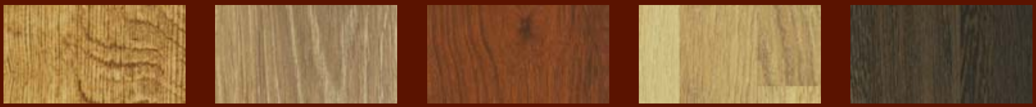
headlam group plc

Interim Financial Results 2008

Europe's leading floorcovering distributor



Headlam markets, supplies and distributes an extensive range of floorcovering products to independent flooring retailers and contractors throughout the UK, France, Switzerland and the Netherlands.

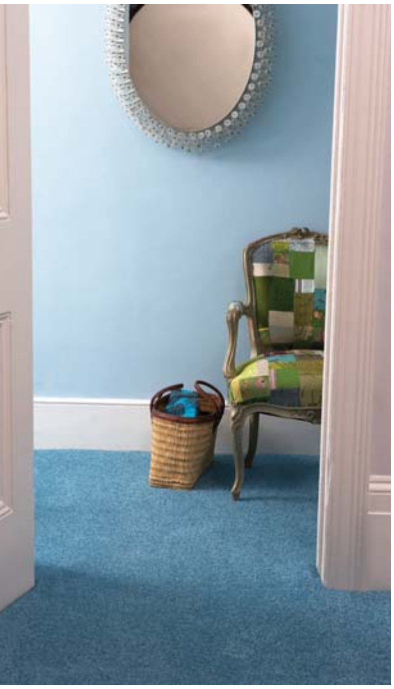
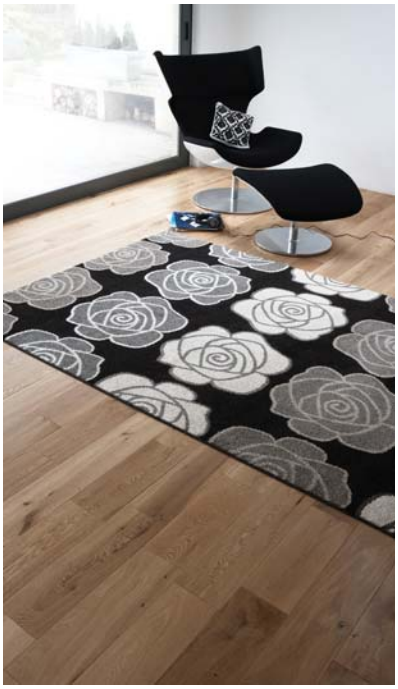
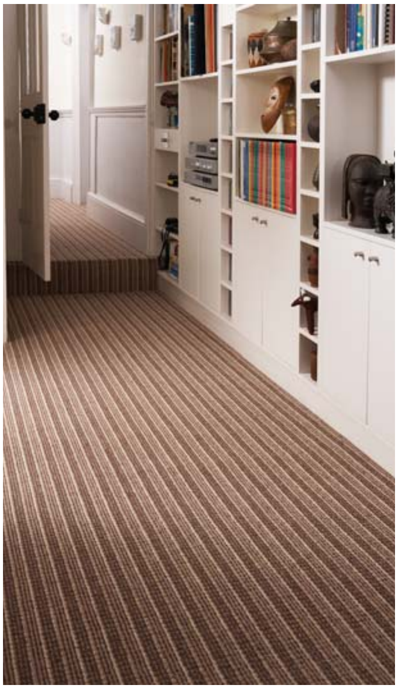
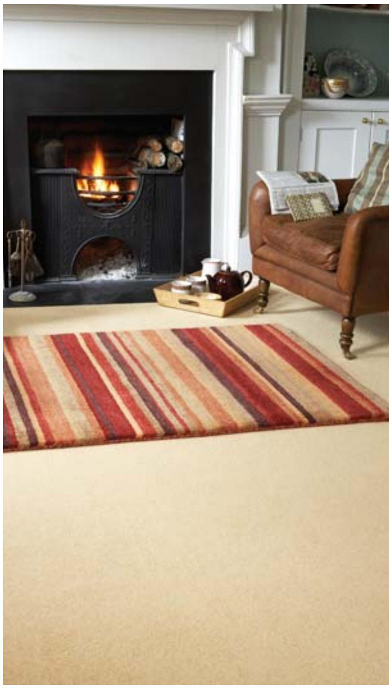
Our operational strategy is focused on providing our customers with an up to date comprehensive range of competitively priced floorcovering products with the support of a next day delivery.

