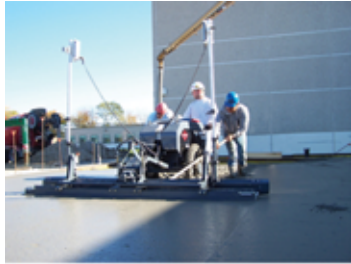




Admission to trading on AIM



CopperHead®



Large Laser Screed® SXP™



PowerRake™



Jefferies 
Nominated Adviser and Lead Manager

 **Collins Stewart**
Co-Lead Manager

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should immediately consult a person authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition of shares and other securities. The whole of this document should be read. Your attention is drawn to the risk factors set out in Part II of this document, which potential investors should take into account in considering whether or not to acquire Common Shares.

The directors of the Company, whose names are set out on page 5 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document, which comprises an Admission Document drawn up in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the entire issued and to be issued share capital of the Company on AIM. This document does not constitute an offer to the public in accordance with the provisions of section 85 of FSMA and is not a prospectus for the purposes of the Prospectus Rules. Accordingly this document has not been pre-approved by the Financial Services Authority pursuant to section 85 of FSMA or the U.K. Listing Authority.

Application has been made for the entire issued and to be issued common share capital of the Company to be admitted to trading on AIM, a market operated by the London Stock Exchange, under the symbol "SOM". It is expected that Admission will become effective and dealings in Common Shares will commence on 1 November 2006. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the U.K. Listing Authority. A prospective investor should be aware of the risks involved in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has neither examined nor approved the contents of this document.**

All statements regarding the Company's business, financial position and prospects should be viewed in light of such risk factors.

Somero Enterprises, Inc.

(Incorporated in the State of Delaware, USA under the Delaware General Corporation Law with registered number 3589295)

**Placing of 21,409,838 Common Shares, par value \$0.001 each, at £1.25 per share and
Admission to trading on AIM**

Lead Manager and Nominated Adviser
Jefferies International

Co-Lead Manager
Collins Stewart

Share capital immediately following Admission

<i>Authorised</i>			<i>Issued</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
\$80,000	80,000,000	Common Shares, par value \$0.001 each	\$34,281	34,281,968

The Common Shares have not been and will not be approved or disapproved by the SEC, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offer or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The Common Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or under any state securities laws or qualified for distribution under any applicable securities laws in Canada, Mexico, Australia, Japan, the Republic of South Africa or the Republic of Ireland. Subject to certain exceptions, the Common Shares may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S promulgated under the U.S. Securities Act ("Regulation S")) except to "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the U.S. Securities Act ("Rule 144A") and to certain directors and executive officers of the Company, in transactions exempt from the registration requirements of the U.S. Securities Act. The Common Shares are being offered only to non-U.S. persons outside the United States in transactions exempt from the registration requirements of the U.S. Securities Act in reliance on Regulation S, and to "qualified institutional buyers", as defined in Rule 144A, in transactions exempt from such requirements. Each purchaser of Common Shares will be required to execute and deliver an investment letter containing the representations, warranties and acknowledgements set forth in Part IX of this document. Purchasers of the Common Shares may not re-offer, re-sell, pledge or otherwise transfer the Common Shares except in accordance with the transfer restrictions described in Part IX of this document. The Common Shares may not be offered or sold in Canada, Mexico, Australia, Japan, the Republic of South Africa or the Republic of Ireland, or to, or for the account or benefit of, any national, resident or citizen of the United States (except in the limited circumstances described herein), Canada, Mexico, Australia, Japan, the Republic of South Africa or the Republic of Ireland.

All the Common Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared, made or paid in respect of Common Shares after Admission (except that only the Selling Shareholder will receive payment of dividends that have been declared, but not yet paid, prior to Admission). This document does not constitute an offer to sell or the solicitation of an offer to buy Common Shares to any person in any jurisdiction to whom or in which such offer is unlawful. In particular, this document is not for distribution in or into, and the Common Shares may not be offered or sold in, or to any national, resident or citizen of, the United States (except in the limited circumstances described herein), Canada, Mexico, Australia, Japan, the Republic of South Africa or the Republic of Ireland. Further information regarding the significant restrictions on resale and/or transfer that are applicable to the Common Shares is set out in Part IX of this document. Hedging transactions involving the Common Shares may not be conducted, directly or indirectly, unless in compliance with the U.S. Securities Act and the Company's by-laws. The Company does not currently plan to register the Common Shares under the U.S. Securities Act or the Common Shares under the U.S. Exchange Act of 1934, as amended. In making any investment decision in respect of the Placing, no information or representation should be relied upon in relation to the Placing or in relation to the Common Shares other than as contained in this document.

Jefferies International has been appointed as nominated adviser and broker to the Company. In accordance with the AIM Rules, Jefferies International has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Jefferies International for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible. Jefferies International is authorised and regulated in the United Kingdom by the Financial Services Authority. Jefferies International will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Jefferies International nor for providing advice in relation to the transactions and arrangements detailed in this document. Collins Stewart is acting as co-manager with Jefferies International in connection with the proposed Placing and Admission. Collins Stewart will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart nor for providing advice in relation to the transactions and arrangements detailed in this document. Neither Jefferies International nor Collins Stewart is making any representation or warranty, express or implied, as to the contents of this document.

FORWARD-LOOKING STATEMENTS

ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACT, CONTAINED IN THIS ADMISSION DOCUMENT CONSTITUTE “FORWARD-LOOKING STATEMENTS”. IN SOME CASES, FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY TERMS SUCH AS “MAY”, “INTEND”, “MIGHT”, “WILL”, “SHOULD”, “COULD”, “WOULD”, “BELIEVE”, “ANTICIPATE”, “EXPECT”, “ESTIMATE”, “ANTICIPATE”, “PREDICT”, “PROJECT”, “POTENTIAL”, OR THE NEGATIVE OF THESE TERMS, AND SIMILAR EXPRESSIONS. SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON ASSUMPTIONS AND ESTIMATES, AND INVOLVE RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE THE ACTUAL RESULTS, FINANCIAL CONDITION, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY, OR INDUSTRY RESULTS, TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEW FACTORS MAY EMERGE FROM TIME TO TIME THAT COULD CAUSE THE COMPANY’S BUSINESS NOT TO DEVELOP AS IT EXPECTS, AND IT IS NOT POSSIBLE FOR THE COMPANY TO PREDICT ALL SUCH FACTORS. GIVEN THESE UNCERTAINTIES, PROSPECTIVE INVESTORS ARE CAUTIONED NOT TO PLACE ANY UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS. EXCEPT AS REQUIRED BY LAW, THE COMPANY DISCLAIMS ANY OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IN THIS ADMISSION DOCUMENT TO REFLECT FUTURE EVENTS OR DEVELOPMENTS.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT (“RSA 421-B”), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INDUSTRY AND MARKET DATA

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Company’s business contained in this document consists of estimates based on data and reports compiled by professional organisations and analysts using data from other external sources, and on the Company’s knowledge of its proposed industry. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. The Company takes responsibility for compiling, extracting and reproducing market or other industry data from external sources, including third parties or industry or general publications, but neither the Company nor Jefferies International nor Collins Stewart have independently verified that data. The Company cannot assure you of the accuracy and completeness of, and takes no further responsibility for, such data.

NOTICE TO RESIDENTS OF FRANCE

The Common Shares have not been offered or sold and will not be offered or sold, and copies of this document have not been distributed or caused to be distributed and will not be distributed or caused to be distributed, directly or indirectly, to the public in France except, on a private placement basis, (i) to providers of investment services relating to portfolio management for the account of third parties (“*personnes fournissant le service d’investissement de gestion de portefeuille*”), and/or (ii) to corporate entities having the status of “qualified investors” (“*investisseurs qualifiés*”), acting for their own account, and/or (iii) to a restricted circle of investors (“*cercle restreint d’investisseurs*”), acting for their own account, all as defined in and in accordance with article L. 411-1, L. 411-2, D. 411-1 to D. 411-4 of the French Code *Monétaire et Financier*, or otherwise in circumstances which have not resulted and will not result in a public offering (“*appel public à l’épargne*”) in France as defined in article L. 411-1 of the French Code *Monétaire et Financier*.

As required by article 211-4 of the General Regulations of the *Autorité des Marchés Financiers*, such *personnes fournissant le service d’investissement de gestion de portefeuille*, *investisseurs qualifiés* and *cercle restreint d’investisseurs* are informed that: (i) no prospectus or other offering documents in relation to the Common Shares have been lodged or registered with the *Autorité des Marchés Financiers*; (ii) with respect only to *investisseurs qualifiés* and *cercle restreint d’investisseurs*, they must participate in the Offering on their own account, in the conditions set out in articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code *Monétaire et Financier*; and (iii) the direct or indirect offer or sale, to the public in France, of the Common Shares can only be made in accordance with articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code *Monétaire et Financier*.

This offering document does not constitute and may not be used for or in connection with either an offer to any person to whom it is unlawful to make such an offer or a solicitation (“*démarchage*”) by anyone not authorised so to act in accordance with articles L. 341-3, L. 341-4 and L. 341-7 of the French Code *Monétaire et Financier*. Accordingly, no Common Shares will be offered, under any circumstances, directly or indirectly, to the public in France.

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IMPORTANT INFORMATION FOR INVESTORS

This document relates to the offering of new and existing Common Shares of the Company. 4,281,968 Common Shares are being offered by the Company ("New Common Shares") and 17,127,870 existing Common Shares (the "Existing Common Shares") are being offered by the Selling Shareholder. The Company will receive proceeds from the sale of the New Common Shares but will not receive any proceeds from the sale of the Existing Common Shares, all of which will be paid to the Selling Shareholder. The Common Shares being offered hereby are being offered, subject to certain conditions, (a) in the United States, to qualified institutional buyers (as defined in, and in reliance on, Rule 144A promulgated under the U.S. Securities Act) and to certain directors and executive officers of the Company, in transactions exempt from the registration requirements of the U.S. Securities Act; and (b) to non-U.S. persons outside the United States in transactions exempt from the registration requirements of the U.S. Securities Act in reliance on Regulation S. Shares offered and sold in the United States to qualified institutional buyers are referred to herein as "the U.S. Common Shares." The Company, Jefferies International and Collins Stewart reserve the right to withdraw, cancel or modify the offering of Common Shares, and to reject orders, in whole or in part.

An application will be made to have the Common Shares admitted to trading on the AIM market operated by the London Stock Exchange plc ("AIM"). An application will be made to have the Common Shares that are sold or issued to U.S. persons eligible for resale among qualified institutional buyers traded on the PORTAL® Market, which is operated by the NASDAQ Stock Market, Inc.

Each purchaser of the Common Shares will be required to execute and deliver letters containing the representations, warranties and acknowledgements contained in Part IX of this document, entitled "U.S. Restrictions on Transfers of Common Shares" and is hereby notified that the offer and sale of Common Shares to it is being made in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by either Regulation S or Rule 144A under the U.S. Securities Act.

Following the Placing, Jefferies International and Collins Stewart may effect sales of Common Shares from time to time in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale.

The Company and the Selling Shareholder have agreed to indemnify Jefferies International and Collins Stewart against certain liabilities, including liability under the U.S. Securities Act. See "The Placing Agreement" at paragraph 22 of Part VII of the Admission Document.

The Company expects that U.S. Common Shares will be ready for delivery in book entry form through facilities of The Depository Trust Company on or about 1 November 2006.

Pursuant to requirements of applicable U.S. law, this document may only be distributed (a) in the United States to qualified institutional buyers (as defined in, and in reliance on, Rule 144A promulgated under the U.S. Securities Act); and (b) to non-U.S. persons outside the United States in transactions exempt from the registration requirements of the U.S. Securities Act in reliance on Regulation S. Recipients of this document in the United States or who are U.S. persons are authorised to use it solely for the purpose of considering the purchase of Common Shares and may not reproduce or distribute this document, in whole or in part, and may not disclose any of the contents of this document or use any information herein for any purpose other than considering an investment in the Common Shares. Such recipients of this document agree to the foregoing by accepting delivery of this document.

The contents of this document are not to be construed as legal, financial or tax advice. **Each prospective investor should consult its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.**

This document is not subject to regulatory review and has not been reviewed by the United States Securities and Exchange Commission (the "SEC"), the Financial Services Authority or the London Stock Exchange plc. Under the AIM Rules, the Company is required to appoint and retain a nominated adviser. Jefferies International has been appointed as the Company's nominated adviser and under Rule 39 of the AIM Rules it is its responsibility to confirm certain matters to the London Stock Exchange plc, including that (1) the directors of the Company have received satisfactory advice and guidance as to the nature of their obligations to ensure compliance with the AIM Rules; (2) to the best of the nominated adviser's knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules have been complied with; and (3) it is satisfied that the Company, and the securities which are the subject of the application, are appropriate to be admitted to AIM.

