



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
SHOPFITTERS
HAVELOCK EUROPA PLC
DALGETY BAY

Havelock Europa PLC

Interim



HIGHLIGHTS

- Revenue up 8% to £53.7 million
- Operating profit before financing costs up 7% to £1.54m
- Pre-tax profit up 11% to £968,000
- Interim dividend increased by 9%

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Havelock Europa PLC



House of Fraser, Belfast

profile

Havelock Europa's business is the design, manufacture and installation of educational and retail interiors and the printing of point of sale merchandising displays. The Group's customers are primarily large organisations such as retail stores and banks, national construction companies, local authorities, and providers of institutional and hotel accommodation, throughout the UK. The Group's strategy is to concentrate on UK markets where it can establish significant competitive advantage or where there is scope for expansion.



Havelock again increased its pre-tax profit in the first half, historically much the quieter of the two halves, and, in challenging times, continues to have good prospects for the full year to 31 December 2008.

FINANCIAL REVIEW

Group revenue from continuing operations, for the six months ended 30 June 2008, increased by 8% to £53.7 million (2007 : £49.8 million). Operating profit at £1.54 million (2007 : £1.45 million) was up 7%. Profit before tax from continuing operations was £0.97 million (2007 : £0.87 million), an increase of 11%. Fully diluted earnings per share from continuing operations were 1.7p (2007 : 1.6p), an improvement of 6%. Underlying pre-tax profit increased marginally to £1.15 million (2007 : £1.14 million), after adding back the amortisation of intangibles (other than IT software) of £0.19 million (2007 : £0.27 million) and excluding the loss from discontinued operations.

Despite higher activity levels, continuing tight working capital controls resulted in net debt declining at 30 June 2008 to £15.2 million (2007 : £16.3 million). Net debt is usually substantially higher at the half year end than at the year end and committed bank facilities provide a comfortable amount of headroom. At 31 December 2007, net debt stood at £11.4 million.

DIVIDEND

The Board is pleased to declare an interim dividend of 1.2p per share (2007 : 1.1p), an increase of 9%. This dividend will be paid on 29 December 2008 to shareholders on the register on 7 November 2008.

TRADING REVIEW

Educational Interiors

Revenue in the educational furniture and supplies businesses was 9% ahead of last year at £19.9 million (2007 : £18.2 million). Of this increase, £0.6 million (3%) was represented by a full period contribution from Stage Systems, which was acquired in February 2007. With order flow substantially up on last year in both the PFI and Direct to Schools sectors, overheads were increased in the first half in order to handle the significantly larger volume of work which will be delivered in the second half. This upfront investment was the main contributor to a first half loss.

Retail Interiors

The Retail Interiors Division had a sound first half, with revenue up 1% at £21.7 million (2007 : £21.5 million). Order intake has continued to run well ahead of last year. The benefits of this will fall into the second half. The Group's largest customer this year will be House of Fraser, for which two new stores were completed in the first half, in Belfast and High Wycombe. Orders from retail financial service providers and other major High Street retailers were at satisfactory levels and in line with expectations. Revenues from Marks & Spencer and Boots were similar to those for the same period last year. The contribution from this Division increased significantly as a result of the benefits of the property rationalisation carried out in 2007 at Dalgety Bay and further savings from low-cost country procurement.

Point of Sale Display

The continuing operations of the Point of Sale Display Division increased revenue by 20% to £12.1 million (2007 : £10.1 million) as a result of high levels of activity in the Division's customer base and the introduction of new customers. The additional capacity available at Letchworth, following the commissioning of a new KBA large format digital litho printing press, has been fully utilised throughout the first half. As a consequence of the volume increases and property rationalisation at Bristol, the contribution from this Division also increased significantly.