As part of this strategy, Headlam offers its suppliers the opportunity to achieve wide market penetration backed by cost effective distribution.

In implementing this strategy, Headlam has developed a diverse and autonomous structure with 50 businesses in the UK and a further three in Continental Europe.

A key factor contributing to the group's success is the individuality of experienced management teams who are responsible for the market presence, development and ultimate profitability of their business.

Each business is supported by the commitment to continued investment in people, product, facilities and IT. This commitment has provided the basis for the group's growth and performance enabling it to develop into Europe's leading floorcovering distributor.

Financial Highlights

	2008 £'000	2007 £'000	Change
Revenue	**276,121**	259,076	+6.6%
Operating profit	**21,674**	20,740	+4.5%
Profit before tax	**20,941**	20,593	+1.7%
Basic earnings per share	**18.0p**	16.6p	+8.4%
Dividend per share	**5.60p**	5.35p	+4.7%

Key Points

- UK revenues increase by 2.8% on a like for like basis
- Continental European revenues increase by 1.7% on a like for like basis
- Basic earnings increased by 8.4%
- Dividend increased by 4.7% from 5.35p to 5.60p

Contents

Chairman's Statement

Group revenue for the first six months increased by 6.6% from £259.1 million to £276.1 million. On a like for like basis, the revenue increases were 2.8% in the UK and 1.7% in Continental Europe.

Profit before net finance costs and tax increased by 4.5% from £20.74 million to £21.67 million.

Earnings and dividend

Basic earnings per share increased by 8.4% from 16.6p to 18.0p. The board is pleased to declare an interim dividend of 5.60p per share, an increase of 4.7% on last year's interim dividend of 5.35p per share. The dividend will be paid on 2 January 2009 to shareholders on the register at 5 December 2008.

UK operations

We continue with our operating strategy of allowing individual businesses to be managed autonomously, whilst complying with standard operating procedures and strict financial disciplines. The management and sales representatives of these businesses are clearly focussed and incentivised on the objectives before them.

Whilst the UK market has become increasingly challenging during 2008, the structure and diversity of our floorcovering distribution activities has produced a solid result in the first six months. Residential flooring revenue increased by 1.6% and accounts for 69% of UK revenue compared with 71% last year. This was balanced by an 11.2% increase in our commercial business, which now represents 31% of UK revenue compared with 29% last year, and highlights the progress achieved in developing this business segment.

The group has longstanding relationships with the leading UK and overseas flooring manufacturers. Through working with our suppliers and with an ongoing product development programme throughout the product categories of carpet, residential vinyl, wood, laminate and commercial flooring, we have launched 2,496 *(2007: 2,165)* new products. These products have been positioned, through a variety of 518,160 *(2007: 448,000)* new point of sale items by our 371 external sales people, into independent flooring retailers and contractors.

The UK operations incorporate 50 businesses working from 22 principal distribution centres and nine service centres. These businesses are structured into five business sectors:

Regional multi-product: These 20 businesses represent our largest individual sector, giving a comprehensive geographical coverage and strong market presence, selling both residential and commercial flooring. This sector was able to maintain sales levels comparable with the previous year, which in a challenging market place will have increased their market share.

National multi-product: Mercado's infrastructure is benefiting from the increased capacity at its Leeds distribution hub, with the 20,000 square feet extension now completed, giving a total capacity of 205,000 square feet. Additionally, the new trans-shipping centre in Bristol has improved service to customers in the south of England. The Mercado businesses have increased revenues by 4.0%.

Regional commercial: This sector continues to prosper with the benefit of the businesses acquired in the last two years and the recently opened service centres in Bristol, Dartford, Walthamstow and Southampton. The 15 regional commercial operations have increased revenues by 12.7%.