The Common Shares offered to prospective investors in the United States hereby have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. Neither the U.S. Securities and Exchange Commission nor any U.S. state securities commission has approved or disapproved of the securities or determined if this document is truthful or complete. Any representation to the contrary is a criminal offence in the United States.

CURRENCY PRESENTATION

The Company prepares its consolidated financial statements in U.S. Dollars. Amounts stated in Pounds Sterling and derived from U.S. Dollar amounts, unless otherwise indicated, have been translated from U.S. Dollars at a fixed rate solely for convenience and should not be construed as representations that the Pounds Sterling amounts actually represent such Pounds Sterling amounts or could be converted into Pounds Sterling at the rate indicated or any other rate or at all. Such convenience translations should not be construed as presentations under U.S. GAAP. Unless otherwise indicated, any U.S. Dollar amounts or Pounds Sterling amounts included in this document that have been translated from Pounds Sterling or U.S. Dollars, respectively, have been calculated using an exchange rate of £1.00 equals \$1.8745 (being the noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York on 24 October 2006).

PLACING PRICE AND CURRENCY OF PLACING PROCEEDS

The Common Shares being placed outside the United States have been priced and will be settled in Pounds Sterling at £1.25 per share (the "Sterling Price"). Common Shares being placed inside the United States will be settled in U.S. Dollars, at a price (the "Dollar Price") converted from the Sterling Price at the noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York on the settlement date (the "Settlement Date Exchange Rate"). The Settlement Date Exchange Rate may differ from the exchange rate at the time of pricing (the "Pricing Date Exchange Rate").

All amounts received from the Placing will be in Pounds Sterling, net of fees and expenses likewise denominated, and are intended to be converted into U.S. Dollars. The actual exchange rate in effect at the date the net Pounds Sterling proceeds are exchanged into U.S. Dollars may differ from the Pricing Date Exchange Rate. The Company has not hedged its exchange rate risk for the period from the date of pricing through to the date such net Pounds Sterling proceeds are exchanged into U.S. Dollars. As a result, the total net proceeds (after conversion) received by the Company may differ from the amount anticipated in this document.

Where the proceeds (or expenses) of the Placing are expressed in this document in the aggregate in the same currency, such proceeds (or expenses) have been calculated using the Pricing Date Exchange Rate.

BASIS OF PRESENTATION

On 10 August 2005, GTG Portfolio Holdings, Inc. (now known as Somero Enterprises, Inc.) (the "Company"), a company wholly-owned by affiliates of The Gores Group, LLC (collectively, "Gores"), purchased certain assets and liabilities from affiliates of Dover Industries, Inc. (collectively, "Dover") relating to the business of designing, manufacturing, refurbishing and selling concrete levelling, contouring and placing equipment and related parts and accessories and training services (collectively, the "Somero Business"). Throughout this document, the Company, its subsidiaries and its predecessors are referred to as "Somero". The purchase by the Company of the Somero Business from Dover is referred to herein as the "Somero Acquisition".

Financial information presented in this document is derived from two sets of financial statements prepared in accordance with U.S. GAAP, the first in respect of the periods up to and including the date of the Somero Acquisition on 10 August 2005 (the "Dover Financial Information"), and the second in respect of the periods following the Somero Acquisition (the "Post-Dover Financial Information"). Dover Financial Information is based on the audited combined financial statements of the Somero Business (also referred to as "Somero Enterprises Group") on a carve-out basis from various Dover entities, as of and for the years ended 31 December 2003 and 2004, as of 10 August 2005 and for the period beginning 1 January 2005 and ended 10 August 2005, and unaudited combined financial statements of the Somero Business as of and for the six month period ended 30 June 2005, which are included in this document at Part V, Section B. For these periods, the Somero Business operated as subsidiaries of Dover, and not as a stand-alone business. Accordingly, for those periods, the assets and liabilities have been accounted for at the historical book

values carried by Dover. The accounting treatment for both periods is the same in all material respects with the exception of amortisation of intangibles and immaterial differences in depreciation expense. Although the Dover Financial Information reflects certain intercompany loans from Dover to the Somero Business and related interest expense, these amounts may not be sufficient to reflect the full allocation of Dover's general corporate debt, which was used to finance the operations of the Somero Business. In addition, the combined statement of operations for the Somero Business does not include an allocation of Dover's general corporate expenses. The financial condition and operating results of the Somero Business prior to the Somero Acquisition may have differed materially had they included amounts reflecting a full allocation of Dover's interest expense and general corporate expenses to the Somero Business. The Post-Dover Financial Information is derived from the Company's audited consolidated financial statements as of 31 December 2005 and 30 June 2006 and for the period from 11 August 2005 through 31 December 2005 and the six months ended 30 June 2006, which are included herein at Part V, Section A.

This document also includes unaudited Somero financial information for the full year ended 31 December 2005, which has been calculated by adding together amounts from the audited financial statements for the period from 1 January 2005 through 10 August 2005, and the period from 11 August 2005 through 31 December 2005. Combined year 2005 financial information has not been audited, and is presented for the convenience of the reader. It is important to note that there are certain effects of the Somero Acquisition that limit the comparability of the Dover Financial Information to the Post-Dover Financial Information. In connection with the Somero Acquisition, in accordance with U.S. GAAP, certain assets were written up as a result of the excess purchase price over the then-current book value of such assets, which has resulted in increased amortisation expenses following the Somero Acquisition.

PLACING STATISTICS¹

Placing Price	£1.25
Gross proceeds raised pursuant to the Placing	£26,762,298
Estimated net proceeds receivable by the Company pursuant to the Placing	£3,146,970
Estimated net proceeds receivable by the Selling Shareholder pursuant to the Placing	£19,435,978
Existing Common Shares being sold	17,127,870
New Common Shares	4,281,968
Number of Common Shares in issue following the Placing	34,281,968
Market capitalisation of the Company following the Placing	£42,852,460

EXPECTED TIMETABLE OF PRINCIPAL EVENTS²

Publication of Pathfinder Admission Document	9 October 2006
Date of final Admission Document	27 October 2006
Admission and Commencement of Dealings on AIM	8:00 a.m. 1 November 2006
Dispatch of Definitive Share Certificates	1 November 2006

(1) Please refer to "Important Information for Investors—Placing Price and Currency of Placing Proceeds" for further information.

(2) All references to times in this timetable are London times and each of the times and dates in the table is subject to change.

DIRECTORS, REGISTERED OFFICE AND ADVISERS

DIRECTORS

Mr. Stuart John Doughty	Chairman and Non-Executive Director
Mr. John Thomas Cooney	President and Chief Executive Officer
Mr. Michael Felix Niemela	Chief Financial Officer and Secretary
Mr. Thomas Michael Anderson	Non-Executive Director
Mr. Ronald Maskalunas	Non-Executive Director
Mr. Ian Reid Weingarten	Non-Executive Director

REGISTERED AND HEAD OFFICE

Somero Enterprises, Inc.
82 Fitzgerald Drive
Jaffrey, New Hampshire 03452
USA

ADVISERS

NOMINATED ADVISER, LEAD MANAGER AND BROKER TO THE COMPANY

Jefferies International Limited
Bracken House, Floor 4
1 Friday Street
London EC4M 9JA

CO-LEAD MANAGER

Collins Stewart Europe Limited
9th Floor, 88 Wood Street
London EC2V 7QR

U.K. AND U.S. LEGAL ADVISER TO THE COMPANY

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U.K. AND U.S. LEGAL ADVISER TO THE MANAGERS

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USA

REPORTING ACCOUNTANTS

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Golden, Colorado 80401
USA

ComputerShare Investor Services
(Channel Islands) Limited
Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW
Channel Islands

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the U.K. Companies Act 1985, as amended;
“Admission”	the admission of the Common Shares of the Company to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange in relation to AIM traded securities;
“Board”	the board of directors of the Company for the time being;
“Collins Stewart”	Collins Stewart Europe Limited, Co-Lead Manager of the Placing;
“Combined Code”	the Combined Code on Corporate Governance published in July 2003 by the Financial Reporting Council;
“Common Shares”	shares of common stock of Somero Enterprises, Inc., par value \$0.001 per share;
“Company”	Somero Enterprises, Inc., a Delaware company;
“CREST”	the computer based system and procedures administered by CRESTCo Limited which enable title to securities to be evidenced and transferred without a written instrument;
“CUSIP”	Committee on Uniform Securities Identification Procedures;
“DGCL”	the General Corporation Law of the State of Delaware, as amended;
“Directors”	the directors of the Company whose names appear on page 5 of this document and “Director” means any one of them;
“Dover”	Dover Industries, Inc. and its affiliates;
“Dover Financial Information”	has the meaning given to it under “Important Information for Investors—Basis of Presentation” on page 3 above;
“Enlarged Issued Share Capital”	the issued share capital of the Company immediately following Admission and the Placing;
“Existing Common Shares”	the 17,127,870 existing Common Shares to be sold by the Selling Shareholder in the Placing;
“Financing Agreement”	the Financing Agreement, dated as of 22 November 2005, by and among the Selling Shareholder, the Company and Fortress, which will be amended effective from Admission;
“Fortress”	Fortress Credit Corp.;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Gores” or “The Gores Group”	The Gores Group, LLC and its affiliates, including Somero Holdings, LLC, which prior to the Placing is the sole shareholder of the Company;
“ISIN”	International Security Identification Number;

“ISO”	International Standards Organisation;
“ISO 14001”	ISO’s environmental management standard intended to help organisations minimise how their operations negatively affect the environment, comply with applicable laws, regulations, and other environmentally-oriented requirements, and continually improve in these areas;
“ISO 9001”	ISO’s international quality standard, which is intended for use in any organisation that designs, develops, manufactures, installs or services any product or provides any form of service. It provides a number of requirements which an organisation needs to fulfill if it is to achieve customer satisfaction through consistent products and services which meet customer expectations;
“Jefferies International”	Jefferies International Limited, nominated adviser to Somero, broker and lead manager of the Placing;
“London Stock Exchange”	London Stock Exchange plc;
“Managers”	Jefferies International and Collins Stewart;
“New Common Shares”	the 4,281,968 new Common Shares to be issued by the Company and included in the Placing;
“NASDAQ”	the NASDAQ Stock Market, Inc.;
“NYSE”	NYSE Group, Inc.;
“Official List”	the official list of the U.K. Listing Authority;
“Organisational Documents”	the certificate of incorporation and the by-laws of the Company;
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement;
“Placing Agreement”	the placing agreement dated 26 October 2006 between Jefferies International, Collins Stewart, the Selling Shareholder, the Directors and the Company as described in paragraph 22 of Part VII;
“Placing Price”	the price of £1.25 per Common Share;
“Placing Shares”	the New Common Shares and the Existing Common Shares;
“Post-Dover Financial Information”	has the meaning given to it under “Important Information for Investors—Basis of Presentation” on page 3 above;
“Pounds Sterling” or “£”	U.K. pounds sterling;
“Prospectus Rules”	rules made by the Financial Services Authority pursuant to sections 73A(1) and (3) of FSMA, as defined in section 417(1) of FSMA;
“Registrar”	for shares held by U.S. persons, ComputerShare Trust Company, Inc. For shares held by non-U.S. persons, ComputerShare Investor Services (Channel Islands) Limited;
“screed”	the process of striking off concrete lying beyond a desired plane or shape, or a machine or device used to accomplish this process;
“SEC”	United States Securities and Exchange Commission;
“Selling Shareholder”	Somero Holdings, LLC, the sole shareholder of the Company prior to Admission, which is selling Existing Common Shares in the Placing;

“Shareholder”	a holder of Common Shares;
“Share Option Plan”	the Somero Enterprises, Inc. 2006 Stock Incentive Plan described in paragraph 7 of Part VII;
“slab-on-grade construction”	a building engineering practice whereby the concrete slab that is to serve as the foundation for a structure is formed from a mold set into the ground. The concrete is then poured into the mold, leaving no space between the ground and the structure;
“Somero”	the Company, its predecessor entities, and its direct and indirect subsidiaries, Somero Enterprises Limited and Somero Enterprises SRL;
“Somero Acquisition”	has the meaning given to it under “Important Information for Investors—Basis of Presentation” on page 3 above;
“Somero Enterprises Group” or the “Somero Business”	the assets and liabilities purchased by the Company from Dover on 10 August 2005;
“Taxes Act”	the Income and Corporation Taxes Act 1988, as amended;
“TCGA”	the Taxation of Chargeable Gains Act 1992, as amended;
“U.K. Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part V of FSMA;
“United Kingdom” or “U.K.”	United Kingdom of Great Britain and Northern Ireland;
“United States” or “U.S.” or “USA”	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
“U.S. Dollars” or “\$”	United States dollars;
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder;
“U.S. GAAP”	generally accepted accounting principles in the United States;
“U.S. GAAS”	generally accepted accounting standards in the United States;
“U.S. person”	has the meaning given to it in Regulation S under the U.S. Securities Act, save in paragraph 15 of Part VII, where the term has the meaning given to it in such paragraph; and
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

KEY INFORMATION

The following information does not purport to be complete and should be read in conjunction with the full text of this document. Investors should read the entire document, including in particular the risk factors set out in Part II, and not rely solely on the key information set out below. Certain of the terms used in this document and a glossary of technical terms are set out in the section of this document entitled “Definitions and Glossary of Technical Terms.”