Sale of Showcard Display

As announced at the AGM in June, as part of its strategy of focusing resources on those areas of its business with higher growth potential, the Group has undertaken a review of its Showcard Display business, which manufactures acrylic display stands and formed part of the Point of Sale Display Division. This business, which generated full year revenues of £4.9 million in 2007, has suffered from declining margins and sales in recent years. The Group decided to exit this business sector and, on 8 May 2008, concluded contracts for its sale to SDI Displays Limited, which generated cash proceeds of £0.3 million and will release some £0.4m in working capital. The disposal resulted in a loss from discontinued operations of £0.3 million.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties which could have a material impact on Havelock's performance over the remainder of the financial year have not changed from those set out in the Annual Report for 2007.

PROSPECTS

Within the Educational Interiors Division, a further increase in revenue from the PFI and BSF sectors is anticipated in 2008, accompanied by a useful recovery in the Direct to Schools business. This, coupled with better operational performance, is expected to produce an improved full year outcome. The smaller education supplies businesses have all experienced strong order flow in the first half and are also expected to produce improved results.

With further new stores for House of Fraser in Bristol and White City, due to be completed in the second half, and a refurbishment programme at the Glasgow store, the level of activity in the Retail Interiors Division continues to be robust. With signed framework agreements in place with Lloyds TSB and HBOS, the outlook for activity in the retail financial services sector also remains positive. In the accommodation sector, particularly as a result of relationships with Travelodge and Center Parcs, order flow remains solid. Accordingly, the Board believes that, with a spread of business across High Street retailing, retail financial services and other interior fit-out markets, this Division will continue to perform positively in challenging conditions.

The Point of Sale Display Division performed particularly well in the more demanding economic climate being experienced in the High Street in the first half, with a record order intake. Whilst visibility of orders is inevitably limited in this business, based on the evidence of the period

1990 – 92, the Board remains optimistic that this Division will benefit from the maintained commitment by retailers to marketing during difficult trading conditions.

Notwithstanding the current climate of economic uncertainty, with solid order books in the Retail and Educational Interiors businesses, and with new customers in the Point of Sale printing business, the Board continues to anticipate further progress in the full year.



J. Malcolm Gourlay
Chairman

28 August 2008



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HIGHLIGHTS

- Revenue up 8% to £53.7 million
- Operating profit before financing costs up 7% to £1.54m
- Pre-tax profit up 11% to £968,000
- Interim dividend increased by 9%



Condensed consolidated income statement

for the 6 months ended 30 June 2008

| | | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 (restated – note 9) | year ended 31.12.07 £000 (restated – note 9) |
|---|---|---|---|---|
| Continuing operations: | | | | |
| Revenue | | 53,687 | 49,794 | 120,038 |
| Cost of sales | | (42,649) | (39,628) | (94,169) |
| Gross profit | | 11,038 | 10,166 | 25,869 |
| Administrative expenses | | (9,495) | (8,717) | (17,927) |
| Operating profit | | 1,543 | 1,449 | 7,942 |
| Expected return on defined benefit pension plan assets | | 940 | 900 | 1,779 |
| Financial expenses – on bank borrowings and finance leases | | (585) | (669) | (1,420) |
| Interest on defined benefit pension scheme liabilities | | (930) | (810) | (1,638) |
| Net financing costs | | (575) | (579) | (1,279) |
| Profit before income tax | | 968 | 870 | 6,663 |
| Income tax expense | 4 | (293) | (263) | (2,136) |
| Profit from continuing operations | | 675 | 607 | 4,527 |
| Discontinued operation: | | | | |
| (Loss)/profit from discontinued operation, net of tax | 9 | (309) | (148) | 28 |
| Profit for the period (attributable to equity holders of the parent) | | 366 | 459 | 4,555 |
| Basic earnings per share | 5 | 1.0p | 1.2p | 12.2p |
| Diluted earnings per share | 5 | 0.9p | 1.2p | 12.0p |
| Continuing operations: | | | | |
| Basic earnings per share | 5 | 1.8p | 1.6p | 12.1p |
| Diluted earnings per share | 5 | 1.7p | 1.6p | 11.9p |