Residential specialist: The 13 businesses continue to develop their individual product ranges and enlarge their market presence in medium to high quality carpet products and rugs. This has enabled a growth in revenues of 17.5%.

Commercial specialist: These four businesses have benefited from a more buoyant commercial market and increased their revenues by 13.1%.

Carpet advertising campaign

The group has agreed to participate in and contribute to a carpet industry initiative to launch an advertising campaign in the autumn of 2008 which will continue into 2009. This initiative, through a variety of media advertising, is intended to increase the profile and ultimate sales of carpet to the consumer.

yourfloors.co.uk

At the beginning of July, we launched to the flooring industry, the yourfloors.co.uk internet portal for independent flooring retailers. To create brand awareness and demand, yourfloors.co.uk will launch a national advertising campaign to consumers this autumn with a continuation in the spring 2009. This provides our customer base with the opportunity to take advantage of the increasing demand for internet purchasing by being able to sell to the consumer online with our businesses receiving the benefit of such orders for distribution to the appointed retailer.

Continental Europe

Our businesses on the Continent produced another satisfactory result for the first six months, with our French business in particular, showing solid growth. We have now commenced construction of the new 65,000 square feet purpose built freehold distribution centre in the Netherlands to relocate Lethem-Vergeer and this will be operational in the spring 2009.

Investments

The new 42,000 square feet purpose built freehold distribution centre for MCD Wales in Bridgend is now fully operational. This will allow the business to develop further in South Wales and the south west of England.

Construction has commenced on an extension to the Baileys Plymouth distribution centre. This will increase capacity, primarily to allow Baileys to develop their commercial flooring business in the south west of England.

Notwithstanding the increasing challenges of the current floorcovering market, it is still our intention to continue investing in a number of new facilities during the next five years in order to increase capacity and improve our material handling efficiencies.

Acquisitions

Whilst the group has not completed any 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.

Trading results

As highlighted in my opening paragraph, this set of results is characterised by the growth in profitability not matching the group's growth in revenue. This balance is attributable to two factors.

The table below illustrates that 64.5% of the revenue growth achieved in 2008 arose from an increase in revenues from the businesses acquired during 2007 and our Continental European businesses, which benefited from a significant currency movement. These operations achieved a collective operating margin of 3.4% *(2007: 3.7%)* during the first half of 2008 compared with the group's operating margin of 8.0% *(2007: 8.4%)*, effectively diluting the group's growth in profitability.

Overheads measured as a proportion of sales are 23.7% *(2007: 22.8%)* and have increased by 11.0% compared with last year further diluting growth in profitability. This increase is principally attributable to the significant increase in fuel costs and the additional sales and marketing investment to support the enlargement of our Regional commercial businesses, the development and launch of yourfloors.co.uk and our contribution to the carpet advertising campaign.

Taxation

The effective tax rate for the first six months of 2008 has reduced from 30.0% to 28.5% following the change in the rate of corporation tax from 30.0% to 28.0%. The tax rate used at the half year is expected to apply to the full year results for 2008.

Pensions

The UK plan actuary has issued the preliminary results of the triennial actuarial valuation of the UK defined benefit pension plan during the period, which the trustees and company are currently considering. Based on these results, the net deficit has increased from £13.1 million at 31 March 2005 to £33.0 million at 31 March 2008. The two principal factors contributing to this deterioration, which arises because of an increase in the plan's liabilities, are a change in the mortality assumption and an increase in inflation. The consequences of the increased deficit are twofold. Firstly, the annual cost of providing future service benefits, recognised through the income statement, will increase by approximately £0.7 million. Secondly, the cash flow required to fund the past service deficit will increase from £1.5 million to £2.7 million per annum.