Somero’s Business

Somero® designs, manufactures and sells equipment that automates the process of spreading and levelling large volumes of concrete for flooring and other horizontal surfaces, such as paved parking lots. Somero’s innovative, proprietary products, including the Large Laser Screed®, employ laser-guided technology to achieve a high level of precision. Its products have been sold primarily to concrete contractors for use in non-residential construction projects in over 50 countries. Laser screeding equipment has been specified for use in constructing warehouses, assembly plants, retail centres and in other commercial construction projects requiring extremely flat concrete slab floors by a variety of companies, such as Costco, Home Depot, B&Q, DaimlerChrysler, various Coca-Cola bottling companies, the United States Postal Service, and Toys ‘R’ Us. In 2004, 2005 and for the six months ended 30 June 2006, Somero generated revenues of \$33.2 million, \$42.3 million and \$29.1 million, respectively.

Somero’s headquarters are located in New Hampshire, USA. It operates a manufacturing facility in Michigan, USA and has a sales and service office in Chesterfield, England. Somero has approximately 120 employees, and markets and sells its products through a direct sales force, external sales representatives, and independent dealers in North America, Latin America, Europe, the Middle East, South Africa, Asia and Australia.

Key Strengths

The Directors consider the Company’s key strengths to be:

- *Very limited competition.* Based on Somero’s sales and marketing experiences, it faces very limited competition from any other company that makes products designed to automate the concrete screeding process in a manner similar to the Large Laser Screed. Somero revolutionised the concrete placement industry in 1986 with the introduction of the Laser Screed, by bringing automation to a previously manual screeding process.

Since that time, Somero has remained an innovator in the industry, emphasising research and development and introducing new innovative products to the marketplace. Somero maintains an intellectual property portfolio of trademarks, copyrights and 33 issued and 27 pending patents. The Company places great emphasis on its customers by delivering quality, innovative and reliable products, offering in-house and on-site training, and providing 24-hour, seven days per week customer support services.

- *Several factors contributing to revenue growth.* Management believes that Somero’s revenue growth has been driven largely by a number of factors including:
 - o positive industry trends, such as concrete’s growing share as a construction material;
 - o new product introductions such as the PowerRake, which was introduced in August 2005 and represented 9.5% of revenues for the six months ended 30 June 2006;
 - o replacement demand for the Large Laser Screed, as a substantial number of units have exceeded its seven year estimated lifespan;
 - o international expansion, including geographies such as Eastern Europe; and
 - o increased use of independent dealers and external sales representatives.
- *Experienced management team.* The Company’s management team is led by Jack Cooney, who joined Somero in 1997. The team is cohesive, with the top 12 members of senior management having worked at Somero for an average of 7 years each. Somero’s management team has focused on, among other things, introducing new, innovative products to the marketplace and expanding sales geographically.

- *Financial performance.* For the six months ended 30 June 2006, Somero grew revenues by approximately 30% over the comparative prior year period and generated a gross margin and EBITDA* margin of 54.4% and 27.2%, respectively. For 2005, gross margin and EBITDA* margin were 51.3% and 23.2%, respectively.

Products

Somero's primary product lines include:

- *Large Laser Screed.* Somero's flagship product, the Large Laser Screed, has become the product of choice among many concrete contractors, particularly in the U.S. and Western Europe, for projects involving large floors or other horizontal surfaces of over 30,000 square feet.
- *CopperHead® Laser Screed.* The CopperHead product is a small, walk-behind Laser Screed. It is typically used to automate the placement and finishing of concrete for smaller projects (i.e. those projects less than 20,000 square feet) and for multi-level buildings (such as office buildings or parking garages).
- *PowerRake™.* The PowerRake is a 4-wheel drive, ride-on concrete grading machine. The PowerRake is used to automate the raking portion of the concrete placing process, which is often conducted by manual labour.
- *3-D Profiler System™ / Site Shape™.* The 3-D Profiler System is an optional hardware and software package installed on Large Laser Screeds. It enables the user to screed contoured (as opposed to flat) slabs such as parking lots and urban streets. SiteShape is similar to the 3-D Profiler System, but is designed for use with motor graders and bulldozers in fine-grading applications.
- *HoseHog™.* In August 2006, Somero introduced the HoseHog system, which is designed to automate the movement of hoses in the pouring process for concrete. The HoseHog system eliminates the labour-intensive task of dragging concrete-filled hoses across the worksite to place concrete prior to screeding.
- *Other Products.* Somero supplies a variety of replacement parts and spare part kits for its product lines. Somero's other products also include refurbished Laser Screeds, topping spreaders, and concrete placers.

Business Strategy

The principal components of Somero's business strategy are:

- *Enhance and expand Somero's product offering.* In keeping with its record of innovation, Somero has several products in development and expects to introduce new products over the next several years for current and complementary markets. Somero is also focused on enhancing its existing product lines with new features and versions to maintain its competitive position and drive sales to new customers, and replacement and additional sales to existing customers.
- *Expand geographic footprint and distribution channels.* Somero is focused on an international expansion strategy to increase sales in under-penetrated markets such as Eastern Europe and new markets such as the Middle East and Asia.
- *Maintain focus on cash flow and cost control.* Over the past few years, management has identified and implemented several cost control initiatives designed to improve profitability and working capital efficiency. Somero management intends to continue focusing on maintaining and expanding its operating margins and cash flow.
- *Disciplined acquisition strategy.* Somero management intends to actively pursue acquisition opportunities that could expand its product portfolio and leverage its international market position, sales force and corporate infrastructure to create value.

* EBITDA margin for the six months ended 30 June 2006 is calculated based on EBITDA of \$7.9 million divided by revenues of \$29.1 million. EBITDA margin for 2005 is calculated based on EBITDA of \$9.8 million divided by revenues of \$42.3 million. EBITDA represents Somero's operating income plus amortisation of intangibles and depreciation. EBITDA is not a measurement of the Company's financial performance under U.S. GAAP and should not be considered as an alternative to operating income, net income or any other performance measures derived in accordance with U.S. GAAP, or as an alternative to U.S. GAAP cash flow from operating activities as a measure of profitability or liquidity. See the section entitled "Use of Non-U.S. GAAP Financial Measures" in Part IV of this document for additional information regarding EBITDA, including a reconciliation of EBITDA to operating income for the periods presented.

Summary Financial Information

The summary consolidated financial information set out below is extracted from Somero's audited and unaudited financial statements included in Part V of this document and has been prepared in accordance with U.S. GAAP. Investors should read the entire document, including the financial information in Parts IV and V of this document, and not rely solely on the summarised financial information set out below. On 10 August 2005, the Company acquired certain assets and assumed certain liabilities from Dover. Prior to and including 10 August 2005, the Somero Business (also referred to as "Somero Enterprises Group") operated as subsidiaries of Dover and not as a stand-alone business. For the purposes herein, (i) the results for Somero Enterprises Group are representative of the Somero Business for periods prior to and including 10 August 2005 and (ii) the results of Somero Enterprises, Inc. are representative of the Somero Business for periods after 10 August 2005. Combined 2005 results represent the summation of these two periods. The accounting treatment for both periods is the same in all material respects with the exception of amortisation of intangibles and immaterial differences in depreciation expense. You should carefully review the section entitled "Important Information for Investors—Basis of Presentation" on page 3 above for a further discussion of the comparability of financial data for periods prior to and including 10 August 2005 with periods after 10 August 2005.

	SOMERO ENTERPRISES GROUP			SOMERO ENTERPRISES, INC.	Combined	SOMERO ENTERPRISES GROUP	SOMERO ENTERPRISES, INC.
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	Years Ended 31 December 2003	2004	1 January 2005 Through 10 August 2005	11 August 2005 Through 31 December 2005	Year Ended 31 December 2005	Six Months Ended 30 June 2005	Six Months Ended 30 June 2006
Figures in US\$ Thousands							
REVENUE	\$ 25,429	\$ 33,176	\$ 25,769	\$ 16,549	\$ 42,318	\$ 22,370	\$ 29,076
COST OF SALES	15,004	17,167	12,661	7,953	20,614	10,805	13,268
GROSS PROFIT	10,425	16,009	13,108	8,596	21,704	11,565	15,808
OPERATING EXPENSES							
Selling Expense	4,805	5,205	3,925	2,542	6,467	3,234	4,484
Engineering Expense	999	986	710	417	1,127	482	598
General & Administrative Expense	4,191	4,551	3,734	2,637	6,371	3,106	4,151
Total Operating Expense	9,995	10,742	8,369	5,596	13,965	6,822	9,233
OPERATING INCOME	430	5,267	4,739	3,000	7,739	4,743	6,575
OTHER INCOME (EXPENSE)							
Interest Expense	(444)	(411)	(307)	(1,162)	(1,469)	(246)	(1,934)
Interest Income	6	223	383	-	383	290	35
Foreign Exchange Gain (Loss)	122	20	(90)	(40)	(130)	(50)	167
Other	(46)	73	37	(288)	(251)	(19)	(196)
INCOME BEFORE TAXES	68	5,172	4,762	1,510	6,272	4,718	4,647
PROVISION FOR INCOME TAXES	(56)	1,760	1,681	548	2,229	1,657	1,758
NET INCOME	\$ 124	\$ 3,412	\$ 3,081	\$ 962	\$ 4,043	\$ 3,061	\$ 2,889
Other Data							
EBITDA(1)	\$ 2,046	\$ 6,819	\$ 5,598	\$ 4,208	\$ 9,806	\$ 5,450	\$ 7,934
Net Income Before Amortisation (1)	1,079	4,367	3,662	1,963	5,625	3,538	4,073
Depreciation Expense	\$ 661	\$ 597	\$ 278	\$ 207	\$ 485	\$ 230	\$ 175
Amortisation of Intangibles	955	955	581	1,001	1,582	477	1,184
Capital Expenditures	614	359	118	79	197	69	263

Note:

- (1) References to "EBITDA" are to Somero's operating income plus depreciation and amortisation of intangibles. References to "net income before amortisation" are to Somero's net income plus amortisation of intangibles. EBITDA and net income before amortisation are not measurements of the Company's financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with GAAP, or as an alternative to GAAP cash flow from operating activities as a measure of profitability or liquidity. EBITDA and net income before amortisation are presented herein because management believes they are useful analytical tools for measuring the profitability and cash generation of the business. The Company understands that although EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, its calculation of EBITDA may not be comparable to other similarly titled measures reported by other companies. See the section entitled "Use of Non-U.S. GAAP Financial Measures" in Part IV of this document for additional information regarding EBITDA and net income before amortisation, including a reconciliation of EBITDA and net income before amortisation to operating income and net income, respectively, for the periods presented.

Capitalisation

The following table sets out the Company's total actual capitalisation as at 30 June 2006, to give effect to the share recapitalisation*, and as adjusted to solely reflect (i) the share recapitalisation, (ii) the application of the net proceeds of the Placing, after deducting estimated commissions, fees and expense in connection with the Placing, (iii) the anticipated repayment of \$9.5 million in outstanding indebtedness to Fortress following the Placing (which is expected to be repaid using a combination of net proceeds from the Placing and cash on hand), and (iv) the dividend of \$1.79 million which was declared prior to Admission, but will be paid following Admission only to the Selling Shareholder. This table should be read in conjunction with Somero's audited consolidated financial statements and the related notes thereto included in this document. The "As Adjusted" column of the table below has been prepared for illustrative purposes only and is not necessarily representative of the Company's capitalisation had the Placing actually taken place on 30 June 2006.

