



SDI GROUP PLC  
INTERIM RESULTS FOR THE  
TWELVE MONTHS ENDED 30 NOVEMBER 2008

- SDI GROUP PLC IS A LEADING SPECIALIST IN THE PROVISION OF INTEGRATED MATERIALS HANDLING SOLUTIONS FOR INTERNATIONAL RETAIL, WHOLESALE, FULFILMENT AND E-COMMERCE DISTRIBUTION OPERATIONS.
- THE GROUP'S COLLECTIVE EXPERIENCE AND EXPERTISE ENCOMPASSES THE ENTIRE SPECTRUM OF DISTRIBUTION CENTRE OPERATION AND INFRASTRUCTURE, FROM CONSULTATION, DESIGN AND BUILD TO INSTALLATION, MAINTENANCE AND SUPPORT. AS A GLOBAL SYSTEMS INTEGRATOR, THE GROUP DESIGNS SOLUTIONS WHICH IMPROVE PRODUCTIVITY AND RETAIL SALES MARGIN WHILE SUPPORTING SALES GROWTH.
- SDI GROUP HAS OPERATIONS IN THE UK, FRANCE, GERMANY, ITALY, SPAIN AND THE NETHERLANDS ENSURING THAT CUSTOMERS CAN BENEFIT FROM THE STRENGTH AND EXPERTISE OF THE GROUP WHILST BENEFITING FROM LOCAL MARKET KNOWLEDGE AND SUPPORT. SDI IS COMMITTED TO CONTINUING TO INVEST FURTHER WITHIN THESE LOCAL MARKETS TO GROW ITS BUSINESS.



## HIGHLIGHTS

### FINANCIAL HIGHLIGHTS

- REVENUE FOR THE TWELVE MONTHS ENDED 30 NOVEMBER 2008\* OF £37.7M (YEAR ENDED 30 NOVEMBER 2007\*: £14.9M)
- LOSS BEFORE TAX OF £0.9M\* (YEAR ENDED 30 NOVEMBER 2007\*: PROFIT £1.1M), PRINCIPALLY A RESULT OF CHALLENGING RETAIL MARKETS
- CASH AND CASH EQUIVALENTS AT PERIOD END £4.0M\* (30 NOVEMBER 2007\*: £10.1M)

### OPERATIONAL HIGHLIGHTS

- SUCCESSFUL ACQUISITION AND INTEGRATION OF PEP GROUP IN GERMANY
- IMPLEMENTATION OF EXTENSIVE ONGOING COST CUTTING MEASURES
- ENCOURAGING ORDER BOOK AND SALES PIPELINE
- STRENGTHENING OF BOTH CONSULTANCY AND MANAGEMENT RESOURCE IN ALL REGIONS

### POST PERIOD HIGHLIGHTS

- SALE OF LOSS MAKING US SUBSIDIARIES FOR A TOTAL CONSIDERATION OF \$6.55M (INCLUDING \$4.475M IN CASH, \$0.475M OF WHICH WAS DEFERRED) ENABLING THE BOARD TO FOCUS ON STRENGTHENING OF REMAINING GROUP

\* The US subsidiaries were disposed of on 22 December 2008. Consequently, the interim results for the twelve months ended 30 November 2008 exclude the results of the disposed subsidiaries for the period, which are shown in the Income Statement as "Loss on discontinued activities". Comparative figures for the year ended 30 November 2007 have been restated to exclude the disposed subsidiaries. The balance sheet at 30 November 2008 includes only the recoverable amount in respect of the disposed businesses, shown as "Assets and liabilities held for resale".



## CHAIRMAN'S STATEMENT



THE GROUP HAS AN ENCOURAGING ORDER BOOK AND SALES PIPELINE. WE ARE CONFIDENT IN OUR ABILITY TO WEATHER THE CURRENT MARKET DOWNTURN AND BELIEVE WE ARE WELL PLACED TO RESPOND AS THE MARKET RECOVERS AND CONDITIONS IN THE RETAIL SECTOR BECOME MORE FAVOURABLE.



I am pleased to present SDI Group plc's interim results for the twelve month period to 30 November 2008.

While current retail trading conditions for our potential customers remain challenging and are forecast to continue, SDI has taken a number of steps to improve its offer, efficiency and balance sheet.