	2008	2007	Change	
	£000	£000	£000	%
UK revenue:				
- like for like increase	**223,000**	216,940	6,060	+2.8
- acquisitions	**6,080**	2,474	3,606	+145.8
	229,080	219,414	9,666	+4.4
Continental European revenue:				
- like for like increase	**40,322**	39,662	660	+1.7
- currency	**6,719**	–	6,719	–
	47,041	39,662	7,379	+18.6
Group	**276,121**	259,076	17,045	+6.6

Chairman's Statement continued

Cash flow

Cash generated from operations, £6.9 million, during the first half of 2008 was broadly in line with the cash generated during the same period in 2007. The investment in net working capital of £17.4 million, slightly ahead of last years £16.8 million, underlines our continuing commitment to customer service.

Cash outflows from investing activities, at £2.5 million, was down on the £5.4 million incurred last year because of the absence of acquisitive activity during 2008.

Cash flows from financing activities amounted to a £4.1 million inflow compared with a £16.8 million outflow last year. The reason for the turnaround is the much reduced share buy-back activity in 2008, £2.2 million compared with £12.4 million, coupled with the drawdown of £10.0 million from the group's £30.0 million term facility, which expires in July 2012. Following the drawdown, the group entered into an interest rate swap to fix the interest rate relating to this funding at 5.09% through to April 2010.

Net cash decreased by £0.5 million during the first half of 2008 compared with a decrease of £22.1 million during the equivalent period last year.

Outlook

During the first six months, the group has produced a solid result. Traditionally, the final four months of the year represent the highest sales volume and subsequently, are the most profitable. However in the last four months to the end of August, the markets have proved to be increasingly demanding, particularly in the UK.

Due to the unpredictable nature of the current market place, the board believe we face a challenge to meet our original trading objectives for 2008. Notwithstanding these difficult market conditions, we believe our structure and strategy, in conjunction with the commitment from our management teams and representatives, will enable us to continue outperforming the floorcovering market and increase our market share.

Graham Waldron
1 September 2008

Consolidated Interim Income Statement

unaudited

	Note	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	The year ended 31 December 2007 £000
Revenue	5	**276,121**	259,076	544,718
Cost of sales		**(188,918)**	(179,281)	(375,990)
Gross profit		**87,203**	79,795	168,728
Distribution expenses		**(48,694)**	(42,810)	(87,711)
Administrative expenses		**(16,835)**	(16,245)	(35,004)
Operating profit	5	**21,674**	20,740	46,013
Finance income	6	**3,519**	3,214	6,321
Finance expenses	6	**(4,252)**	(3,361)	(7,162)
Net finance costs		**(733)**	(147)	(841)
Profit before tax		**20,941**	20,593	45,172
Taxation	7	**(5,968)**	(6,178)	(13,534)
Profit attributable to the equity shareholders	5	**14,973**	14,415	31,638
Dividend per share	9	**23.10p**	20.15p	20.15p
Earnings per share				
Basic	8	**18.0p**	16.6p	37.1p
Diluted	8	**18.0p**	16.4p	36.8p

All group operations during the financial periods were continuing operations.

Consolidated Interim Statement of Recognised Income and Expense

unaudited

	Note	**Six months ended 30 June 2008 £000**	Six months ended 30 June 2007 £000	The year ended 31 December 2007 £000
Foreign exchange translation differences arising on translation of overseas operations		**1,685**	(199)	1,090
Actuarial gains and losses on defined benefit plans		**(5,738)**	5,028	5,000
Tax recognised on income and expenses recognised directly in equity		**1,607**	(1,776)	(1,660)
Net (expense)/income recognised directly in equity		**(2,446)**	3,053	4,430
Profit attributable to the equity shareholders		**14,973**	14,415	31,638
Total recognised income and expense	9	**12,527**	17,468	36,068