	As of 30 June 2006	
	Actual*	As Adjusted**
	<i>(unaudited) (in thousands, except per share data)</i>	
Cash and cash equivalents	\$ 5,780	\$ 389
Long-term liabilities:		
Notes payable, net of current portion	29,500	20,000
Obligations under capital leases, net of current portion	9	9
Total long-term liabilities	\$ 29,509	\$ 20,009
Current liabilities:		
Notes payable, current portion	\$ 2,000	\$ 2,000
Accounts payable	3,355	3,355
Accrued expenses	2,695	2,695
Due to related party	710	710
Income taxes payable	255	255
Obligations under capital leases, current portion	660	660
Total current liabilities	\$ 9,675	\$ 9,675
Shareholders' equity		
Common stock, par value \$0.001, 80 million shares authorised, 30 million shares issued and outstanding (actual*), and 34,281,968 shares issued and outstanding (as adjusted)	\$ 30	\$ 34
Preferred stock, par value \$0.001, 50 million shares authorised, no shares issued and outstanding (both actual* and as adjusted)	\$ -0-	\$ -0-
Additional paid-in capital	17,753	23,648
Retained earnings	3,851	2,061
Other comprehensive income	(24)	(24)
Total shareholders' equity	\$ 21,610	\$ 25,719

* - Actual capitalisation and stockholders' equity items reflect capitalisation as of 30 June 2006 (audited), adjusted to reflect the recapitalisation, which will take effect prior to Admission and is described at paragraph 4.2.2 of Part VII of this document.

** - The actual exchange rate in effect at the date the Company exchanges the net proceeds from the Placing into U.S. Dollars may differ from the rate used in the table above and consequently the actual U.S. Dollar amount of the net proceeds received by the Company, and thus available for application as illustrated in the table above, may differ from the amounts shown. The Company has not hedged its exchange rate risk for the period from the date of pricing through the date of settlement and, if later, the date the Company exchanges such net proceeds into U.S. Dollars.

Dividend Policy

The Directors intend to declare a dividend for the year ending 31 December 2006 equal to approximately 30% of its reported after-tax net income for that year, pro rated to reflect the number of days between Admission and 31 December 2006. In the future, the Directors intend to adopt a progressive dividend policy that reflects the earnings, cash flows and prospects of the Company. Other than the dividend that the Directors intend to declare for the year ending 31 December 2006, it is presently anticipated that dividends would be declared twice per year, based on interim and year end reported results.

Dividends will be set and declared in U.S. Dollars, the Company's functional currency, but will be paid in Pounds Sterling. The Company will not enter into any hedging arrangements in connection with dividend payments and the Registrar will convert the U.S. Dollar dividend amount, at or before payment, into Pounds Sterling at the then-prevailing spot rate. Any adverse currency movements will therefore be solely at the risk of the shareholder receiving the dividend.

There can be no guarantee as to the amount of any dividend payable by the Company, or that it will be able to pay any dividends at all. Attention is drawn to the Risk Factors set forth in Part II of this document (and, in particular, the risk factor entitled "The Company may be unable to, or may choose not to, pay dividends on the Common Shares at rates acceptable to investors, or at all").

The Board has declared a dividend of \$1.79 million, which will be paid two business days following Admission to the Selling Shareholder, and which the Directors understand is intended to be used, in part, to pay for a portion of the expenses incurred by the Selling Shareholder and the Company in connection with the Placing. Purchasers of Common Shares in the Placing will not share in this dividend.

The Placing

On 24 September 2006, the Company announced its intention to seek admission to AIM, which is a market operated by the London Stock Exchange, and is specifically tailored to smaller, growing companies.

In the Placing, 21,409,838 Common Shares will be made available to institutional and professional investors, and to certain Somero Directors and executive officers. Of these, 4,281,968 New Common Shares will be offered by the Company and 17,127,870 Existing Common Shares will be offered by the Selling Shareholder.

All Common Shares issued or offered for sale in the Placing will be issued or sold at the Placing Price.

The Common Shares to be issued and sold pursuant to the Placing will rank *pari passu* in all respects, including with respect to all dividends and other distributions hereafter declared, made or paid on the common share capital of the Company (except that only the Selling Shareholder will receive payment of dividends that have been declared prior to Admission, as described above under "Dividend Policy").

See further "The Placing" in Part III of this document.

Reasons for Placing and Use of Proceeds

The Company estimates that it will receive a gross amount of approximately £5.35 million (\$10.03 million) from the Placing which equates to net proceeds of approximately £3.15 million (\$5.90 million) after deducting estimated commissions and other estimated fees and expenses, and assuming the Selling Shareholder reimburses \$1.7 million (approximately £0.91 million) of the Company's expenses in connection with the Placing in accordance with its expense sharing arrangement with Somero. The Company will not receive any portion of the proceeds from the sale of the Common Shares by the Selling Shareholder, which will receive approximately 80% of the gross proceeds of the Placing.

The Company intends to use the net proceeds it receives from the Placing, together with cash on hand, to repay a portion of its outstanding term loan under its Financing Agreement with Fortress. Details of the Financing Agreement are included at paragraph 23.1.1 of Part VII of this document. The balance of the net proceeds, if any, will also be used to fund working capital and capital expenditure requirements for the business, and may be used to fund future acquisitions.

The Directors believe that admission to trading on AIM and the Placing will:

- allow the Company to repay up to \$9.5 million of its current bank loans (using net proceeds of the Placing together with cash on hand), which will also result in a lower interest rate and reduced interest expenses;
- facilitate future access to capital for the development of Somero's business, including supporting the Company's strategy of expansion by acquisition where it may offer equity as consideration and/or to provide access to capital through additional fundraisings;
- raise the profile of the Company further, particularly within the United Kingdom and Europe; and
- help fund working capital for general business purposes.

In addition, the Placing will facilitate the orderly disposition of Common Shares held by the Selling Shareholder.

Risk Factors

An investment in the Common Shares offered in the Placing is subject to a number of risks. A prospective investor in the Common Shares should consider carefully all of the information set out in this document and, in particular, have regard to the information set out in the "Risk Factors" in Part II of this document, prior to making any investment decision.

Corporate Information

The Company's principal executive offices are located at 82 Fitzgerald Drive, Jaffrey, New Hampshire 03452 USA, and its phone number is +1 603 532 5900. "Somero", "Somero Enterprises", "Laser Screed" and "CopperHead", are registered trademarks of the Company in the United States. "Laser Screed" is a registered trademark of the Company in Switzerland and the European Community. This document also contains other registered and unregistered trademarks of the Company and other persons.

PART I BUSINESS DESCRIPTION

Overview

Somero® designs, manufactures and sells equipment that automates the process of spreading and levelling large volumes of concrete for flooring and other horizontal surface applications, such as paved parking lots. Somero's innovative, proprietary products, including the Large Laser Screed®, employ laser-guided technology to achieve a high level of precision. Its products have been sold primarily to concrete contractors for use in non-residential construction projects in over 50 countries. Based on Somero's sales and marketing experiences, it faces very limited competition from any other company that makes products designed to automate the process in a manner similar to the Large Laser Screed. In 2004, 2005 and for the six month period ended 30 June 2006, Somero generated revenues equal to \$33.2 million, \$42.3 million and \$29.1 million, respectively.

When Somero introduced the Laser Screed in 1986, it revolutionised the concrete placement industry by bringing automation to the screeding process, which had previously been performed manually. Somero's equipment enables customers to achieve extremely flat and level surfaces at substantially lower costs than alternative methods. Somero's equipment reduces the time it takes to complete the screeding process, enabling users to screed significantly greater volumes of concrete than by alternative methods. Laser screeding equipment has been specified for use in constructing warehouses, assembly plants, retail centres and in other commercial construction projects requiring extremely flat concrete slab floors by a variety of companies, such as Costco, Home Depot, B&Q, DaimlerChrysler, various Coca-Cola Bottling companies and the United States Postal Service and Toys 'R' Us.

Somero is headquartered in New Hampshire, USA, operates a manufacturing facility in Michigan, USA and has a sales and service office in Chesterfield, England. Somero markets and sells its products through a direct sales force, external sales representatives and independent dealers in North America, Latin America, Europe, the Middle East, South Africa, Asia and Australia.

History of Somero

Somero was founded by members of the Somero family in 1986, the year in which it introduced the first model of the Laser Screed. In 1997, Summit Partners invested in Somero and brought in a new management team led by Somero's current President and Chief Executive Officer, Mr. John T. (Jack) Cooney. Somero was subsequently sold to Dover Corporation in 1999. In 2005, an affiliate of The Gores Group, a private equity company based in Los Angeles, California, acquired Somero from Dover Corporation.

Somero's management team, led by Mr. Cooney, has focused on, among other things, introducing new, innovative products to the marketplace and expanding sales geographically. New products introduced since 1997 include: the CopperHead® (2002); the SXP™ model of the Large Laser Screed (2004); SiteShape™ (2005); the PowerRake™ (2005); and the HoseHog™ (2006).

Over the past several years, Somero has received numerous awards and accolades for its product innovation and impact on the concrete industry including:

- Somero's S-240 Large Laser Screed was named by *Concrete Construction Magazine* in 2000 as "one of the five most influential technological innovations of the century";
- The CopperHead S-9210 received an Attendees' Choice Award for "Most Innovative Product" in the concrete placing and finishing category at the 2003 World of Concrete annual convention;
- Mr. John T. (Jack) Cooney, Somero's President and Chief Executive Officer, was named by *Concrete Construction Magazine* in 2005 as "one of the ten most influential people in the concrete industry"; and
- The PowerRake received an Expert's Choice Award for "Most Innovative Product" in the concrete placing and finishing category at the 2006 World of Concrete annual convention.

Business Strategy

The principal components of Somero's business strategy are to:

Enhance and expand product offering. In keeping with its record of innovation, Somero has several products in development and expects to introduce new products over the next several years for current and

complementary markets. Somero is also focused on enhancing its existing product lines with new features and versions to maintain its competitive position and drive sales to new customers, and replacement and additional sales to existing customers.

Expand geographic footprint and distribution channels. Somero is focused on an international expansion strategy to increase sales in under-penetrated markets such as Eastern Europe and new markets such as the Middle East and Asia. To accomplish this growth and further increase its U.S. sales, the Company intends to increase the size of its direct sales force and further expand the use of independent dealers and external sales representatives.

Maintain focus on cash flow and cost control. Over the past few years, management has identified and implemented several cost control initiatives designed to improve profitability and working capital efficiency. Somero management intends to continue focusing on maintaining and expanding its operating margins and cash flow.

Disciplined acquisition strategy. Somero management intends to actively pursue acquisition opportunities that could expand its product portfolio and leverage its international market position, sales force and corporate infrastructure to create value. Management is primarily focused on acquisition targets that have attractive margins with complementary products, such as ground-thawing, concrete-curing, laser-grinding, cutting and paving products.

Products

Somero has introduced new products over the past several years, many of which management believes have gained significant market acceptance and driven a significant portion of Somero's growth. Somero's primary product lines include Large Laser Screeds, small Laser Screeds and ride-on grading machines. Somero also sells a variety of accessories and replacement parts for its primary products, as well as refurbished products, topping spreaders and concrete placers. Somero has also recently introduced the HoseHog, a new product designed to automate the movement of hoses in the pouring process for concrete.

Large Laser Screed

Somero introduced its first model of the Large Laser Screed in 1986. Since then, the Large Laser Screed has become the product of choice among many concrete contractors, particularly in the U.S. and Western Europe, for projects involving large floors or other horizontal surfaces. The principal product in the line, the SXP, is designed to automate the placement and finishing of concrete for surfaces larger than 30,000 square feet. It weighs approximately 17,200 pounds (approximately 7,800 kilograms) and uses a 20-foot boom to extend and then retract over piles of wet concrete. Lasers on the ground communicate with receivers on the equipment to determine its relative location and guide the 14.5-foot head located on the boom to create an extremely flat surface with high levels of precision. Somero also offers the S-100, which is targeted for surfaces between 15,000 and 30,000 square feet. The SXP and S-100 currently have list prices in the United States of approximately \$279,000 and \$143,000, respectively.

Somero has sold over 1,300 Large Laser Screed units in the U.S. and internationally, and nearly 800 of these units are over seven years of age. Somero management estimates that the lifespan for the Large Laser Screed is approximately seven to ten years, which management believes has generated replacement demand for many of the units currently in the field that have exceeded their estimated lifespan. Sales of new Large Laser Screeds represented 28.1%, 43.8%, 42.0% and 46.5% of Somero's revenues for 2003, 2004, 2005 and the six month period ended 30 June 2006, respectively.

