses on defined benefit plans		(8,763)	(5,738)	(4,245)
Effective portion of change in fair values of cash flow hedges		237	-	(848)
Tax recognised on income and expenses recognised directly in equity		2,456	1,607	1,304
<b>Other comprehensive (expenses)/income</b>		<b>(9,684)</b>	<b>(2,446)</b>	<b>2,842</b>
<b>Profit attributable to the equity shareholders</b>		<b>5,545</b>	<b>14,973</b>	<b>28,687</b>
<b>Total comprehensive (expenses)/income attributable to the equity shareholders</b>	10	<b>(4,139)</b>	<b>12,527</b>	<b>31,529</b>

## Condensed Consolidated Interim Statement of Changes in Equity

Unaudited

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Cash flow hedging reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2008	4,268	53,512	88	474	-	(11,604)	103,303	150,041
<b>Total comprehensive income for the period</b>	-	-	-	1,685	-	-	10,842	12,527
<b>Transactions with equity shareholders, recorded directly in equity</b>								
Share-based payments	-	-	-	-	-	-	180	180
Consideration for purchase of own shares	-	-	-	-	-	(2,204)	-	(2,204)
Share options exercised by employees	-	-	-	-	-	725	-	725
Deferred tax on Schedule 23 share options (pre November 2002)	-	-	-	-	-	-	(245)	(245)
Dividends to equity holders	-	-	-	-	-	-	(19,182)	(19,182)
Total contributions by and distributions to equity shareholders	-	-	-	-	-	(1,479)	(19,247)	(20,726)
Balance at 30 June 2008	4,268	53,512	88	2,159	-	(13,083)	94,898	141,842
Balance at 1 July 2008	4,268	53,512	88	2,159	-	(13,083)	94,898	141,842
<b>Total comprehensive income for the period</b>	-	-	-	4,946	(848)	-	14,904	19,002
<b>Transactions with equity shareholders, recorded directly in equity</b>								
Share-based payments	-	-	-	-	-	-	246	246
Share options exercised by employees	-	-	-	-	-	26	-	26
Deferred tax on Schedule 23 share options (pre November 2002)	-	-	-	-	-	-	18	18
Total contributions by and distributions to equity shareholders	-	-	-	-	-	26	264	290
Balance at 31 December 2008	4,268	53,512	88	7,105	(848)	(13,057)	110,066	161,134

## Condensed Consolidated Interim Statement of Changes in Equity continued

Unaudited

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Cash flow hedging reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2009	4,268	53,512	88	7,105	(848)	(13,057)	110,066	161,134
<b>Total comprehensive income for the period</b>	-	-	-	(3,614)	237	-	(762)	(4,139)
<b>Transactions with equity shareholders, recorded directly in equity</b>								
Share-based payments	-	-	-	-	-	-	132	132
Deferred tax on Schedule 23 share options (pre November 2002)	-	-	-	-	-	-	1	1
Dividends to equity holders	-	-	-	-	-	-	(16,354)	(16,354)
Total contributions by and distributions to equity shareholders	-	-	-	-	-	-	(16,221)	(16,221)
<b>Balance at 30 June 2009</b>	<b>4,268</b>	<b>53,512</b>	<b>88</b>	<b>3,491</b>	<b>(611)</b>	<b>(13,057)</b>	<b>93,083</b>	<b>140,774</b>