Consolidated Interim Balance Sheet

unaudited

	Note	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	The year ended 31 December 2007 £000
Non-current assets				
Property, plant and equipment		**94,374**	86,999	92,097
Intangible assets		**13,210**	14,265	13,210
Deferred tax assets		**7,214**	6,815	5,942
		114,798	108,079	111,249
Current Assets				
Inventories		**112,851**	102,947	101,491
Trade and other receivables		**104,948**	93,616	100,830
Cash and cash equivalents		**16,513**	19,169	16,805
		234,312	215,732	219,126
Total assets		**349,110**	323,811	330,375
Current liabilities				
Bank overdraft		–	(416)	(103)
Trade and other payables		**(165,920)**	(155,460)	(154,320)
Employee benefits		**(1,496)**	(1,484)	(1,491)
Income tax payable		**(10,774)**	(11,801)	(10,747)
		(178,190)	(169,161)	(166,661)
Non-current liabilities				
Bank loans		**(10,000)**	–	–
Employee benefits		**(14,961)**	(10,819)	(9,837)
Deferred tax liabilities		**(4,117)**	(3,280)	(3,836)
		(29,078)	(14,099)	(13,673)
Total liabilities		**(207,268)**	(183,260)	(180,334)
Net assets		**141,842**	140,551	150,041
Equity attributable to equity holders of the parent				
Share capital	9	**4,268**	4,292	4,268
Share premium	9	**53,512**	53,512	53,512
Other reserves	9	**(10,836)**	(815)	(11,042)
Retained earnings	9	**94,898**	83,562	103,303
Total equity		**141,842**	140,551	150,041

Consolidated Interim Cash Flow Statement

unaudited

	Note	**Six months ended 30 June 2008 £000**	Six months ended 30 June 2007 £000	The year ended 31 December 2007 £000
Cash flows from operating activities				
Profit before tax for the period		**20,941**	20,593	45,172
Adjustments for:				
Depreciation, amortisation and impairment		**2,455**	2,735	6,227
Finance income		**(3,519)**	(3,214)	(6,321)
Finance expense		**4,252**	3,361	7,162
Profit on sale of property, plant and equipment		**(19)**	(14)	(18)
Share-based payments		**180**	250	501
Operating profit before changes in working capital and provisions		**24,290**	23,711	52,723
Change in inventories		**(10,374)**	(7,524)	(4,781)
Change in trade and other receivables		**(2,789)**	(864)	(6,849)
Change in trade and other payables		**(4,265)**	(8,401)	1,587
Cash generated from operations		**6,862**	6,922	42,680
Interest paid		**(2,614)**	(1,224)	(3,325)
Tax paid		**(5,571)**	(4,845)	(11,729)
Additional contributions to defined benefit plan		**(743)**	(742)	(1,098)
Net cash from operating activities		**(2,066)**	111	26,528
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**134**	144	159
Interest received		**1,699**	1,544	2,757
Acquisition of subsidiaries, net of cash acquired		**–**	(2,864)	(3,190)
Acquisition of property, plant and equipment		**(4,329)**	(4,231)	(10,980)
Net cash from investing activities		**(2,496)**	(5,407)	(11,254)
Cash flows from financing activities				
Proceeds from the issue of share capital		**–**	86	86
Proceeds from the issue of treasury shares		**725**	–	10
Proceeds from borrowings		**10,000**	–	–
Payment to acquire own shares		**(2,204)**	(12,392)	(21,687)
Repayment of borrowings		**–**	–	(246)
Payment of finance lease liabilities		**–**	(267)	(363)
Dividends paid		**(4,454)**	(4,218)	(17,455)
Net cash from financing activities		**4,067**	(16,791)	(39,655)
Net decrease in cash and cash equivalents		**(495)**	(22,087)	(24,381)
Cash and cash equivalents at 1 January		**16,702**	40,851	40,851
Effect of exchange rate fluctuations of cash held		**306**	(11)	232
Cash and cash equivalents at end of period	10	**16,513**	18,753	16,702

Notes to the Interim Financial Statements

unaudited

1. ACCOUNTING POLICIES

Headlam Group plc (the "company") is a company incorporated in the UK. The 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 2008. The 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 2007, and these 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 2007 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.

2. STATEMENT OF COMPLIANCE

These 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 2007.

These Consolidated Interim Financial Statements were approved by the board of directors on 1 September 2008.

3. 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 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 2007.

4. FINANCIAL RISK MANAGEMENT

The group has exercised part of the term facility during the six months ended 30 June 2008 and entered into an interest rate swap, both of which are disclosed within the Chairman's Statement.

All other 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 2007.