Condensed consolidated statement of recognised income and expense

for the 6 months ended 30 June 2008

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 |
|--|---|---------------------------------------|-----------------------------------|
| Actuarial (loss)/gain on defined benefit pension plan | (2,400) | 2,293 | 232 |
| Tax on items taken directly to equity | 672 | (727) | (225) |
| Cash flow hedges: | | | |
| Effective portion of changes in fair value | 167 | 173 | (36) |
| Net income recognised directly in equity | (1,561) | 1,739 | (29) |
| Profit for the period | 366 | 459 | 4,555 |
| Total recognised income and expense for the period (attributable to equity holders of the parent) | (1,195) | 2,198 | 4,526 |



Condensed consolidated balance sheet

as at 30 June 2008

| | Note | as at 30.06.08 £000 | as at 30.06.07 £000 | as at 31.12.07 £000 |
|--|------|---------------------------|---------------------------|---------------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 7 | 13,611 | 14,956 | 14,117 |
| Intangible assets | 8 | 14,581 | 14,693 | 14,653 |
| Deferred tax asset | | 2,089 | 1,200 | 1,417 |
| | | 30,281 | 30,849 | 30,187 |
| Current assets | | | | |
| Inventories | | 15,279 | 14,033 | 11,385 |
| Assets classified as held for sale | | - | 631 | 1,765 |
| Trade and other receivables | | 25,312 | 22,905 | 25,276 |
| Derivative financial instruments | | 116 | 158 | - |
| Cash and cash equivalents | 11 | 2,914 | - | 4,447 |
| | | 43,621 | 37,727 | 42,873 |
| Total assets | | 73,902 | 68,576 | 73,060 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Bank overdraft | 11 | - | (2,163) | - |
| Other interest-bearing loans and borrowings | 11 | (1,987) | (3,595) | (1,577) |
| Derivative financial instruments | | - | - | (51) |
| Income tax payable | 4 | (731) | (504) | (1,090) |
| Liabilities classified as held for sale | | - | - | (409) |
| Trade and other payables | | (25,008) | (24,713) | (25,512) |
| | | (27,726) | (30,975) | (28,639) |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 11 | (16,144) | (10,573) | (14,286) |
| Retirement benefit obligations | | (7,500) | (4,000) | (5,168) |
| Deferred tax liabilities | | (1,007) | (1,132) | (1,007) |
| | | (24,651) | (15,705) | (20,461) |
| Total liabilities | | (52,377) | (46,680) | (49,100) |
| Net assets | | 21,525 | 21,896 | 23,960 |
| Equity | | | | |
| Issued share capital | 10 | 3,853 | 3,851 | 3,853 |
| Share premium | 10 | 7,013 | 7,003 | 7,013 |
| Other reserves | 10 | 3,294 | 3,337 | 3,127 |
| Revenue reserves | 10 | 7,365 | 7,705 | 9,967 |
| Total equity (attributable to equity holders of the parent) | | 21,525 | 21,896 | 23,960 |