## Condensed Consolidated Interim Balance Sheet

Unaudited

	Note	At 30 June 2009 £000	At 30 June 2008 £000	At 31 December 2008 £000
<b>Non-current assets</b>				
Property, plant and equipment		102,063	94,374	99,741
Intangible assets		13,210	13,210	13,210
Deferred tax assets		7,568	7,214	5,372
		<b>122,841</b>	114,798	118,323
<b>Current Assets</b>				
Inventories		106,399	112,851	107,597
Trade and other receivables		96,120	104,948	105,942
Cash and cash equivalents		34,977	16,513	35,193
		<b>237,496</b>	234,312	248,732
<b>Total assets</b>		<b>360,337</b>	349,110	367,055
<b>Current liabilities</b>				
Bank overdraft		(1,198)	-	-
Other interest-bearing loans and borrowings		(5,749)	-	(4,506)
Trade and other payables		(149,452)	(165,920)	(143,369)
Employee benefits		(2,460)	(1,496)	(2,428)
Income tax payable		(7,057)	(10,774)	(9,546)
		<b>(165,916)</b>	(178,190)	(159,849)
<b>Non-current liabilities</b>				
Other interest-bearing loans and borrowings		(30,000)	(10,000)	(30,000)
Employee benefits		(19,791)	(14,961)	(12,216)
Deferred tax liabilities		(3,856)	(4,117)	(3,856)
		<b>(53,647)</b>	(29,078)	(46,072)
<b>Total liabilities</b>		<b>(219,563)</b>	(207,268)	(205,921)
<b>Net assets</b>		<b>140,774</b>	141,842	161,134
<b>Equity attributable to equity holders of the parent</b>				
Share capital	10	4,268	4,268	4,268
Share premium	10	53,512	53,512	53,512
Other reserves	10	(10,089)	(10,836)	(6,712)
Retained earnings	10	93,083	94,898	110,066
<b>Total equity</b>		<b>140,774</b>	141,842	161,134

## Condensed Consolidated Interim Cash Flow Statements

Unaudited

	Note	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	The year ended 31 December 2008 £000
<b>Cash flows from operating activities</b>				
Profit before tax for the period		7,701	20,941	40,120
Adjustments for:				
Depreciation, amortisation and impairment		2,604	2,455	5,305
Finance income		(1,878)	(3,519)	(7,016)
Finance expense		3,192	4,252	8,618
Profit on sale of property, plant and equipment		(34)	(19)	(337)
Share-based payments		132	180	426
<b>Operating profit before changes in working capital and provisions</b>		<b>11,717</b>	<b>24,290</b>	<b>47,116</b>
Change in inventories		(904)	(10,374)	(1,480)
Change in trade and other receivables		7,135	(2,789)	876
Change in trade and other payables		(2,530)	(4,265)	(19,096)
<b>Cash generated from the operations</b>		<b>15,418</b>	<b>6,862</b>	<b>27,416</b>
Interest paid		(3,090)	(2,614)	(4,552)
Tax paid		(4,294)	(5,571)	(11,012)
Additional contributions to defined benefit plan		(1,305)	(743)	(1,147)
<b>Net cash from operating activities</b>		<b>6,729</b>	<b>(2,066)</b>	<b>10,705</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		38	134	1,309
Interest received		1,903	1,699	2,997
Acquisition of subsidiaries, net of cash acquired		-	-	(726)
Acquisition of property, plant and equipment		(6,589)	(4,329)	(10,664)
<b>Net cash from investing activities</b>		<b>(4,648)</b>	<b>(2,496)</b>	<b>(7,084)</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of treasury shares		-	725	751
Proceeds from borrowings		1,855	10,000	33,726
Payment to acquire own shares		-	(2,204)	(2,204)
Dividends paid		(4,649)	(4,454)	(19,182)
<b>Net cash from financing activities</b>		<b>(2,794)</b>	<b>4,067</b>	<b>13,091</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(713)</b>	<b>(495)</b>	<b>16,712</b>
Cash and cash equivalents at 1 January		35,193	16,702	16,702
Effect of exchange rate fluctuations of cash held		(701)	306	1,779
<b>Cash and cash equivalents at end of period</b>	11	<b>33,779</b>	<b>16,513</b>	<b>35,193</b>

# Notes to the Condensed Consolidated Interim Financial Statements

Unaudited

## 1 REPORTING ENTITY

Headlam Group plc the “company” is a company incorporated in the UK. The Condensed Consolidated Interim Financial Statements consolidate those of the company and its subsidiaries which together are referred to as the “group” as at and for the six months ended 30 June 2009.