Notes to the Interim Financial Statements continued

unaudited

5. SEGMENT REPORTING

The group's activities are wholly aligned to the sales, marketing, supply and distribution of floorcovering products. These activities are carried out 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 difference in reward arising from these two markets and this forms the basis for the geographical presentation of the primary segment information given below.

	UK			Continental Europe			Total		
	30 June 2008 £000	30 June 2007 £000	31 Dec 2007 £000	**30 June 2008 £000**	30 June 2007 £000	31 Dec 2007 £000	**30 June 2008 £000**	30 June 2007 £000	31 Dec 2007 £000
Revenue									
External sales	**229,080**	219,414	463,671	**47,041**	39,662	81,047	**276,121**	259,076	544,718
Result									
Segment result	**20,476**	20,451	46,092	**1,525**	1,408	2,916	**22,001**	21,859	49,008
Unallocated corporate expenses							**(327)**	(1,119)	(2,995)
Operating profit							**21,674**	20,740	46,013
Financial income							**3,519**	3,214	6,321
Financial expense							**(4,252)**	(3,361)	(7,162)
Taxation							**(5,968)**	(6,178)	(13,534)
Profit for the period							**14,973**	14,415	31,638
Other information									
Segment assets	**299,280**	282,295	287,552	**42,616**	34,701	36,881	**341,896**	316,996	324,433
Unallocated assets							**7,214**	6,815	5,942
Consolidated total assets							**349,110**	323,811	330,375
Segment liabilities	**(139,966)**	(124,140)	(135,868)	**(21,227)**	(18,499)	(18,555)	**(161,193)**	(142,639)	(154,423)
Unallocated liabilities							**(46,075)**	(40,621)	(25,911)
Consolidated total liabilities							**(207,268)**	(183,260)	(180,334)
Capital expenditure	**4,046**	3,908	10,617	**283**	323	663	**4,329**	4,231	11,280
Depreciation	**2,076**	2,009	4,044	**379**	311	666	**2,455**	2,320	4,710
Amortisation	**–**	415	1,517	**–**	–	–	**–**	415	1,517

Each segment is a continuing operation.

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

Management has access to information that provides details on sales and gross margin 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.

Notes to the Interim Financial Statements continued

unaudited

6. FINANCE INCOME AND EXPENSE

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	The year ended 31 December 2007 £000
Interest income:			
Bank interest	**1,596**	1,432	2,641
Other	**54**	–	46
Return on defined benefit plan assets	**1,869**	1,782	3,634
Finance income	**3,519**	3,214	6,321
Interest expense:			
Bank loans, overdrafts and other finance expenses	**(2,277)**	(1,474)	(3,328)
Interest on defined benefit plan obligation	**(1,975)**	(1,887)	(3,827)
Finance leases and similar hire purchase contracts	**–**	–	(3)
Other	**–**	–	(4)
Finance expenses	**(4,252)**	(3,361)	(7,162)

7. TAXATION

The group consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2008 was 28.5% *(for the six months ended 30 June 2007: 30.0%, for the year ended 31 December 2007: 30.0%)*, this is referred to in the Chairman's Statement.

Included in the 2007 UK Budget were proposed changes to the capital allowances regime in respect of Industrial Buildings. The stated intention was to reduce the allowances given from 4% straight line to 3% from April 2008, 2% from April 2009, 1% from April 2010 and finally to abolish Industrial Building Allowances entirely from April 2011.

This particular change was not included in Finance Act 2007 and therefore the effect has not been recognised in these condensed Consolidated Interim Financial Statements as at and for the six months ended 30 June 2008 and was not recognised in the annual Financial Statements as at and for the year ended 31 December 2007. These proposals have now become law, and as a result, there is a possibility that the group's deferred tax liability in respect of property, plant and equipment will increase by £7.8 million.

This change would be reflected as part of the group's taxation charge in the 2008 Consolidated Income Statement as at and for the year ended 31 December 2008. Based on the average number of shares at 30 June 2008, this would give rise to an exceptional dilution in basic earnings per share amounting to 9.4 pence.