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 |
|---|---------------------------------------|---------------------------------------|-----------------------------------|
| Cash flows from operating activities | | | |
| Profit for the period | 366 | 459 | 4,555 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 899 | 869 | 2,095 |
| Amortisation of intangible assets | 263 | 323 | 546 |
| (Gain)/loss on sale of property, plant and equipment | (2) | 28 | (282) |
| Loss/(gain) on sale of asset held for resale | 300 | (306) | - |
| Provision for accelerated depreciation and rationalisation costs | - | 280 | - |
| Impairment losses on assets classified as held for sale | 168 | - | - |
| Net financing costs | 575 | 579 | 1,279 |
| IFRS 2 charge relating to equity settled plans | 201 | 179 | 326 |
| Income tax expense | 160 | 200 | 2,148 |
| Operating cash flows before changes in working capital and provisions | 2,930 | 2,611 | 10,667 |
| Decrease/(increase) in trade and other receivables | 1,060 | 2,847 | (635) |
| (Increase)/decrease in inventories | (3,946) | (2,300) | 468 |
| Decrease in trade and other payables | (2,332) | (4,027) | (1,266) |
| Movement relative to defined benefit pension scheme | (58) | (43) | (883) |
| Cash (absorbed by)/generated from operations | (2,346) | (912) | 8,351 |
| Interest paid | (567) | (603) | (1,473) |
| Income taxes paid | (519) | (856) | (2,145) |
| Net cash from operating activities | (3,432) | (2,371) | 4,733 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment and asset held for resale | 273 | 672 | 699 |
| Acquisition of property, plant and equipment | (320) | (3,568) | (4,113) |
| Acquisition of intangible assets | (191) | (153) | (256) |
| Acquisition of subsidiary, net of cash balances acquired | - | (2,535) | (2,535) |
| Net cash outflow from investing activities | (238) | (5,584) | (6,205) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of share capital | - | 5,098 | 5,110 |
| Movements in relation to purchase of own shares | (131) | - | - |
| Increase in bank loans | - | - | 1,031 |
| New finance leases | 2,350 | - | - |
| Repayment of bank borrowings | - | (1,339) | (625) |
| Repayment of finance lease liabilities | (82) | (47) | (98) |
| Dividends paid | - | - | (1,579) |
| Net cash from financing activities | 2,137 | 3,712 | 3,839 |
| Net (decrease)/increase in cash and cash equivalents | (1,533) | (4,243) | 2,367 |
| Cash and cash equivalents at 1 January | 4,447 | 2,080 | 2,080 |
| Cash and cash equivalents at end of period | 2,914 | (2,163) | 4,447 |



1. Basis of preparation

These interim financial statements represent the condensed consolidated financial information of the company and its subsidiaries (together referred to as “the Group”) for the 6 months ended 30 June 2008. It has been prepared in accordance with the Disclosure and Transparency Rules of the UK’s Financial Services Authority and the requirements of IAS 34 *Interim Financial Reporting* as adopted by the EU. The interim financial statements were approved by the Board of Directors on 28 August 2008. The interim financial statements do not constitute financial statements as defined in section 240 of the Companies Act 1985 and do not include all of the information and disclosures required for full annual financial statements. They should be read in conjunction with the Annual Report 2007 which is available on request from the company’s registered office or to download from www.havelockeuropa.com

The financial information contained in this report in respect of the year ended 31 December 2007 has been extracted from the Annual Report 2007 which has been filed with the Registrar of Companies. The auditors’ report on these financial statements was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The interim financial statements for the current and comparative periods are unaudited. The auditors have carried out a review of the interim financial statements and their report is set out on page 15.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group as disclosed in its consolidated financial statements as at and for the year ended 31 December 2007.

New standards and interpretations not yet adopted

The financial statements for the year ended 31 December 2008 are likely to be impacted by the following new standards and interpretations: IFRIC 14 ‘IAS 19—THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION’ is expected to be endorsed by the EU 2008. This Interpretation would not be expected to have any impact on the interim results.

3. Segmental reporting

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 |
|---|---------------------------------------|---------------------------------------|-----------------------------------|
| Total revenue from external customers | | | |
| Retail | 21,682 | 21,526 | 54,042 |
| Education | 19,856 | 18,175 | 43,289 |
| Point of sale display | 12,149 | 10,093 | 22,707 |
| Total revenue from external customers | 53,687 | 49,794 | 120,038 |
| Inter-segment revenue | | | |
| Retail | 318 | 286 | 839 |
| Education | 141 | 39 | 90 |
| Point of sale display | 14 | 13 | 13 |
| Total inter-segment revenue | 473 | 338 | 942 |
| Total revenue | | | |
| Retail | 22,000 | 21,609 | 54,881 |
| Education | 19,997 | 18,417 | 43,379 |
| Point of sale display | 12,163 | 10,106 | 22,720 |
| Total revenue | 54,160 | 50,132 | 120,980 |
| Eliminate inter-segment revenue | (473) | (338) | (942) |
| Discontinued operations | 1,001 | 1,835 | 4,917 |
| Consolidated revenue | 54,688 | 51,629 | 124,955 |
| Segment result | | | |
| Retail | 1,025 | 610 | 3,644 |
| Education | (876) | 68 | 1,970 |
| Point of sale display | 2,497 | 2,130 | 4,673 |
| Amortisation of intangibles (all relating to Education segment) | (186) | (268) | (435) |
| Total segment result from continuing operations | 2,460 | 2,540 | 9,852 |
| Unallocated expenses | (917) | (1,091) | (1,910) |
| Operating profit from continuing operations | 1,543 | 1,449 | 7,942 |
| Net financing costs | (575) | (579) | (1,279) |
| Profit before income tax | 968 | 870 | 6,663 |
| Income tax | (293) | (263) | (2,136) |
| Discontinued operations, net of tax | (309) | (148) | 28 |
| Profit for the period | 366 | 459 | 4,555 |