The Consolidated Financial Statements of the group as at and for the year ended 31 December 2008 are available upon request from the company’s registered office or the website.

The comparative figures as at and for the financial year ended 31 December 2008 are not the group's statutory accounts for that financial year. Those accounts have been reported on by the group's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

These Condensed Consolidated Interim Financial Statements have not been audited or reviewed by the auditor pursuant to the Auditing Practices Board's Guidance on Financial Information.

## 2 STATEMENT OF COMPLIANCE

These Condensed Consolidated Interim Financial Statements have been prepared and approved by the directors in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU (adopted IAS 34). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the group as at and for the year ended 31 December 2008.

These Condensed Consolidated Interim Financial Statements were approved by the board of directors on 28 August 2009.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The Condensed Consolidated Interim Financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the group's published Consolidated Financial Statements for the year ended 31 December 2008 except as described below.

### **Impact of newly adopted accounting standards**

As outlined in the audited Financial Statements for the year ended 31 December 2008, IFRS 8 'Operating Segments' is a standard that can influence the reporting of the group's results, assets and liabilities and IAS 1 'Presentation of financial statements', affects the presentation of financial results. These standards were adopted on 1 January 2009.

The adoption of IFRS 8 requires operating segments to be identified on the basis of internal reports used to assess performance and allocate resources by the Chief Executive Officer, the group’s chief operating decision maker. The adoption of this standard has not resulted in any change to the segments previously reported.

## **Notes to the Condensed Consolidated Interim Financial Statements** continued Unaudited

### **3 SIGNIFICANT ACCOUNTING POLICIES- continued**

The adoption of IAS 1 means that all owner changes in equity are now presented within the Consolidated Statement of Changes in Equity and all non-owner changes in equity are presented within the Consolidated Statement of Comprehensive Income. This presentation has been applied in these Condensed Interim Financial Statements as at and for the six months ended on 30 June 2009. Comparative information has been re-presented so that it conforms to the revised standard.

All other new, revised or amended standards and interpretations have not had any material impact on the group's results or presentation of these Condensed Interim Financial Statements.

### **4 ESTIMATES**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2008.

### **5 FINANCIAL RISK MANAGEMENT**

All aspects of the group's financial risk management objectives and policies are consistent with that disclosed in the Consolidated Financial Statements as at and for the year ended 31 December 2008.

**Notes to the Condensed Consolidated Interim Financial Statements** continued  
Unaudited

**6 SEGMENT REPORTING**

The group's operating activities are wholly aligned to the sales, marketing, supply and distribution of floorcovering products. These activities are conducted from business centres located in both the UK and Continental Europe. The group's internal management structure and financial reporting systems treat the UK and Continental Europe as two separate segments because of the different regulatory environments. This distinction defines the construction of operating reports reviewed by the Chief Executive Officer, the board and the executive management team and forms the basis for the presentation of operating segment information given below.