CopperHead Laser Screed

Somero first introduced the CopperHead, a small walk-behind Laser Screed, in 2002. This machine utilizes similar Laser Screed technology to the SXP Large Laser Screed in the levelling and contouring of horizontal concrete surfaces, but is much smaller than the SXP, weighing approximately 800 pounds (approximately 360 kilograms). The CopperHead's compact and portable size enables it to access most areas of the concrete pour, and the machine can be transported to the worksite on a small trailer and to above-ground levels of a multi-level building. The CopperHead is typically used to automate the placement and finishing of concrete for smaller projects (i.e. those projects less than 20,000 square feet) and for multi-level buildings (such as office buildings or parking garages), where the CopperHead's smaller size permits transport of the machine above ground level. Historically, these projects have been completed by smaller contractors using hand-held vibrating screeds and other manual methods. The CopperHead enables these smaller contractors to spread more concrete in less time, and with a higher quality level, than with traditional manual methods.

The U.S. list price for the latest model, the CopperHead XD 2.0, is currently approximately \$46,000. CopperHead sales represented 32.3%, 29.0%, 24.0% and 20.2% of Somero's revenues for 2003, 2004, 2005 and the six month period ended 30 June 2006, respectively.

PowerRake

In August 2005, Somero introduced the PowerRake, a 4-wheel drive, ride-on, hydraulic-powered concrete grading machine. The PowerRake is used to automate the raking portion of the concrete placing process, which is often conducted by manual labour. The PowerRake allows a single operator to rake concrete more efficiently than with manual raking methods. Like the CopperHead, the machine is compact and portable, weighing approximately 895 pounds (406 kilograms). The PowerRake currently has a list price in the United States of approximately \$44,000. PowerRake sales represented approximately 5.7% and 9.5% of Somero's revenues for 2005 and the six months ended 30 June 2006, respectively.

Other Products

The remainder of Somero's revenues are generated by other products, including accessories and replacement parts for its Large Laser Screed, CopperHead and PowerRake product lines, refurbished used equipment, topping spreaders and concrete placers, and revenue from shipping charges. Sales of these other products represented approximately 39.6%, 27.2%, 28.3% and 23.8% of Somero's revenues for 2003, 2004, 2005 and the six months ended 30 June 2006, respectively.

3-D Profiler System™ / Site Shape

One of the primary accessories sold by Somero is the 3-D Profiler System, which was introduced in 1999. This optional hardware and software package installed on Large Laser Screed machines is used to increase the equipment's functionality by enabling it to screed contoured (as opposed to flat) slabs such as parking lots and urban streets. The 3-D Profiler System was purchased for approximately 24% of the Large Laser Screed machines sold by Somero in 2005. The 3-D Profiler System has a list price in the United States of approximately \$108,000.

In January 2005, Somero introduced SiteShape, a hardware and software package similar to the 3-D Profiler System, but for use with motor graders and bulldozers in fine-grading applications.

Replacement Parts and Spare Part Kits

Somero supplies a variety of replacement parts for its Large Laser Screed, CopperHead and PowerRake products. Somero also supplies spare part kits for the CopperHead and PowerRake. The exact compatibility of Somero's replacement and spare parts with its primary products encourages customers to purchase these parts directly from Somero instead of other companies. Somero intends to develop spare part kits for its new product, the HoseHog.

Refurbished Laser Screeds

Somero receives used Laser Screeds as trade-ins for new Laser Screeds. The used machines are then completely disassembled, components are repainted, mechanical components are tested and refurbished or replaced. The refurbished machines are then re-sold, and Somero provides the customer with a one-year warranty, as well as training and support.

Topping Spreader and Concrete Placer

Somero also manufactures and sells topping spreaders and concrete placing machines. Somero's topping spreader, the STS-132, is used to apply colour or hardening agents on wet concrete after screeding. Somero's concrete placer, the SP-80, is an operator-controlled, ride-on machine that mechanically distributes concrete throughout a slab-on-grade placement. Somero is in the process of discontinuing the concrete placer.

HoseHog

In August 2006, Somero introduced the HoseHog system, which is designed to automate the movement of hoses in the pouring process for concrete. The HoseHog system eliminates the labour-intensive task of dragging concrete-filled hoses across the worksite to place concrete prior to screeding. The HoseHog system consists of two HoseHog machines and two pans that are designed to prevent clamps connecting

multiple lengths of hose from snagging while the hoses are being moved. The list price in the United States for the HoseHog system (two HoseHog machines and two pans) is approximately \$54,500. Customers may also purchase individual HoseHog machines and pans separately.

Customers

End users of Somero products consist primarily of concrete contractors, general contractors and rental companies. Somero's customers include these end users, as well as independent dealers. Somero has sold its products to customers located in over 50 countries. As a result of the fragmented nature of the concrete construction industry, Somero is not dependent on any single customer or small group of customers. For the year ended 31 December 2005, Somero's top ten customers accounted for approximately 13.0% of total sales, with its largest customer representing approximately 2.0% of total sales.

Sales and Marketing

Somero's global sales and marketing organisation uses a combination of direct sales representatives, independent dealers and external sales representatives. In general, the Large Laser Screed product line and derivative products, such as the 3-D Profiler System, are sold directly to concrete contractors, general contractors and rental companies by Somero's internal sales force, while CopperHead XD 2.0 and PowerRake products are sold either directly, through independent dealers or by Somero's external sales representatives. Somero's sales and marketing organisation is critical to expanding its customer base, increasing penetration with existing customers and introducing new products.

North American Sales and Marketing

Somero's North American (U.S. and Canada) sales and marketing organisation is comprised of 28 full-time employees, including 18 field sales and service representatives, two sales managers, four regional sales managers and four marketing professionals. Somero also utilises independent dealers to sell its products in North America. Somero's marketing efforts are organised by product line and geographic region. Somero believes that the level of experience of its North American sales force enables Somero to provide its customers with a high level of attention, which enables Somero to react quickly to emerging trends, respond to changing and diverse building practices and requirements, and develop knowledge and understanding of the end user.

European Sales and Marketing

In Europe, Somero utilises a combination of direct sales employees and external sales representatives to sell and service equipment. Somero's direct European sales efforts are generated by 13 full-time employees located in the United Kingdom and Italy engaged in sales and product support to customers in over 35 countries throughout Europe. Somero also utilises independent representatives throughout Europe to generate leads, demonstrate products and provide post-sales service and support. Expanding sales in Europe is one of Somero's primary growth strategies.

Sales and Marketing Outside North America and Europe

Outside Europe and North America, Somero utilises external sales representatives and dealers, supported by Somero staff located in the United Kingdom and the United States, to sell and service equipment. Somero's external sales representatives and dealers are engaged in efforts to sell Somero products in Australia, Asia, the Middle East and Africa, with the bulk of sales outside the United States and Europe currently concentrated in Australia and South Korea. Expanding sales in the Middle East and Asia is an important component of Somero's international growth strategy.

Training and Customer Service

Somero emphasises training and customer service for its international customer base, as management believes these services are competitive differentiators. Somero offers its customers both a three day in-house training class at its Michigan, USA facility and onsite field training, with the goal of familiarising the operator with the equipment in order to maximise the customer's operational efficiency quickly. As part of the training program, the operator learns how to plan and coordinate concrete placements using the Laser Screed. The operator also learns how to troubleshoot potential problems with the equipment through a hands-on training demonstration. The Company believes that the in-house and onsite training programs have generated improved customer relationships, increased product awareness and produced significant customer loyalty.

Somero provides 24-hour, seven days per week support services to its customers both in the U.S. and internationally. Somero regularly fields calls from customers to answer questions regarding the equipment, provide consultations regarding job site questions and take orders for parts or accessories. Somero believes that its customer support efforts, which lead to frequent customer interaction, significantly enhance customer loyalty.

Operations

Engineering and New Product Development

Somero has a team of 13 engineers based in its Michigan, USA facility engaged in the design and development of potential new products, as well as enhancements to the existing products. Somero expends significant resources each year on product development and employs a 10-step development process, which involves customer input into the design, prototyping and testing of new products and product enhancements. Somero's senior management, engineering and product development team, and sales and marketing organisation jointly collaborate to determine areas in which existing products may be enhanced to better serve customer needs or to discuss ideas for new products to address issues faced by customers. In addition, Somero utilises engineering and technical resources at Michigan Technological University and Keweenaw Research Center to supplement Somero's process of developing software, and designing and testing components.

The product development process has resulted in recent product innovations such as SiteShape, a software and hardware package introduced in 2005 to enable bulldozers and motor graders to grade contoured surfaces, the PowerRake, introduced in August 2005, and the HoseHog, a machine introduced in August 2006 to automate the movement of hoses in the concrete pouring process. In addition, recent product enhancements and upgrades to existing products have included the latest version of the CopperHead, which was launched in August 2005, the SubG head attachment, launched in January 2005, which enables the SXP Large Laser Screed to be used for fine-grading applications, and the 14.5-foot wide screed head attachment for the SXP Large Laser Screed, which was launched in 2005. Somero has several product concepts in development and expects to continue to introduce new products in both current and complementary markets.

Intellectual Property

Somero's intellectual property portfolio includes trademarks, trade secrets, patents and several unregistered copyrights. Somero's registered and common law trademarks and trade names are utilised in multiple product lines, including the term "Laser Screed", which is a registered trademark of Somero. Somero has been awarded 33 patents in the United States and other countries, covering various current and potential future products, and has 27 pending patent applications within the United States and internationally (including four recently approved applications awaiting issue dates and serial numbers). Although Somero's U.S. patent covering the original model of the Large Laser Screed expired in 2005, Somero believes that other issued patents, including those relating to the latest model of the Large Laser Screed, the SXP, provide a degree of protection against product imitation.

Manufacturing and Quality Assurance

The Company owns a 54,000 square foot production and assembly facility located in Michigan, USA, which serves as its only manufacturing location. Somero's manufacturing process is primarily a light assembly operation which Somero has designed to be flexible in meeting customer demand, while still maintaining lean manufacturing practices and cost control. Somero targets improvement goals in the assembly process with initiatives generated by employee suggestions, as well as through programs designed to identify potential improvements to specific elements of the assembly process (known as lean manufacturing events), and efforts to modify product designs to make products more cost-effective to assemble. Somero inspects and tests its finished products, either at its Michigan, USA facility or at the customer's site, to ensure and validate the equipment's quality and function.

Somero's raw material purchases are primarily finished components. Somero's major component purchases include electronic components, hydraulic components and fabricated steel components. Somero reviews its purchasing strategies in an effort to ensure a seamless and predictable supply chain with consistent delivery and lead times. Through supplier consolidation, Somero has reduced its supplier base to form relationships with a core group of key component suppliers. With one exception, Somero purchases raw materials from its key suppliers under purchase orders rather than under fixed-term supply contracts. As a result of the relationships formed with these key suppliers, notwithstanding the lack of fixed-term contracts, management believes that its suppliers can continue to supply Somero's necessary component parts for the foreseeable

future, on an as-required basis. Additionally, alternative sources are available if needed, although a resort to alternative suppliers for certain components is likely to have cost implications and adversely impact production cycles. Accordingly, while management believes that the selection of key component providers has resulted in increased consistency in terms of quality, reliability and cost, its dependence on these key suppliers, and lack of fixed-term supply contracts, increases risks to its operations in the event relationships with one or more of its key component providers is disrupted. See Part II, "Risk Factors – Risk Factors Associated with the Company's Business – Somero's manufacturing operations are dependent upon third-party suppliers, making Somero vulnerable to supply shortages, price increases and reductions in quality of component parts."

The Company considers product and process quality to be a top priority. Accordingly, Somero incorporates quality assurance on an on-going basis into its design, engineering and assembly processes. Somero's commitment to quality control involves employees at every level of Somero, from the management team to plant supervisors to shop-floor employees. Somero has maintained ISO 9001 and ISO 14001 quality control and environmental certifications since 2001.

Somero offers a one-year warranty for Large Laser Screed units that covers parts and labour, a warranty of up to one year for CopperHead, and a one-year warranty for PowerRake units. Somero's warranty program typically requires a customer filing a warranty claim to send the defective part back to Somero. The customer is billed for the component in the event that it is not returned to Somero in a timely fashion. This program enables Somero's engineers to carefully evaluate and identify any malfunctions with a particular product in an effort to further improve future Somero equipment.

Facilities

Somero operates two facilities in the U.S. The Company leases a corporate office located in New Hampshire, USA, and owns a 54,000 square foot production and assembly facility located in Michigan, USA. Somero also leases a sales and service office in Chesterfield, England.

Jaffrey, New Hampshire: The Company maintains its corporate headquarters and marketing, administrative and internal accounting functions in Jaffrey, New Hampshire (approximately 75 miles northwest of Boston, Massachusetts). The approximately 16,000 square foot building is being leased by the Company. The Company's current lease agreement expires in December 2006, at which time Somero is required to purchase the property for \$657,500. Somero will finance the purchase of the property from either existing cash reserves or the Financing Agreement. Annual rent under this lease is currently \$84,810.