The acquisition of PEP Beteiligungsgesellschaft mbH ("PEP") in April 2008 has provided the Group with improved access to key European markets and leading edge products and solutions and we have reduced operating costs in all of the subsidiary companies. Most recently, the disposal of our unprofitable US businesses has resulted in an important cash injection into the remaining Group.

The acquisition of PEP and disposal of the US businesses leave the Group well positioned to compete in its current European markets and develop opportunities in new territories. The Group has an encouraging order book and sales pipeline which demonstrate the quality of its offering. Whilst we acknowledge that current retail market conditions remain challenging, we are confident in our ability to weather the current market downturn and believe we are well placed to respond as the market recovers and conditions in the retail sector become more favourable.

The Board's decision to sell the Group's US subsidiaries was as a result of increasing losses generated by the US businesses. These losses impacted heavily on the remainder of the Group. The Group's US subsidiaries were sold on 22 December 2008 to a consortium led by the US management for a total consideration of \$6.55m.

The US businesses recorded a loss on operations for the twelve months ended 30 November 2008 of £4.5m, which is shown in the Income Statement as a "Loss on discontinued activities". The Group also recorded a loss on the restatement of assets to fair value of £5.3m, which represents the difference between gross asset value and the proceeds received from the sale. In the Board's view, the sale was the most favourable outcome for the Group, as losses for the US businesses were anticipated to be greater had the businesses not been sold, which could have been detrimental to the long term survival of the remaining Group.

The cash proceeds of the sale are being used to supplement the working capital requirements of the remaining Group and the disposal of the US businesses has had a positive effect on the Group's balance sheet and will allow SDI to operate more efficiently going forward.



## FINANCIAL REVIEW

The disposal of the US businesses was completed on 22 December 2008. Consequently, the interim results for the twelve months ended 30 November 2008 exclude the trading results of the disposed businesses for the period, which are included in the Income Statement as "Loss on discontinued activities". Comparative figures for the year ended 30 November 2007 have also been restated to include the results of the disposed businesses separately. The comparative results for the year ended 30 November 2007 therefore represent the five months of trading of the remaining companies from the date of the Group reorganisation on 2 July 2007. The balance sheet at 30 November 2008 includes only the recoverable amount in respect of the disposed businesses, shown as "Assets and Liabilities held for resale".

Revenue for the twelve months ended 30 November 2008 was £37.7m (year ended 30 November 2007: £14.9m) with a gross profit margin of 15.8% (2007: 30.3%). The gross margin was impacted by the difficult market conditions and a number of innovative projects during the period to new customers, although this approach has enabled the Group to develop hardware and software solutions which the Board believes will benefit it going forward and in the long term.

As a result of these factors, the loss before tax after amortisation of intangibles arising on consolidation was £0.9m (year ended 30 November 2007: profit £1.1m). The directors are not proposing an interim dividend.

The Group's cash and cash equivalents at the period end was £4.0m (30 November 2007: £10.1m).

## OPERATIONAL REVIEW

Since 30 November 2007, the Group has continued to win contracts with high profile international customers such as Asda George in the UK, M&S Mode in the Netherlands, Decathlon in France and Coop in Italy, and continues to see a strong level of enquiries and interest for its solutions. However, there have been delays during the period in signing new projects in the key European markets as a result of the general global economic environment.

The acquisition of four companies from PEP in Germany in April 2008, for a consideration of €2.76m has enabled the Group to strengthen its European presence. PEP is one of Germany's leading materials handling solutions provider and has customers that include C&A in Germany, DHL in Germany and Denmark, JBC in Belgium and La Poste in France. The four companies, along with the Group's existing German software business, form the foundation of its SDI Germany operation and the Group has secured a substantial contract win within the German market and its first successful project in Russia.

During the period, the Group has attracted several high calibre individuals to the team, strengthening both its consultancy and management resource in all regions.

## BOARD CHANGES

Dominick Donald De Sanctis retired as a non-executive director on 11 November 2008 due to personal reasons and, as a result of the sale of the US businesses, Mary Adams resigned from the Board on 28 November 2008. The Board is grateful to both Don and Mary for their contribution to the Group and wishes them both well for the future.

## DIRECTORS' SHARE INTERESTS

On 1 August 2008 five directors and a number of managers and employees of the Group acquired a total of 6 million shares in the Group.