4. Income tax

A charge for current taxation has been included at 30% (2007 half year: 30%, 2007 full year: 32%), being the effective rate likely to be applied to the result for the full year to 31 December 2008 given the reduction in the UK corporation tax rate during the period.

5. Earnings per share

The calculation of basic earnings per share and underlying earnings per share for the period ended 30 June 2008 is based on the profit attributable to ordinary shareholders as follows:

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 | 6 months ended 30.06.08 EPS (pence) | 6 months ended 30.06.07 EPS (pence) | year ended 31.12.07 EPS (pence) |
|---|---------------------------------------|---------------------------------------|-----------------------------------|--|--|--|
| Basic | 366 | 459 | 4,555 | 1.0 | 1.2 | 12.2 |
| Adjusted for: | | | | | | |
| Amortisation of intangibles that attract no tax deduction | 186 | 268 | 435 | 0.5 | 0.8 | 1.2 |
| Adjusted | 552 | 727 | 4,990 | 1.5 | 2.0 | 13.4 |
| Diluted basic earnings per share | | | | 0.9 | 1.2 | 12.0 |
| Diluted adjusted earnings per share | | | | 1.4 | 1.9 | 13.1 |

**5. Earnings per share (continued)****Continuing operations**

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 | 6 months ended 30.06.08 EPS (pence) | 6 months ended 30.06.07 EPS (pence) | year ended 31.12.07 EPS (pence) |
|---|---|------------------------------------|--------------------------------|--|---|---------------------------------------|
| Basic | 675 | 607 | 4,527 | 1.8 | 1.6 | 12.1 |
| Adjusted for: | | | | | | |
| Amortisation of intangibles that attract no tax deduction | 186 | 268 | 435 | 0.5 | 0.8 | 1.2 |
| Adjusted | 861 | 875 | 4,962 | 2.3 | 2.4 | 13.3 |
| Diluted basic earnings per share | | | | 1.7 | 1.6 | 11.9 |
| Diluted adjusted earnings per share | | | | 2.2 | 2.3 | 13.0 |

The weighted average number of ordinary shares used in each calculation is as follows:

Basic earnings per share

| <i>In thousands of shares</i> | 6 months ended 30.06.08 | 6 months ended 30.06.07 | year ended 31.12.07 |
|---|------------------------------------|----------------------------|------------------------|
| Issued ordinary shares at 1 January | 38,532 | 34,859 | 34,859 |
| Effect of own shares held | (802) | (656) | (656) |
| Effect of shares issued in 2007 | - | 2,659 | 3,166 |
| Weighted average number of ordinary shares for the period | 37,730 | 36,862 | 37,369 |

Diluted earnings per share

| <i>In thousands of shares</i> | 6 months ended 30.06.08 | 6 months ended 30.06.07 | year ended 31.12.07 |
|---|------------------------------------|----------------------------|------------------------|
| Weighted average number of ordinary shares | 37,730 | 36,862 | 37,369 |
| Effect of share options in issue | 1,009 | 1,016 | 671 |
| Weighted average number of ordinary shares (diluted) for the period | 38,739 | 37,878 | 38,040 |

6. Equity dividends

The directors declared an interim dividend per equity share of 1.2p after the balance sheet date. In accordance with IFRS accounting requirements, this dividend has not been accrued in the interim consolidated financial statements.