Houghton, Michigan: The Company owns and operates a 54,000 square foot production and assembly facility in Houghton, Michigan. Management believes the plant's location represents a competitive advantage, as its location in the Upper Peninsula of Michigan provides access to an experienced manufacturing labour pool. Given that Somero's manufacturing facility is primarily a light assembly plant, Somero makes relatively limited investments in major capital equipment.

The facility currently uses one 8-hour operating shift. As a result, the facility's production output can be increased by utilising split and/or multiple shifts. In addition, when required, the facility has capacity expansion initiatives that can be implemented, such as transferring employees between job functions. Somero's cross-functional, comprehensive training approach enables this flexibility.

Chesterfield, England: Somero maintains office space in Chesterfield, England for 12 employees focused on sales, marketing and customer service functions for the European market. Somero pays £32,500 per year, quarterly in advance, under its lease for the Chesterfield facility, which expires in 2010.

Employees

As of 30 June 2006, Somero employed 113 individuals, of whom approximately 70 are based in Michigan, USA and are engaged primarily in design, assembly and engineering. Thirteen of Somero's employees are located in its Chesterfield, England sales and service office. Thirty of Somero's employees are direct sales representatives and field support personnel, of whom six are located outside of the U.S. Somero's entire workforce is non-unionised. Management is not aware of any attempts towards union organisation and believes that it has good labour relations with its employees.

Industry Background

The Company is a participant in the construction industry and, in particular, the concrete segment of the construction industry. Somero equipment is primarily used in non-residential construction projects.

According to McGraw-Hill Construction, non-residential building in the United States is expected to increase from \$177 billion in 2005 to \$200 billion in 2006 (measured in terms of total contract value of construction starts). According to an industry report published by IBISWorld Inc., the U.S. market for concrete contracting services in the commercial building sector is expected to grow at an average rate of 4.6% per year from 2005 through 2010. IBISWorld also projects that concrete will continue to increase its share as a building material in the overall construction process in the United States through 2010. Management believes this gain in market share is being driven by innovations in the quality of concrete, its cost effectiveness and the rise in general awareness of the benefits of concrete in the marketplace.

Management expects that these general trends in U.S. non-residential construction activity, the market for concrete contracting services, as well as concrete's increasing share as a construction material, will drive growth in the U.S. market for concrete placing, levelling and contouring equipment. In addition, management believes that two other key factors will drive growth in the market for concrete placing, levelling and contouring equipment:

- *More stringent requirements for quality and efficiency.* The demand for greater quality in terms of concrete flatness and time and cost efficiency by developers in countries throughout the world continues to impact concrete contractors. Advanced concrete placing equipment is increasingly required for concrete contractors to fulfil quality, time and cost budgeting requirements of developers. For instance, laser screeding equipment has been specified for use in large slab-on-grade construction projects by a variety of leading retailers and other companies, including Costco, Home Depot, B&Q, DaimlerChrysler, branches of Coca-Cola Bottling, the United States Postal Service and Toys 'R' Us.
- *Reduced availability of skilled labour and a desire for improved safety.* The Company's customers have indicated to it that they are increasingly facing skilled labour shortages. One reason for this shortage is that a growing number of young adults are choosing to become either office workers or skilled tradesmen, as they often perceive concrete construction jobs as undesirable due to their physical nature and low compensation. Contractors are often turning to Laser Screed® equipment to more easily manage their workforce and replace manual and skilled labour. The reduction in manual labour also provides contractors the benefit of improved employee safety.

In addition, although sales in the United States and Canada accounted for 74.9% of revenues during the six months ended 30 June 2006, the Company is focused on expanding sales internationally. Management believes that many of the trends discussed above will also lead to demand for the Company's products outside the United States.

Competition

Management is aware of only two privately-held companies, both European, that have manufactured and sold products that compete directly with the Large Laser Screed. Somero management believes that the first company, a Spanish company, has ceased to market this equipment. Somero is pursuing a legal action against this company in Spain for alleged patent infringement. The trial court has ruled against Somero, and this matter is currently on appeal. Based on information provided by customers and potential customers, management believes that the second company is still marketing and selling equipment that competes with the Large Laser Screed. Management is aware of few instances where this company has sold its products. Management is also aware of a new company that has announced its intention to introduce a laser-guided screeding machine shortly.

With respect to the CopperHead and PowerRake, Somero's principal competition consists of alternative methods, such as small hand-held vibratory screeds, which are sold primarily by small and mid-sized manufacturers of tools and equipment. The CopperHead also competes with a small, walk-behind laser-guided screeding machine produced by the Spanish company discussed in the preceding paragraph.

The Company also believes a significant percentage of construction contractors continue to use manual methods to spread and to level concrete.

Corporate Structure

The Company, formerly GTG Portfolio Holdings, Inc., was incorporated under the laws of the State of Delaware in 2002 as an acquisition subsidiary of Gores. The Company had no assets or operations until 10 August 2005, when it acquired the assets and liabilities relating to the Somero Business from affiliates of Dover and was renamed Somero Enterprises, Inc. The Company has two subsidiaries, Somero Enterprises Limited and Somero Enterprises SRL.

Senior Management

Somero's executive officers and other members of senior management, as well as their ages and years of experience with Somero as of 1 September 2006 are as follows:

Name	Title	Age	Years of Somero Experience
Mr. John T. (Jack) Cooney	President, Chief Executive Officer and Director	59	9
Mr. Michael F. Niemela	Chief Financial Officer, Secretary and Director	42	9
Mr. James Torvinen	Vice President, Manufacturing	59	8
Mr. Andrew Keen	Managing Director, Europe	45	6
Mr. Howard Hohmann	Vice President of Sales– Eastern U.S. and Latin America	45	9
Mr. Thomas Oury	Vice President of Sales – Western U.S. and Asia/Australia	47	9
Mr. Mark Pietila	Director of Engineering	41	8
Mr. Jim Desrochers	Director of Customer Support	39	8
Mr. Chad Rowe	Director of Human Resources	40	6
Mr. Russell Stein	Production Manager	42	5
Ms. Anne Cartier	Marketing Manager	49	7
Mr. Kevin Hawthorne	Product Development Manager	41	3

Mr. John T. (Jack) Cooney – President, Chief Executive Officer and Director

Mr. Cooney joined Somero in December 1997 and has served as its chief executive since that time. He has been a Director of the Company since 10 August 2005. Mr. Cooney has 31 years of experience in various senior management and sales and marketing positions. From 1995 to 1997, Mr. Cooney served as the chief executive officer of Advance Machine Company, a \$145 million industrial equipment manufacturer located in Minneapolis, Minnesota, USA. From 1990 to 1995, he was the vice president of sales and marketing, as well as the vice president of manufacturing, at Ganton Technologies, an aluminium die caster and precision machine business located in Wisconsin, USA. Mr. Cooney has an Associates degree in Industrial Engineering from Central New England College and a Master of Business Administration degree from College of St. Thomas.

Mr. Michael F. Niemela – Chief Financial Officer, Secretary and Director

Mr. Niemela joined Somero in 1997 as manager of information systems and led Somero's implementation of its current enterprise resource planning system and other information technology infrastructure. In 2000, he began managing Somero's accounting and information systems functions and was named treasurer and controller in 2001, and in 2006 was named Chief Financial Officer and Vice President of Finance. Mr. Niemela earned a Bachelor of Science degree in Business Management from Keene State College. Mr. Niemela will become Secretary of the Company and will join the Board shortly prior to Admission. Mr. Niemela is also a director of Somero Enterprises Limited and Somero Enterprises SRL.

Mr. James Torvinen – Vice President of Manufacturing

Mr. Torvinen joined Somero in June 1998 as vice president of engineering. In April 1999, he was appointed vice president of manufacturing, a position which includes responsibilities for engineering, customer support and manufacturing functions. Prior to joining Somero, Mr. Torvinen spent 32 years at Ford Motor Company in various management positions. Most recently, he was a material planning and logistics manager at Ford's Sterling Heights, Michigan USA facility. Mr. Torvinen holds his Bachelor degree in Business Administration from Northwood University.

Mr. Andrew Keen – Managing Director, Europe

Mr. Keen joined Somero in 2000 as European sales director, and was promoted to Managing Director in 2006. Prior to joining Somero, Mr. Keen served as the general manager of Fibercon U.K. Ltd., where he established the European Operations for a U.S. manufacturer of steel fibre reinforcement products. Mr. Keen has 17 years of direct sales experience in the construction industry. Mr. Keen holds a Higher National Certificate in Chemical Engineering from South Bank University. He has recently received a Professional Diploma in Management with The Open University. Mr. Keen also serves as a director of Somero Enterprises Limited.

Mr. Howard Hohmann – Vice President of Sales – Eastern U.S. and Latin America

Mr. Hohmann joined Somero in December 1997 with primary responsibilities focused on sales and marketing for the Large Laser Screed® product line. He transitioned into sales management in 1999, where he has worked since that time. Mr. Hohmann has over 18 years of experience in the concrete industry.

Mr. Thomas Oury – Vice President of Sales– Western U.S. and Asia/Australia

Mr. Oury joined Somero in 1997 as a district sales manager before later taking on the roles of region sales manager in 1999 and director of CopperHead® distribution in 2003. In 2006, he was promoted to his current position as vice president of sales - Western U.S. and Asia/Australia. Mr. Oury has 25 years of concrete construction industry experience. From 1987 to 1997, Mr. Oury was the national sales manager for Rotec Industries, a leading manufacturer of mass concrete placing equipment for dams and other heavy civil projects. Mr. Oury holds a Bachelor of Science degree in Business from Indiana University and a Master of Business Administration degree from Keller Graduate School.

Mr. Mark Pietila – Director of Engineering

Mr. Pietila joined Somero in October 1998 as the project leader of engineering. In April 1999, he was appointed engineering manager, a position that includes responsibilities for supporting Somero's current product lines, as well as new product development. From 1988 to 1998, Mr. Pietila served as a product design engineer for interior trim components at Ford Motor Company in Michigan, USA. Mr. Pietila holds a Bachelor of Science degree in Mechanical Engineering from Michigan Technological University.

Mr. Jim Desrochers – Director of Customer Support

Mr. Desrochers joined Somero in November 1998 as an electrical engineer responsible for the launch of Somero's 3-D Profiler System™. In 2001, he became Somero's director of customer support. From 1989 to 1992, Mr. Desrochers worked for Caterpillar Inc. in Peoria, Illinois USA, developing measurement systems and from 1992 to 1998 he worked for Kimberly-Clark in Neenah, Wisconsin and Maumelle, Arkansas, performing machine design and installation of consumer products manufacturing equipment. Mr. Desrochers holds a Bachelor of Science degree in Electrical Engineering from Michigan Technological University.

Mr. Chad Rowe – Director of Human Resources

Mr. Rowe joined Somero in February 2000 primarily with responsibilities for human resources management, compensation and benefits and employee relations. Prior to joining Somero, he worked for Johnson Controls in Holland, Michigan. Mr. Rowe has over 12 years of leadership experience in the area of human relations and over 8 years of experience in human resource management within the manufacturing and professional environments. Mr. Rowe holds a Bachelor of Science degree in Criminal Justice with a minor in Business Administration from Northern Michigan University. He also has a Master of Public Administration degree from Grand Valley State University.

Mr. Russell Stein – Production Manager

Mr. Stein joined Somero in March 2001 as a product development engineer. He served as the lead project engineer for Somero's CopperHead® line that launched in mid-2002 and was responsible for the project throughout the entire development process. Mr. Stein became Somero's production manager in December 2004. Prior to joining Somero, he spent 14 years at TRW Vehicle Safety Systems in various engineering positions, most recently as an engineering supervisor. Mr. Stein holds a Bachelor of Science degree in Mechanical Engineering from Michigan Technological University.

Ms. Anne Cartier – Marketing Manager

Ms. Cartier joined Somero in 1999 and has over 25 years of marketing experience in both the high-technology and publishing industries. Prior to joining Somero, Ms. Cartier spent 8 years at Yankee Publishing, Inc. as the manager of advertising administration and the manager of the events marketing group. She holds a Bachelors Degree in Marketing from Southern New Hampshire University.

Mr. Kevin Hawthorne – Product Development Manager

Mr. Hawthorne joined Somero in 1999 as district sales manager for the mid-Atlantic region. In late 2001, Mr. Hawthorne left Somero to pursue entrepreneurial opportunities within the concrete industry. During that time he worked as a concrete equipment and floor consultant for United Rentals as well as Rental Service Corporation. In addition to managing his private concrete floor testing company, Mr. Hawthorne worked for Blastrac Surface Preparation as North American sales manager. Mr. Hawthorne rejoined Somero in 2005 as product development manager and is heavily involved in conception and market preparation for new equipment and technologies. He holds a Bachelors Degree in Organisational Communications from George Mason University as well as several ACI, ASTM and Canadian Standards testing certifications.