## CURRENT TRADING AND OUTLOOK

As reported in May 2008, the financial year end for many retailers is the end of December or January, which can impact primary customers' decision making processes regarding major capital expenditure. Consequently, the clarity of the pipeline for the Group's future business can be obscured in its current reporting and planning cycle, which has traditionally ended on 30 November. The Board took the decision to move the Group's financial year end to 31 March and announced this on 30 May 2008 in order to overcome these issues. As a result, the next reported results will be preliminary results for the 16 month period to 31 March 2009.

The outlook for 2009 is currently encouraging with good early pipeline of potential projects. The Board remains convinced that the services and solutions SDI provides drive efficiencies and offer real cost savings to the retail sector. As a result, SDI continues to see opportunities for its products and solutions, even in a considerably tougher trading environment. In addition, the Group continues to use this time constructively to advance its products, its solutions, its brand and its managerial capability, in order to be able to respond quickly when conditions in the retail market become more favourable.

The Board looks forward to updating shareholders on progress in due course.

MARK MCMENEMY  
CHAIRMAN  
27 FEBRUARY 2009



## CONSOLIDATED INCOME STATEMENT FOR THE TWELVE MONTHS ENDED 30 NOVEMBER 2008

	Notes	Twelve months ended 30 November 2008 (Unaudited) Continuing operations before exceptional items £'000	Twelve months ended 30 November 2008 (Unaudited) Discontinued operations and exceptional items £'000	Twelve months ended 30 November 2008 (Unaudited) Total £'000	Year ended 30 November 2007 (Unaudited) Total £'000
<b>Continuing operations:</b>					
Revenue	3	37,656	—	37,656	14,932
Cost of sales		(31,685)	—	(31,685)	(10,407)
<b>Gross profit</b>		<b>5,971</b>	<b>—</b>	<b>5,971</b>	<b>4,525</b>
Administrative expenses excluding exceptional items		(6,347)	—	(6,347)	(2,452)
Administrative expenses – exceptional items	4	—	(579)	(579)	(1,099)
Total administrative expenses		(6,347)	(579)	(6,926)	(3,551)
<b>Operating (loss)/profit</b>		<b>(376)</b>	<b>(579)</b>	<b>(955)</b>	<b>974</b>
Financial income		166	—	166	120
Financial expense		(75)	—	(75)	(38)
Net finance income		91	—	91	82
<b>(Loss)/profit before taxation</b>		<b>(285)</b>	<b>(579)</b>	<b>(864)</b>	<b>1,056</b>
Taxation		88	178	266	(263)
(Loss)/profit for the financial period on continuing operations		(197)	(401)	(598)	793
<b>Discontinued operations:</b>					
(Loss)/profit on discontinued activities	7c	—	(15,023)	(15,023)	2,100
<b>(Loss)/profit for the financial period</b>		<b>(197)</b>	<b>(15,424)</b>	<b>(15,621)</b>	<b>2,893</b>
<b>Attributable to:</b>					
Equity shareholders of the Company				(15,621)	2,854
Minority interest				—	39
				(15,621)	2,893
<b>(Loss)/earnings per ordinary share from continuing operations (in £)</b>					
	5				
– Basic				(0.01)	0.01
– Diluted				(0.01)	0.01
<b>(Loss)/earnings per ordinary share from discontinued operations (in £)</b>					
	5				
– Basic				(0.14)	0.03
– Diluted				(0.14)	0.03

The following notes are an integral part of this consolidated interim financial information.

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE TWELVE MONTHS ENDED 30 NOVEMBER 2008

	<b>Twelve months ended 30 November 2008 (Unaudited) £'000</b>	Year ended 30 November 2007 (Unaudited) £'000
<b>(Loss)/profit for the financial period</b>	<b>(15,621)</b>	2,893
Currency translation differences	<b>1,748</b>	(409)
<b>Net income/(expense) recognised directly to equity</b>	<b>1,748</b>	(409)
<b>Total recognised (expense)/income for the period</b>	<b>(13,873)</b>	2,484
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(13,873)</b>	2,445
Minority interest	<b>—</b>	39
	<b>(13,873)</b>	2,484