Notes to the Interim Financial Statements continued
unaudited

8. EARNINGS PER SHARE

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

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	The year ended 31 December 2007 £000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent	**14,973**	14,415	31,638

	2008	2007	2007
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	**83,133,987**	86,837,780	85,370,107
Effect of diluted potential ordinary shares:			
Weighted average number of ordinary shares at period end	**83,133,987**	86,837,780	85,370,107
Share options	**1,988,902**	2,209,691	2,114,930
Number of shares that would have been issued at fair value	**(1,995,735)**	(1,377,574)	(1,471,286)
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**83,127,154**	87,669,897	86,013,751

Notes to the Interim Financial Statements continued

unaudited

9. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Treasury reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2007	4,354	53,428	–	(616)	–	95,846	153,012
Total recognised income and expense	–	–	–	(199)	–	17,667	17,468
Share based payments	–	–	–	–	–	250	250
Cancellation of own shares	(64)	–	64	–	–	(7,627)	(7,627)
Consideration for purchase of own shares	–	–	–	–	(4,765)	–	(4,765)
Share options exercised by employees	2	84	–	–	–	–	86
Deferred tax on Schedule 23 share options (pre November 2002)	–	–	–	–	–	(418)	(418)
Dividends	–	–	–	–	–	(17,455)	(17,455)
Balance at 30 June 2007	4,292	53,512	64	(815)	(4,765)	88,263	140,551
Total recognised income and expense	–	–	–	1,289	–	17,311	18,600
Share based payments	–	–	–	–	–	251	251
Cancellation of own shares	(24)	–	24	–	–	(2,446)	(2,446)
Consideration for purchase of own shares	–	–	–	–	(6,849)	–	(6,849)
Share options exercised by employees	–	–	–	–	10	–	10
Deferred tax on Schedule 23 share options (pre November 2002)	–	–	–	–	–	(76)	(76)
Balance at 31 December 2007	4,268	53,512	88	474	(11,604)	103,303	150,041
Total recognised income and expense	**–**	**–**	**–**	**1,685**	**–**	**10,842**	**12,527**
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**

Purchase of own shares

During the six months ended 30 June 2008 the company purchased 550,000 shares, to be held in treasury with a nominal value of £27,500, representing 0.6% of the issued share capital, amounting to £2,203,992. At 30 June 2008, there were 2,261,818 shares held in treasury, 369,710 shares being utilised during the six month period to satisfy the exercise of share option awards. Dividends are not payable on treasury shares and they are excluded from the calculation of earnings per share. There were no shares purchased for cancellation during the six months ended 30 June 2008.

Notes to the Interim Financial Statements continued

unaudited

9. CAPITAL AND RESERVES - continued

Dividends	**Six months ended 30 June 2008 £000**	Six months ended 30 June 2007 £000	The year ended 31 December 2007 £000
Interim dividend for 2007 of 5.35p paid 2 January 2008	**4,454**	–	–
Final dividend for 2007 of 17.75p proposed	**14,728**	–	–
Interim dividend for 2006 of 4.85p paid 2 January 2007	–	4,218	4,218
Final dividend for 2006 of 15.30p proposed	–	13,237	13,237
	19,182	17,455	17,455

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. The final proposed dividend for 2006 of 15.30p per share was authorised by shareholders at the Annual General Meeting on 25 May 2007 and paid on 2 July 2007.

Notes to the Interim Financial Statements continued

unaudited

10. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

	At 30 June 2008 £000	At 30 June 2007 £000	At 31 December 2007 £000
Cash and cash equivalents per balance sheet	**16,513**	19,169	16,805
Bank overdrafts	–	(416)	(103)
Cash and cash equivalents per cash flow statements	**16,513**	18,753	16,702

11. CAPITAL COMMITMENTS

As at 30 June 2008, the group had contractual commitments relating to the purchase of property, plant and equipment of £5,366,000 *(30 June 2007: £4,630,000, 31 December 2007: £1,906,000)*. Of these commitments £2,838,000 are expected to be settled prior to the year ended 31 December 2008 and £2,528,000 during the first six months of 2009.

12. RELATED PARTIES

The group has a related party relationship with its subsidiaries and with its directors and executive officers. 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
1 September 2008

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