Directors

The Board at Admission will consist of six Directors, whose names, ages, and biographies are as follows:

Name	Title	Age
Mr. Stuart J. Doughty	Non-Executive Chairman of the Board	63
Mr. John T. (Jack) Cooney	President, Chief Executive Officer and Director	59
Mr. Michael F. Niemela	Chief Financial Officer, Secretary and Director	42
Mr. Thomas M. Anderson	Non-Executive Director	55
Mr. Ronald Maskalunas	Non-Executive Director	65
Mr. Ian R. Weingarten	Non-Executive Director	34

Mr. Stuart J. Doughty – Non-Executive Chairman of the Board

Mr. Doughty will become the Non-Executive Chairman of the Board of Somero prior to Admission. He will be a Class II Director, with a term of office expiring at the Company's 2008 annual meeting of shareholders. From 2001 to 2005, Mr. Doughty served as chief executive officer of Costain Group Plc. He has over 40 years experience in the construction industry, including positions as non-executive chairman of Alstec Group Limited, non-executive chairman of Beck & Pollitzer Limited, non-executive chairman of Kennedy Construction Group Limited, director of Hyder Consulting Group Limited, director of Alfred McAlpine Construction Limited, director of Tarmac Construction Limited and managing director of John Laing Construction Limited. Currently Mr. Doughty serves as senior non-executive director of Scott Wilson Group Plc, where he is chairman of the Remuneration Committee and a member of the Audit and Nominations Committees, and as senior non-executive director of Aigis Blast Protection Ltd. He holds a Bachelor of Science in Civil Engineering from Cardiff University.

Mr. John T. (Jack) Cooney – President, Chief Executive Officer and Director

Please see biographical information about Mr. Cooney under "Senior Management" in this Part I. Mr. Cooney will be a Class III Director, with a term of office expiring at the Company's 2009 annual meeting of shareholders.

Mr. Michael F. Niemela – Chief Financial Officer, Secretary and Director

Please see biographical information about Mr. Niemela under "Senior Management" in this Part I. Mr. Niemela will be a Class I Director, with a term of office expiring at the Company's 2007 annual meeting of shareholders.

Mr. Thomas M. Anderson – Non-Executive Director

Mr. Anderson will become a Director of Somero prior to Admission. He will be a Class II Director, with a term of office expiring at the Company's 2008 annual meeting of shareholders. Mr. Anderson recently retired after 30 years of service as president and chief executive officer of Schwing America, Inc. and became the president and managing partner of Schwing Bioset, Inc. Since 1989, he has served as the president and managing partner of Concrete Pump Repair. Mr. Anderson participated in compensation decisions for all three companies. He is also a partner in Engineered Chassis Systems, a specialty truck manufacturer. He spent 22 years on the board of directors of the American Concrete Pumping Association and 5 years as the president of the Concrete Pump Manufacturers Association.

Mr. Ronald Maskalunas – Non-Executive Director

Mr. Maskalunas will become a Director of Somero prior to Admission. He will be a Class I Director, with a term of office expiring at the Company's 2007 annual meeting of shareholders. For the past five years, Mr. Maskalunas has been a self-employed corporate consultant, focused on performing due diligence on corporate acquisitions, serving as an expert witness in litigation matters, performing forensic investigations and financial and operating reviews of companies, and assisting in the implementation of Sarbanes-Oxley controls and procedures for a company listed on the New York Stock Exchange. Mr. Maskalunas retired in 2001 after serving as a partner at PricewaterhouseCoopers LLP for 24 years. Mr. Maskalunas earned a Bachelor of Science degree from Purdue University and a Master of Business Administration from University of Chicago. He is also a Certified Public Accountant.

Mr. Ian R. Weingarten – Non-Executive Director

Mr. Weingarten became a director of the Selling Shareholder and Somero Enterprises, Inc. in August 2005. He will be a Class III Director, with a term of office expiring at the Company's 2009 annual meeting of shareholders. Mr. Weingarten is currently a managing director of The Gores Group, which is the investment

manager of Gores Capital Partners, L.P. and its affiliated partnerships. Prior to joining Gores in 2002, Mr. Weingarten was a director at UBS Warburg. Prior thereto, Mr. Weingarten had been an investment professional at Apollo Management, L.P. as well as a private investment firm investing capital for two high net worth families. Mr. Weingarten had previously been a member of the mergers and acquisitions group within the investment banking division at Goldman Sachs & Co. Mr. Weingarten graduated summa cum laude from The Wharton School of the University of Pennsylvania, with a Bachelor of Science in Economics and a dual concentration in Finance and Entrepreneurial Management. Mr. Weingarten is also a director of SER Holdings, Inc., which is the ultimate parent company of SER Solutions, Inc., a contact centre management solutions business owned by Gores, and certain of its subsidiaries. He is also a member of the board of governors at Cedars-Sinai Medical Center in Los Angeles.

Interests of Directors, Executive Officers and Others

For information regarding interests of Somero's Directors, executive officers and owners of 5% or more of the Company's outstanding common stock, please refer to paragraph 10 of Part VII.

Compensation of Directors and Executive Officers

For information regarding compensation of Somero's Directors and executive officers, please refer to paragraphs 11 and 12 of Part VII.

Corporate Governance

The Directors intend to take account of the requirements of the Combined Code to the extent they consider it appropriate having regard to the Company's size, stage of development and resources, and the fact that it is incorporated in the United States rather than the United Kingdom. Since the Company is not currently subject to the rules and regulations of one of the national securities exchanges or national securities associations such as the New York Stock Exchange, the American Stock Exchange or NASDAQ, the Company is not required to comply with the corporate governance requirements imposed by these organisations pursuant to regulations issued by the SEC under the Sarbanes-Oxley Act of 2002.

Upon Admission, the Board will consist of six members, four of whom will be non-executive Directors. The Board considers that the non-executive Chairman of the Board, Mr. Doughty, as well as Messrs. Anderson and Maskalunas, who have been appointed as non-executive Directors, are each independent in character and judgment and accordingly considers each of them to be an independent director for the purposes of the Combined Code.

The Company will hold regular Board meetings, which are anticipated to occur not less than quarterly. The Directors will be responsible for formulating, reviewing and approving Somero's strategy, budget and major items of capital expenditure. The Directors have established an audit committee and a remuneration committee with formally delegated rules and responsibilities. Each of these committees will meet regularly, and at least twice each year.

On Admission, the audit committee will be comprised of Messrs. Maskalunas, Weingarten and Doughty, and will be chaired by Mr. Maskalunas. The audit committee will determine and examine any matters relating to the financial affairs of the Company, including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. In addition, it will ensure that the financial performance, position and prospects of the Company are properly monitored and reported on. The audit committee will have unrestricted access to the Company's auditors.

On Admission, the remuneration committee will be comprised of Messrs. Anderson, Maskalunas and Doughty, and will be chaired by Mr. Anderson. The remuneration committee will review the scale and structure of the executive Directors' remuneration and benefits packages, including share options and the terms of their service contracts, with due regard to the interests of Shareholders. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees. The remuneration, terms and conditions of appointment of the non-executive Directors will be determined by the Directors.

The Company has adopted a code for Directors' and applicable employees' share dealings. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by Somero's applicable employees.

Relationship with Gores

The Company is currently a wholly-owned subsidiary of the Selling Shareholder, which is approximately 99%-owned by affiliates of Gores, the balance of which is owned by Messrs. Cooney and Niemela. Gores acquired the assets and liabilities constituting the Somero Business on 10 August 2005 pursuant to an Asset and Share Purchase Agreement with various affiliates of Dover. The Asset and Share Purchase Agreement is described in more detail in paragraph 23.1.4 of Part VII of this document. Immediately following consummation of the Asset and Share Purchase Agreement, the Selling Shareholder loaned the Company \$47 million, evidenced by an intercompany promissory note. Approximately \$30.3 million of this loan was repaid with proceeds from the term loans under the Financing Agreement. The remaining balance was then reclassified by the Company as additional paid-in capital. As of 30 June 2006, the Company had payables due to the Selling Shareholders of approximately \$710,000, relating to interest on the original acquisition financing and working capital advances not yet repaid. The Selling Shareholder is currently a guarantor of the Company's outstanding indebtedness to Fortress under the Financing Agreement, but will no longer be a guarantor effective from Admission. The Financing Agreement is described in paragraph 23.1.1 of Part VII of this document. The Company intends to repay the approximately \$710,000 owed to the Selling Shareholder on or before 31 December 2006. In addition, the Board has declared a dividend of \$1.79 million, which will be paid two business days following Admission to the Selling Shareholder, and which the Directors understand is intended to be used, in part, to pay for a portion of the expenses incurred by the Selling Shareholder and the Company in connection with the Placing. Purchasers of Common Shares in the Placing will not share in this dividend.

Since the acquisition of the Somero Business by affiliates of Gores in August 2005, Ian R. Weingarten has been a Director appointed by Gores. Mr. Weingarten is currently a Managing Director of The Gores Group, which is the investment manager of Gores Capital Partners, L.P. and its affiliated partnerships. It is anticipated that Mr. Weingarten will continue as a Director of the Company immediately following Admission, and will serve on the Company's audit committee.

Upon completing the Somero Acquisition in August 2005, Gores entered into a management agreement with the Company. This agreement is described in paragraph 13 of Part VII of this document. Gores has agreed with the Company that the management agreement will be terminated on the date of Admission. Following Admission, the Company expects that, for a transitional period, it may rely on Gores to provide certain services. Any such services will be negotiated by the Company on an arms-length basis, and will be approved by disinterested Directors.

Immediately following Admission, the Selling Shareholder will own 12,872,130 Common Shares, representing 37.5% of the Company's outstanding Common Shares. Gores has agreed that it will reimburse Somero for up to \$1.7 million of expenses incurred by Somero in connection with the Placing.

Effects of a U.S. Domicile

The Company is a U.S. company incorporated in the State of Delaware. There are a number of differences between the corporate structure of the Company and that of a public limited company incorporated in England and Wales under the Act. While the Directors consider that it is appropriate to retain the majority of the usual features of a U.S. corporation, they intend to take certain actions, whenever practicable, to meet certain U.K. standard practices. Set out below is a description of the principal differences and, where appropriate, the actions the Board intends to take.

Pre-emptive Rights

Shareholders do not have pre-emption rights under Delaware law over further issues of shares of the Company, except to the extent that such right is expressly granted to such stockholder in the certificate of incorporation, and the Company shall have no obligation to provide any pre-emptive rights to its shareholders. Where circumstances permit, the Directors intend to consult with Jefferies International (for so long as it remains nominated adviser to the Company) each time the Company proposes to offer new shares of the Company for cash as to whether its shareholders should be provided with the opportunity to participate in such offering. The Company cannot, however, give shareholders any assurance that a right to participate will be given in any particular circumstance.

Takeover Code and Takeover Activity

The Company is not subject to the U.K. City Code on Takeovers and Mergers (the “Code”) and certain provisions contained in the Company’s certificate of incorporation and bylaws may make a hostile takeover of the Company more difficult to achieve. For example, the Company may issue Common Shares or shares of preferred stock (to the extent of the relevant number of unissued authorised shares available for issuance) without any further action by shareholders. Generally under Delaware law, a court will defer to the “business judgment” of the directors in their response to a proposed merger transaction, and presume that the board of directors’ decision was made on an informed basis, in good faith and in the honest belief that the action taken was in the best interest of the company concerned. Judicial review of directors’ actions may be heightened in certain circumstances including defending against alleged threats to corporate control or policy or engaging in a sale of control. The unilateral adoption by the board of directors of a defensive mechanism in response to an alleged threat to corporate control or policy shifts the burden to the directors to prove that they had reasonable grounds for believing that a danger to corporate policy and effectiveness existed and that the defensive measure chosen was reasonable in relation to the threat posed. Transactions involving a sale of control require the board of directors to obtain the highest value reasonably available for its stockholders. A stockholder, including a controlling stockholder, has no duty to sell shares, even though the board may determine that a sale is in the best interests of the company. In some cases, a controlling shareholder may be able to obtain a control premium in his sale of a controlling interest. The fact that the Selling Shareholder will retain a large interest in the Company following Admission will make it difficult, if not impossible, to take over the Company if the Selling Shareholder does not want to sell.

Some provisions of Delaware law and the Company’s certificate of incorporation and bylaws could make the following more difficult: (a) acquisition of the Company by means of a tender offer, (b) acquisition of the Company by means of a proxy contest or otherwise, or (c) removal of the Company’s incumbent officers and directors. These provisions, summarised below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions also are designed to encourage persons seeking to acquire control of the Company to negotiate first with the Board. The Company’s certificate of incorporation elects to exempt the Company from Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date such person became an interested stockholder, unless the business combination or the transaction in which such person became an interested stockholder is approved in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person that, together with affiliates and associates, own, or within three years prior to the determination of interested stockholder status did own, 15% or more of a company’s voting stock.