Amounts recognised as distributions to equity holders in the period

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 |
|--|---|------------------------------------|--------------------------------|
| Final dividend for the year ended 31 December 2007 of 3.4p per share | 1,310 | - | - |
| Final dividend for the year ended 31 December 2006 of 3.0p per share | - | 1,155 | 1,155 |
| Interim dividend for the year ended 31 December 2007 of 1.1p per share | - | - | 424 |
| | 1,310 | 1,155 | 1,579 |

7. Property, plant and equipment

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 |
|--|---------------------------------------|---------------------------------------|-----------------------------------|
| Carrying amount | | | |
| At beginning of the period | 14,117 | 12,321 | 12,321 |
| Acquired through business combinations | - | 111 | 111 |
| Additions at cost | 320 | 3,568 | 4,113 |
| Transferred from/(to) assets held for sale | 73 | (128) | (266) |
| Disposals | - | (47) | (67) |
| Depreciation charge for the period | (899) | (869) | (2,095) |
| At end of the period | 13,611 | 14,956 | 14,117 |

Contracts placed for future capital expenditure not provided in the financial statements amount to £391,000 (30 June 2007: £361,000, 31 December 2007: £58,000)

8. Intangible assets

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 |
|-------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Carrying amount | | | |
| At beginning of the period | 14,653 | 12,470 | 12,470 |
| Additions | 191 | 2,546 | 2,736 |
| Transferred to assets held for sale | - | - | (7) |
| Amortisation for the period | (263) | (323) | (546) |
| At end of the period | 14,581 | 14,693 | 14,653 |

9. Discontinued operation

In May 2008, the Group sold Showcard Display, part of the Point of Sale division; Showcard Display was classified as held for sale at 31 December 2007. Comparatives have been restated accordingly.

Results of discontinued operation

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 |
|---|---------------------------------------|---------------------------------------|-----------------------------------|
| Revenue | 1,001 | 1,835 | 4,917 |
| Cost of sales | (839) | (1,530) | (3,862) |
| Gross profit | 162 | 305 | 1,055 |
| Administrative expenses | (304) | (516) | (1,015) |
| (Loss)/profit before tax | (142) | (211) | 40 |
| Income tax credit/(expense) | 43 | 63 | (12) |
| Profit after income tax | (99) | (148) | 28 |
| Loss on sale of discontinued operation | (300) | - | - |
| Income tax credit on loss on sale of discontinued operation | 90 | - | - |
| (Loss)/profit from discontinued operation | (309) | (148) | 28 |
| Discontinued operation basic earnings per share (pence) | (0.8) | (0.4) | 0.1 |
| Discontinued operation diluted earnings per share (pence) | (0.8) | (0.4) | 0.1 |

**9. Discontinued operation (continued)****Cash flows from discontinued operation**

| | 6 months ended 30.06.08 £000 | 6 months ended 30.06.07 £000 | year ended 31.12.07 £000 |
|--------------------------------------|---|---------------------------------------|-----------------------------------|
| Net cash from operating activities | 631 | 477 | 580 |
| Net cash from investing activities | (8) | (19) | (19) |
| Net cash from discontinued operation | 623 | 458 | 561 |

Effect of disposal on the financial position of the Group

| | 6 months ended 30.06.08 £000 |
|---|---|
| Property, plant and equipment | (32) |
| Inventories | (433) |
| Receivables | (15) |
| Net identifiable assets and liabilities | (480) |
| Consideration received, satisfied in cash | 335 |
| Expenses of sale | (155) |
| Net proceeds | 180 |
| Expenses of sale accrued | 91 |
| Net cash inflow in respect of disposals | 271 |