	UK			Continental Europe			Total		
	30 June 2009 £000	30 June 2008 £000	31 Dec 2008 £000	30 June 2009 £000	30 June 2008 £000	31 Dec 2008 £000	30 June 2009 £000	30 June 2008 £000	31 Dec 2008 £000
<b>Revenue</b>									
External sales	<b>202,827</b>	229,080	458,572	<b>50,527</b>	47,041	98,724	<b>253,354</b>	276,121	557,296
<b>Result</b>									
Segment result	<b>8,428</b>	20,476	39,164	<b>694</b>	1,525	3,324	<b>9,122</b>	22,001	42,488
Unallocated corporate expenses							<b>(107)</b>	(327)	(766)
Operating profit							<b>9,015</b>	21,674	41,722
Financial income							<b>1,878</b>	3,519	7,016
Financial expense							<b>(3,192)</b>	(4,252)	(8,618)
Taxation							<b>(2,156)</b>	(5,968)	(11,433)
Profit for the period							<b>5,545</b>	14,973	28,687
<b>Other information</b>									
Segment assets	<b>300,389</b>	299,280	302,805	<b>52,380</b>	42,616	58,878	<b>352,769</b>	341,896	361,683
Unallocated assets							<b>7,568</b>	7,214	5,372
Consolidated total assets							<b>360,337</b>	349,110	367,055
Segment liabilities	<b>(146,314)</b>	(139,966)	(146,327)	<b>(28,380)</b>	(21,227)	(31,548)	<b>(174,694)</b>	(161,193)	(177,875)
Unallocated liabilities							<b>(44,869)</b>	(46,075)	(28,046)
Consolidated total liabilities							<b>(219,563)</b>	(207,268)	(205,921)
Capital expenditure	<b>3,757</b>	4,046	5,949	<b>2,832</b>	283	4,715	<b>6,589</b>	4,329	10,664
Depreciation	<b>2,139</b>	2,076	4,218	<b>465</b>	379	786	<b>2,604</b>	2,455	5,004
Amortisation	-	-	44	-	-	257	-	-	301

Each segment is a continuing operation.

Unallocated assets comprise deferred tax assets. Unallocated liabilities comprise income tax, deferred tax liabilities and employee benefits.

**Notes to the Condensed Consolidated Interim Financial Statements** continued  
Unaudited

**6 SEGMENT REPORTING- continued**

The Chief Executive Officer, the board and the executive management team has access to information that provides details on sales by principal product group and across the five principal business sectors which comprise Regional multi-product, National multi-product, Regional commercial, Residential specialist and Commercial specialist. However, this information is not provided as a secondary segment since the group's operations are not managed by reference to these sub classifications and the presentation would require an arbitrary allocation of overheads, assets and liabilities undermining the presentation's validity and usefulness.

**7 FINANCE INCOME AND EXPENSE**

	<b>Six months ended 30 June 2009 £000</b>	Six months ended 30 June 2008 £000	The year ended 31 December 2008 £000
Interest income:			
Bank interest	<b>365</b>	1,596	2,902
Other	<b>66</b>	54	209
Return on defined benefit plan assets	<b>1,447</b>	1,869	3,905
Finance income	<b>1,878</b>	3,519	7,016
Interest expense:			
Bank loans, overdrafts and other financial expenses	<b>(1,171)</b>	(2,277)	(4,543)
Interest on defined benefit plan obligation	<b>(2,021)</b>	(1,975)	(4,075)
Finance expenses	<b>(3,192)</b>	(4,252)	(8,618)

**8 TAXATION**

The group consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2009 was 28% (for the six months ended 30 June 2008: 28.5%, for the year ended 31 December 2008: 28.5%).

**Notes to the Condensed Consolidated Interim Financial Statements** continued  
Unaudited

**9 EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Six months ended 30 June 2009 £000</b>	Six months ended 30 June 2008 £000	The year ended 31 December 2008 £000
<b>Earnings</b>			
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent	<b>5,545</b>	14,973	28,687
	<b>2009</b>	2008	2008
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>83,115,096</b>	83,133,987	83,140,537
Effect of diluted potential ordinary shares:			
Weighted average number of ordinary shares at period end	<b>83,115,096</b>	83,133,987	83,140,537
Share options	<b>613,727</b>	1,988,902	433,308
Number of shares that would have been issued at fair value	<b>(540,301)</b>	(1,995,735)	(401,137)
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>83,188,522</b>	83,127,154	83,172,708