## CONSOLIDATED BALANCE SHEET

### AS AT 30 NOVEMBER 2008

	Notes	As at 30 November 2008 (Unaudited) £'000	As at 30 November 2007 (Audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,706	1,150
Intangible assets		15,001	15,166
Investments in associates		—	37
Available-for-sale investments financial assets		—	72
		<b>16,707</b>	16,425
<b>Current assets</b>			
Inventories		1,579	2,287
Current income tax prepayment		—	881
Trade and other receivables	6	9,720	12,358
Assets held-for-sale	7a	11,905	—
Cash and cash equivalents		3,984	10,137
		<b>27,188</b>	25,663
<b>Total assets</b>		<b>43,895</b>	42,088
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liability		139	457
		<b>139</b>	457
<b>Current liabilities</b>			
Trade and other payables	8	12,645	10,837
Current income tax liability		72	746
Liabilities directly associated with assets classified as held-for-sale	7b	9,115	—
<b>Total liabilities</b>		<b>21,971</b>	12,040
<b>Net assets</b>		<b>21,924</b>	30,048
<b>Equity</b>			
Called up share capital		1,091	1,061
Share premium		2,608	2,608
Other reserves		15,408	12,820
Retained earnings		(2,467)	13,559
		<b>16,640</b>	30,048
Minority interest in equity		5,284	—
<b>Total equity</b>		<b>21,924</b>	30,048

## CONSOLIDATED CASH FLOW STATEMENT FOR THE TWELVE MONTHS ENDED 30 NOVEMBER 2008

	Note	Twelve months ended 30 November 2008 (Unaudited) £'000	Year ended 30 November 2007 (Unaudited) £'000
<b>Cash flows from operating activities</b>	9	<b>1,013</b>	3,236
Interest received		166	120
Interest paid		(75)	(38)
Income tax paid		(470)	(382)
Cash flow from operating activities (discontinued operations)		(4,458)	(517)
<b>Net cash (used by)/from operating activities</b>		<b>(3,824)</b>	2,419
<b>Cash flows (used by)/from investing activities</b>			
Purchase of investments in subsidiary companies, net of cash acquired		(220)	1,924
Purchase of plant and equipment		(884)	(508)
Cash flow from investing activities (discontinued operations)		—	(337)
Net cash (used in)/from investing activities		(1,104)	1,079
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares, net of expenses		—	1,666
Dividends paid to shareholders		(982)	—
Cash flow from financing activities (discontinued operations)		—	(725)
Net cash from financing activities		(982)	941
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(5,910)</b>	4,439
Cash and cash equivalents at start of period		10,137	6,019
Exchange differences		1,430	(321)
Cash and cash equivalents at end of period		5,657	10,137
Included in the assets of the disposal group		(1,673)	—
<b>Included in cash and cash equivalents in the balance sheet</b>		<b>3,984</b>	10,137



## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 30 NOVEMBER 2008

### 1 BASIS OF PREPARATION

This financial information comprises a consolidated balance sheet as of 30 November 2008 and related consolidated income statement, consolidated statement of recognised income and expenses, consolidated cash flow statements and related notes for the twelve months then ended of SDI Group plc (hereinafter referred to as 'financial information').

The interim financial results are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 November 2007 were approved by the Board of Directors on 28 March 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

On 22 December 2008 SDI Group plc disposed of its entire holding in SDI Industries, Inc., together with other US subsidiary companies. Consequently, the financial results for the twelve months ended 30 November 2008, and the unaudited comparative results for the year ended 30 November 2007 have been restated to exclude the results of the disposed subsidiaries. The results for the disposed subsidiaries are disclosed under "Loss on discontinued operations". The balance sheet as at 30 November 2007 includes the balance sheets of the disposed subsidiaries.

### 2 ACCOUNTING POLICIES

The accounting policies adopted in the financial information are consistent with those of the annual financial statements for the year ended 30 November 2007, as described in those financial statements. The following new standard is mandatory for the first time for the financial period ending 31 March 2009.

IFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of Financial Statements – Capital Disclosures' is mandatory for periods commencing on or after 1 January 2007. As this interim report contains only condensed financial statements, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by IAS 1 will be given in the annual financial statements. The directors expect that the adoption of this standard will have no material effect on the financial results or position of the Group.

### ASSETS HELD-FOR-SALE

Assets are classified as assets held-for-sale and stated at the lower of carrying amount and fair value, less costs to sell, representing the amount to be recovered through a sale transaction rather than through continuing use.

### 3 SEGMENTAL INFORMATION

#### GEOGRAPHICAL SEGMENTS

The business operates in only one main geographical area being Europe (United Kingdom, Holland, Germany, Italy, France and Spain).