10. Statement of changes in shareholders' equity

| | Share capital £000 | Share premium £000 | Merger Reserve £000 | Hedging Reserve £000 | Other Reserve £000 | Revenue Reserve £000 | Total £000 |
|---|-----------------------------------|-----------------------------------|------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------|
| Current interim period | | | | | | | |
| At 1 January 2008 | 3,853 | 7,013 | 2,184 | (51) | 994 | 9,967 | 23,960 |
| Total recognised income and expense | - | - | - | 167 | - | (1,362) | (1,195) |
| Ordinary dividends | - | - | - | - | - | (1,310) | (1,310) |
| Movements relating to share-based payments and ESOP Trust | - | - | - | - | - | 70 | 70 |
| At 30 June 2008 | 3,853 | 7,013 | 2,184 | 116 | 994 | 7,365 | 21,525 |
| Previous interim period | | | | | | | |
| At 1 January 2007 | 3,486 | 2,020 | 2,184 | (15) | 994 | 6,658 | 15,327 |
| Total recognised income and expense | - | - | - | 174 | - | 2,025 | 2,199 |
| Ordinary dividends | - | - | - | - | - | (1,155) | (1,155) |
| Issue of ordinary shares | 365 | 4,983 | - | - | - | - | 5,348 |
| Movements relating to share-based payments and ESOP Trust | - | - | - | - | - | 177 | 177 |
| At 30 June 2007 | 3,851 | 7,003 | 2,184 | 159 | 994 | 7,705 | 21,896 |
| Prior year | | | | | | | |
| At 1 January 2007 | 3,486 | 2,020 | 2,184 | (15) | 994 | 6,658 | 15,327 |
| Total recognised income and expense | - | - | - | (36) | - | 4,562 | 4,526 |
| Ordinary dividends | - | - | - | - | - | (1,579) | (1,579) |
| Issue of ordinary shares | 367 | 4,993 | - | - | - | - | 5,360 |
| Movements relating to share-based payments and ESOP Trust | - | - | - | - | - | 326 | 326 |
| At 31 December 2007 | 3,853 | 7,013 | 2,184 | (51) | 994 | 9,967 | 23,960 |

11. Analysis of net cash and financial liabilities

| | as at 30.06.08 £000 | as at 30.06.07 £000 | as at 31.12.07 £000 |
|--|---------------------------|---------------------------|---------------------------|
| Cash and cash equivalents | 2,914 | - | 4,447 |
| Bank overdrafts | - | (2,163) | - |
| Cash and cash equivalents per cash flow | 2,914 | (2,163) | 4,447 |
| Secured bank loans | (1,000) | (3,021) | (1,000) |
| Loan notes | (476) | (476) | (476) |
| Finance lease obligations | (511) | (98) | (101) |
| Current financial liabilities (excluding bank overdrafts) | (1,987) | (3,595) | (1,577) |
| Secured bank loans | (13,974) | (10,207) | (13,974) |
| Finance lease obligations | (2,170) | (366) | (312) |
| Non-current financial liabilities | (16,144) | (10,573) | (14,286) |
| Net cash and financial liabilities | (15,217) | (16,331) | (11,416) |

Finance lease obligations have increased following the sale and lease back of certain assets purchased in 2007.

12. Related parties

Transactions with key management personnel

Group key management personnel receive compensation in the form of salaries and short-term benefits, post employment benefits and share-based payments. Group key management received total compensation of £895,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: £785,000)

13. Pension liabilities

During the period, the pension deficit, net of deferred tax, rose to £5.4 million (December 2007 : £3.8 million) as a result of a decline in the value of the fund's investments.



We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Hew Balfour
Chief Executive

Grant Findlay
Finance Director

28 August 2008

A list of current directors and their respective responsibilities can be found on page 14 of the Annual Report 2007.

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of recognised income and expense, the Condensed consolidated balance sheet, the Condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc

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28 August 2008



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National Bank of Kuwait, London



Board of Directors

| | |
|--------------------------|--------------------|
| Chairmant | Malcolm Gourlay |
| Chief Executive | Hew Balfour |
| Non-Executive Director*† | Roland van Bommel |
| Non-Executive Director*† | Michael Derbyshire |
| Non-Executive Director*† | Robert Duncan |
| | Grant Findlay |
| | Richard Lowery |

*Member of the Audit Committee

†Member of the Remuneration Committee

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