**Notes to the Condensed Consolidated Interim Financial Statements** continued  
Unaudited

**10 CAPITAL AND RESERVES**

**Reconciliation of movement in capital and reserves**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Cash flow hedging reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2008	4,268	53,512	88	474	-	(11,604)	103,303	150,041
Total recognised income and expense	-	-	-	1,685	-	-	10,842	12,527
Equity-settled share based payments	-	-	-	-	-	-	180	180
Consideration for purchase of own shares	-	-	-	-	-	(2,204)	-	(2,204)
Share options exercised by employees	-	-	-	-	-	725	-	725
Deferred tax on Schedule 23 share options (pre November 2002)	-	-	-	-	-	-	(245)	(245)
Dividends	-	-	-	-	-	-	(19,182)	(19,182)
Balance at 30 June 2008	4,268	53,512	88	2,159	-	(13,083)	94,898	141,842
Total recognised income and expense	-	-	-	4,946	(848)	-	14,904	19,002
Equity-settled share based payments	-	-	-	-	-	-	246	246
Share options exercised by employees	-	-	-	-	-	26	-	26
Deferred tax on Schedule 23 share options (pre November 2002)	-	-	-	-	-	-	18	18
Balance at 31 December 2008	4,268	53,512	88	7,105	(848)	(13,057)	110,066	161,134

## Notes to the Condensed Consolidated Interim Financial Statements continued

Unaudited

### 10 CAPITAL AND RESERVES - continued

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Cash flow hedging reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2009	4,268	53,512	88	7,105	(848)	(13,057)	110,066	161,134
Total recognised income and expense	-	-	-	(3,614)	237	-	(762)	(4,139)
Equity-settled share based payments	-	-	-	-	-	-	132	132
Deferred tax on Schedule 23 share options (pre November 2002)	-	-	-	-	-	-	1	1
Dividends	-	-	-	-	-	-	(16,354)	(16,354)
<b>Balance at 30 June 2009</b>	<b>4,268</b>	<b>53,512</b>	<b>88</b>	<b>3,491</b>	<b>(611)</b>	<b>(13,057)</b>	<b>93,083</b>	<b>140,774</b>

### Dividends

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	The year ended 31 December 2008 £000
Interim dividend for 2008 of 5.60p paid 2 January 2009	4,649	-	-
Final dividend for 2008 of 14.10p proposed	11,705	-	-
Interim dividend for 2007 of 5.35p paid 2 January 2008	-	4,454	4,454
Final dividend for 2007 of 17.75p proposed	-	14,728	14,728
	<b>16,354</b>	19,182	19,182

The final proposed dividend for 2008 of 14.10p per share was authorised by shareholders at the Annual General Meeting on 26 June 2009 and paid on 1 July 2009. The final proposed dividend for 2007 of 17.75p per share was authorised by shareholders at the Annual General Meeting on 20 June 2008 and paid on 1 July 2008.

**Notes to the Condensed Consolidated Interim Financial Statements** continued  
Unaudited

**11 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS**

	<b>At</b>	At	At
	<b>30 June</b>	30 June	31 December
	<b>2009</b>	2008	2008
	<b>£000</b>	£000	£000
Cash and cash equivalents per balance sheet	<b>34,977</b>	16,513	35,193
Bank overdrafts	<b>(1,198)</b>	-	-
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents per cash flow statements	<b>33,779</b>	16,513	35,193

**12 CAPITAL COMMITMENTS**

As at 30 June 2009, the group had contractual commitments relating to the purchase of property, plant and equipment of £122,000 (*30 June 2008: £5,366,000, 31 December 2008: £629,000*). These commitments are expected to be settled prior to the year ended 31 December 2009.

**13 RELATED PARTIES**

The group has a related party relationship with its subsidiaries and with its directors. There have been no changes to the nature of related party transactions entered into since the last annual report.

## **Statement of Directors' Responsibilities**

The directors confirm that this condensed set of financial statements, which has been prepared in accordance with IAS 34 as adopted by the EU, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole as required by DTR 4.2.4R.

The directors also confirm that the interim financial statements included herein include a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

This report has been approved by the board of directors and signed on its behalf by

Graham Waldron  
Chairman  
28 August 2009