#### BUSINESS SEGMENTS

The Group operates in only one business segment, the provision of integrated materials handling solutions. The Group's equity associates operate in the same business as the Group, and therefore the Group's share of the net assets and net profit of associates is considered to be part of this single business segment.

#### 4 ADMINISTRATIVE EXPENSES – EXCEPTIONAL ITEMS

	<b>Twelve months ended 30 November 2008 (Unaudited) £'000</b>	Year ended 30 November 2007 (Unaudited) £'000
Amortisation charge of backlog and sales pipeline intangible assets from business combinations	<b>512</b>	678
Share options	<b>67</b>	28
Costs of listing	<b>—</b>	393
	<b>579</b>	1,099

#### 5 EARNINGS PER SHARE

##### A) BASIC

Basic earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>Twelve months ended 30 November 2008 (Unaudited)</b>	Year ended 30 November 2007 (Unaudited)
Continuing operations:		
(Loss)/profit attributable to equity holders (in £'000)	<b>(598)</b>	793
Weighted average number of ordinary shares in issue (000's)	<b>107,993</b>	75,638
<b>Basic (loss)/earnings per share (in £)</b>	<b>(0.01)</b>	0.01
Discontinued operations:		
(Loss)/profit attributable to equity holders (in £'000)	<b>(15,023)</b>	2,100
Weighted average number of ordinary shares in issue (000's)	<b>107,993</b>	75,638
<b>Basic (loss)/earnings per share (in £)</b>	<b>(0.14)</b>	0.03

##### B) DILUTED

As the Group is loss making in 2008 there is no dilutive effect relating to the share options.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### FOR THE TWELVE MONTHS ENDED 30 NOVEMBER 2008

#### 6 TRADE AND OTHER RECEIVABLES

	<b>As at 30 November 2008 (Unaudited) £'000</b>	As at 30 November 2007 (Audited) £'000
Trade receivables	<b>5,979</b>	8,422
Related company receivables	<b>38</b>	167
Amounts due from customers for contract work	<b>507</b>	2,707
Other receivables	<b>1,197</b>	704
Loans to related parties	<b>—</b>	19
Prepayments	<b>1,999</b>	339
	<b>9,720</b>	12,358

#### 7 ASSETS AND LIABILITIES HELD-FOR-SALE

The assets and liabilities related to SDI Industries, Inc. and other US based subsidiaries have been presented as held-for-sale following approval of the Group's management to sell SDI Industries, Inc. and other US based subsidiaries. The completion of the transaction was on 22 December 2008.

##### A) ASSETS HELD-FOR-SALE

	<b>As at 30 November 2008 (Unaudited) £'000</b>	As at 30 November 2007 (Unaudited) £'000
Disposal group held-for-sale:		
– Property, plant and equipment	<b>574</b>	—
– Intangible assets	<b>488</b>	—
– Inventory	<b>2,119</b>	—
– Other current assets	<b>8,724</b>	—
	<b>11,905</b>	—

##### B) LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE

	<b>As at 30 November 2008 (Unaudited) £'000</b>	As at 30 November 2007 (Unaudited) £'000
Trade and other payables	<b>7,092</b>	—
Other current liabilities	<b>2,023</b>	—
	<b>9,115</b>	—

On 22 December 2008 the Group's US subsidiaries were sold to a consortium led by the US management for a total consideration of \$6.55m. The consideration comprised \$4.475m in cash (\$475,000 of which was deferred), the write off intra-group debts of \$1.424m and a management fee of \$650,000.

7 ASSETS AND LIABILITIES HELD-FOR-SALE CONTINUED

C) ANALYSIS OF THE RESULTS OF DISCONTINUED OPERATIONS AND THE RESULT RECOGNISED ON THE MEASUREMENT OF ASSETS IS AS FOLLOWS:

	<b>Twelve months ended 30 November 2008 (Unaudited) £'000</b>	Year ended 30 November 2007 (Unaudited) £'000
Revenue	<b>22,973</b>	26,344
Expenses	<b>(28,144)</b>	(23,240)
(Loss)/profit before tax on discontinued operations	<b>(5,171)</b>	3,104
Tax	<b>713</b>	(1,004)
(Loss)/profit after tax of discontinued operations	<b>(4,458)</b>	2,100
Loss recognised on the restatement of assets of disposal group to fair value (note i)	<b>(5,281)</b>	—
Minority interest adjustment to net assets (note ii)	<b>(5,284)</b>	—
<b>(Loss)/profit for the period from discontinued operations</b>	<b>(15,023)</b>	2,100

- (i) The Group recorded a loss on the restatement of assets to fair value of £5.281m, which represents the difference between gross asset value and the proceeds received from the sale.
- (ii) To effect the disposal of the US businesses, there has been a technical disposal of two European subsidiaries and a reduction in the share holding of three further European subsidiaries. These entities remain under the full control of SDI Group plc and therefore remain consolidated within the Group financial statements.

8 TRADE AND OTHER PAYABLES

	<b>As at 30 November 2008 (Unaudited) £'000</b>	As at 30 November 2007 (Audited) £'000
Trade payables	<b>6,850</b>	6,423
Related company payables	<b>32</b>	75
Advances received for contract work	<b>650</b>	1,533
Social security and other taxes	<b>656</b>	799
Accruals	<b>4,143</b>	2,007
Deferred purchase consideration	<b>314</b>	—
	<b>12,645</b>	10,837



## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### FOR THE TWELVE MONTHS ENDED 30 NOVEMBER 2008

#### 9 CASH FLOW (USED BY)/GENERATED FROM OPERATIONS

	Twelve months ended 30 November 2008 (Unaudited) £'000	Year ended 30 November 2007 (Unaudited) £'000
(Loss)/profit before income tax	(864)	1,056
Adjustments for:		
Amortisation of intangible assets	513	472
Depreciation of tangible fixed assets	195	145
Share options granted to employees	67	28
Loss on the disposal of plant property and equipment	—	20
Interest expense	75	38
Interest income	(166)	(120)
Changes in working capital:		
(Increase)/decrease in inventories	(984)	529
(Increase)/decrease in trade and other receivables	(4,447)	4,767
Increase/(decrease) in trade and other payables	6,624	(3,699)
<b>Total net cash flow generated from operations</b>	<b>1,013</b>	<b>3,236</b>

Aggregate cash flows arising from business combinations are presented separately on the face of the cash flow statement and are classified as investing activities, in accordance with IAS 7 'Cash Flow Statements'. Therefore, movements in working capital included within operating cash flows and presented above exclude working capital changes arising from business combinations.

#### 10 BUSINESS COMBINATIONS

On 11 April 2008, SDI Group plc exchanged 2,973,077 shares, and £803,000 cash for 100% of the voting shares of PEP Fordertechnik GmbH, PEP Anlagenbau GmbH, PEP Systemtechnik GmbH and Innova Plast Kunststofftechnik GmbH, a group of privately held, Germany based companies. The acquisition was accounted for in accordance with IFRS 3, 'Business Combinations' using the purchase method. The fair value of the shares is taken as the price on the date of completion.

The acquired businesses contributed revenues of £908,000 and profit before tax after the amortisation of the backlog and contract pipeline of £13,000 to the Group for the period 11 April 2008 to 31 May 2008.

Details of net assets acquired and goodwill are as follows:

	£'000
Purchase consideration:	
– Fair value of shares issued	1,383
– Fair value of cash paid	803
– Direct costs relating to the acquisition	175
Total purchase consideration	2,361
Fair value of net assets acquired	(280)
Goodwill	2,081

The goodwill is attributable to the workforce of the acquired businesses.

Goodwill is determined provisionally on these business combinations. IFRS 3 allows twelve months for the finalisation of the goodwill calculation in order to adjust for estimates such as taxation. Management do not expect any significant changes.



#### 10 BUSINESS COMBINATIONS CONTINUED

The assets and liabilities as of 11 April 2008 arising from the acquisition of PEP Fordertechnik GmbH, PEP Anlagenbau GmbH, PEP Systemtechnik GmbH and Innova Plast Kunststofftechnik GmbH are as follows:

	<b>Fair value £'000</b>	Acquiree's carrying amount £'000
Cash and cash equivalents	<b>739</b>	739
Property, plant and equipment	<b>311</b>	128
Intangible assets	<b>344</b>	6
Inventories	<b>427</b>	427
Trade and other receivables	<b>1,805</b>	1,805
Trade and other payables	<b>(3,200)</b>	(3,200)
Deferred tax liability	<b>(146)</b>	—
Net assets acquired	<b>280</b>	(95)

The fair value of the intangible assets includes £338,000 for the valuation of the backlog and sales pipeline and the fair value of the tangible assets includes £183,000 for tooling.