The U.S. federal securities laws also regulate certain types of takeover activity. In particular, the Williams Act regulates tender offers (although many of the provisions of the Williams Act would not apply to the Company until it has a class of shares registered under the U.S. Exchange Act). The Williams Act is directed at providing all concerned with notice that an attempt by an outside bidder to gain control of a company is imminent and provide shareholders with an opportunity to make an informed decision in that regard. Whether a formal tender offer has been commenced or not, certain provisions of the Williams Act require a person or a group of persons in the process of acquiring a substantial block of equity securities in a company to notify the SEC and the target company that they have made such acquisitions, and to disclose, among other things, their intentions to control the target company. Under these provisions, one person (or a group) acquiring outstanding shares of a class of equity securities registered under the U.S. Exchange Act who thereby becomes the owner of 5% or more of the outstanding shares of a class of equity securities registered under the U.S. Exchange Act, must file a schedule giving details of this acquisition (Schedule 13D) with the SEC and transmit a copy to the target company within 10 days of triggering the purchase.

In general, prior to commencement of a tender offer subject to Section 14(d) of the U.S. Exchange Act, the bidder (tender offeror) must file a “Tender Offer Statement” with the SEC (Schedule TO) which must identify the bidder, set forth the source of the bidder’s funds, the bidder’s purpose (including future plans) in making the tender offer, and any securities of the target company previously acquired by the bidder, among other information. This information must also be disclosed to the target company’s shareholders. The rules permit a tender offer to be made without any prior announcement or notice.

The preceding discussion is qualified in its entirety by Section 14(d) of the U.S. Exchange Act and the rules and regulations promulgated thereunder which prescribe specific filing and disclosure requirements and exceptions and exemptions therefrom. Since the Company is not registered under Section 12 of the U.S.

Exchange Act, however, some aspects (including Section 14(d)) of the U.S. Exchange Act will not apply to the Company until it is so registered. This is a complex area of the law with numerous requirements and exclusions depending upon the nature of the tender offer and the facts and circumstances involved.

Additionally, U.S. federal anti-trust statutes known as the Hart-Scott-Rodino Antitrust Improvements Act of 1976 could be implicated, depending on the size of the tender offer transaction and nature of the parties involved.

Stockholder Votes on Certain Transactions

Generally, under the DGCL, unless a company's certificate of incorporation provides for the vote of a larger portion of the outstanding shares, completion of a merger or consolidation or sale of substantially all of a corporation's assets or dissolution only requires (1) the approval of the board of directors, and (2) approval by the vote of the holders of a majority of the outstanding shares of stock entitled to vote on that matter. The Company's amended and restated certificate of incorporation does not supersede these provisions of the DGCL. Subject to certain appraisal rights (summarised in the following paragraph), a holder of Common Shares would generally only be entitled to receive the same consideration made available to the other holders of Common Shares in the merger, sale or consolidation.

Under Section 262 of the DGCL, a holder of shares of a company that is the target in such merger, sale or consolidation and that does not wish to accept the consideration being offered may elect to have the "fair value" of their shares (exclusive of any element of value arising from the expectation or accomplishment of the merger, sale or consolidation) judicially determined and paid to the holder in cash, together with a fair rate of interest, if any, provided that they comply with the conditions established by Section 262.

The majority of outstanding shares approval threshold for a merger, sale or consolidation differs from companies incorporated in the United Kingdom. Under the Act, certain fundamental corporate changes, such as the passing of a resolution for winding up, non pro rata issuances of shares for cash, reductions of capital (subject to sanction by the court) and certain repurchases of shares must be authorised by a vote of not less than three-quarters of the shareholders entitled to vote, and who do vote, either in person or by proxy at a general meeting. The Act also provides for schemes of arrangement, which are arrangements or compromises between a company and (any class of) its stockholders or (any class of) its creditors and are used for certain types of reconstructions, amalgamations, capital reorganisations or takeovers. The Act requires the approval at a court-convened general meeting of the company of a majority in number of the shareholders representing three-quarters in value of the capital or class of creditors or shareholders or class of shareholders present and voting, either in person or by proxy, and the sanction of the court. Once so approved and sanctioned, all creditors and shareholders (of the relevant class) are bound by the terms of the scheme. A dissenting shareholder in the Company would have no comparable rights to the dissenter's rights described above.

Squeeze-Out Rules

Section 253 of the DGCL outlines the procedures by which a controlling stockholder or parent corporation that has obtained 90% or more of the Company's shares, may consummate a short-form merger to squeeze-out the remaining shareholders. Generally, Section 253 allows for a short-form merger between a parent and a subsidiary, whereby a parent corporation that owns at least 90% of the outstanding shares of each class of a subsidiary corporation's stock may merge the subsidiary corporation into itself, or, alternatively, may merge both itself and the subsidiary corporation into a third corporation. A short-form merger is effected unilaterally by a board resolution of the parent company. A shareholder would be entitled to certain appraisal rights under Section 262 (as discussed above) in connection with the squeeze-out merger if the merger consideration were considered by such shareholder to be below fair value, however no resolution of the Company's board of directors or approval of the Company's stockholders would be required to effect the squeeze-out merger.

Limitation of Director Liability

The Organisational Documents provide that the Company will indemnify its directors and its officers to the fullest extent permitted by the DGCL. Section 145 of the DGCL provides that the extent to which a corporation may indemnify its Directors and officers depends on the nature of the action giving rise to the indemnification right. In actions not on behalf of the corporation, directors and officers may be indemnified for acts taken in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation. In actions on behalf of the corporation, directors and officers may be

indemnified for acts taken in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation, except for acts as to which the director or officer is adjudged liable to the corporation, unless the relevant court determines that indemnification is appropriate despite such liability. Section 145 also permits a corporation to (i) reimburse present or former directors or officers for their defence expenses to the extent they are successful on the merits or otherwise and (ii) advance defence expenses upon receipt of an undertaking to repay the corporation if it is determined that payment of such expenses is unwarranted.

In addition to the indemnification rights described above, the Organisational Documents eliminate any monetary liability of directors to the Company or its Shareholders for breaches of fiduciary duty as a director except to the extent DGCL prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty and the Directors have entered into contractual indemnification arrangements with the Company which provide for indemnification of the Directors to the maximum extent currently permissible under DGCL.

Additional Corporate Matters

The Organisational Documents provide that (i) in order for a shareholders' meeting to be quorate, the holders of one-third in voting power of all issued Shares entitled to vote at the meeting must be present in person or represented by proxy; (ii) shareholders may not take any action by written consent; (iii) special meetings of Shareholders may be called only by the Chairman of the Board, the Chief Executive Officer with the concurrence of a majority of the Board, or by a majority of the Board by resolution; (iv) the affirmative vote of the holders of at least two-thirds of the votes entitled to be cast in any annual election of directors shall be required to amend any provisions of the Organisational Documents; (v) the Board is classified into three classes with staggered terms; and (vi) members of the Board or the entire Board may be removed from office at any time, but only for cause and only by affirmative vote of at least a majority of the voting power of the outstanding shares of capital stock of the Company entitled to vote. The Organisational Documents do not provide for cumulative voting in the selection of directors.

Legal and Environmental

Somero is not currently a defendant in any legal proceedings, nor is management aware of any pending or anticipated claims which would, if decided adversely, result in material liabilities or have a material impact on Somero's operations or financial condition. Somero is pursuing a legal action in Spain against the Spanish company referenced above under "Competition," which it alleges to have infringed its patents relating to the Large Laser Screed. The trial court in this action has ruled against Somero, and the matter is currently on appeal.

Somero implements procedures and practices designed to maintain its operations in material compliance with applicable environmental regulations.

PART II RISK FACTORS

An investment in the Common Shares involves a high degree of risk. Accordingly, before investing in Common Shares, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document. The following risks could materially adversely affect Somero's business, financial condition, assets, liabilities, capital resources and results or operations. The risks set out below may not be exhaustive, and additional factors and uncertainties not currently known to the Company or the Directors, or that the Company and the Directors currently consider immaterial, could also have an adverse effect on the business, financial condition, assets, liabilities, capital resources and results of operations of Somero. Accordingly, there is risk that the price of the Common Shares could decline and investors may lose part or all of the value of their investment.

Prospective investors should review this document carefully and in its entirety and consult with their professional advisers before making an investment in the Common Shares. No assurance can be given that investors will realise a profit or will avoid a loss on their investment in the Common Shares.

RISK FACTORS ASSOCIATED WITH THE COMPANY'S BUSINESS

Somero's operating results are dependent on general economic conditions and the state of the concrete construction industry, particularly in the United States

Historically, sales of Somero's products have been directly dependent on general economic conditions, and particularly the state of the concrete construction industry. In the future, downturns in the general economy, or the concrete construction industry in particular, are likely to adversely affect Somero and could result in a material decrease in Somero's sales, operating profit and cash flow. The following factors, among others, could cause a downturn in the overall concrete construction industry:

- decreased demand for commercial or residential buildings;
- a decrease in the availability of funds for construction;
- rising interest rates;
- rising gas and oil prices;
- labour disputes in the concrete construction industry causing work stoppages;
- rising steel prices;
- electricity, fuel and building materials shortages;
- abnormal weather patterns; and
- a decrease in governmental spending and appropriations, including infrastructure, security and defence outlays.

Despite the Company's increasing international sales, Somero remains heavily dependent on its U.S. sales. In 2003, 2004, 2005, and the first six months of 2006, 85.2%, 65.7%, 69.5% and 67.5%, respectively, of Somero's net sales were attributable to products sold inside the United States. As a result, economic conditions in the United States and the condition of the U.S. concrete construction industry are critical to Somero's success.

Based on Somero's past experience, downward economic cycles in the concrete construction industry, as well as general economic downturns, are likely to result in reductions in sales of Somero's products and trigger a need for price reductions on Somero's products, both of which would likely reduce sales, operating profits and cash flow. Adverse economic conditions may cause customers to forego or postpone new purchases in favour of repairing existing machinery. Furthermore, an economic recession may not only reduce demand for Somero's products, but also impact companies with significant indebtedness, such as Somero, more than competing companies with less leverage. As a result of these cyclical variations, Somero's operating results may vary significantly from reporting period to reporting period.

Somero's sale of equipment, replacement parts and accessories to existing customers may fall short of expectations

A principal component of Somero's growth strategy is, and Somero's future success is dependent on, sales of equipment, replacement parts and accessories to existing customers, as older products reach the end of their expected life cycles. Somero's products may last longer or require fewer replacement parts than

expected, and customer demand for accessories may fall short of the Company's expectations. Furthermore, as older Somero products reach the end of their expected lifecycles, customers may decide not to replace them, or may replace them with competitive products. If Somero's products have longer lifecycles than anticipated or require less maintenance, or if customers decide not to replace Somero equipment with new Somero products, then Somero's sales, operating profit and cash flow would be negatively impacted.

Somero may not be able to hire new or retain existing senior executives or other key employees, which could affect its long-term success

Somero's future success is substantially dependent upon its senior executives and other key employees, including sales personnel and highly skilled technical personnel. In particular, the Company's reporting accountants have indicated a need for resources for the preparation of financial statements, including the need for a financial controller with appropriate skills to manage the company's financial reporting. Experienced executives, qualified accounting staff, and individuals who have the skills and can perform the services that Somero needs to manufacture and sell its products, may be in great demand and/or short supply. In addition, future developments (such as downturns in the concrete construction industry, increased competition or growth) may impose significant additional responsibilities on members of Somero's senior management, which may impact their ability to use their skills and perform the services at levels that Somero needs. Somero may not be able to hire new executives, accounting staff and skilled employees, if needed, or retain existing executives and other employees. Somero has retained a search firm to locate a suitable financial controller for the Company. If Somero is unsuccessful in these efforts, it may not be able to satisfy its obligations under the AIM rules regarding financial reporting. In addition, the loss of any member of Somero's senior management could harm or delay the plans of the business. Although Somero has entered into employment agreements with certain of its executive officers, these agreements cannot assure Somero of the continued services of such individuals. Furthermore, Somero does not maintain key person life insurance for any of its employees, and has not engaged in succession planning for any of its key employees. Somero's inability to hire executives and skilled employees, or the loss of the services of senior executives or a substantial group of other key employees, would likely have a material adverse effect on Somero's business, operating results and financial condition.

Somero may pursue acquisitions of other businesses, which may present difficulties or may not succeed

One element of Somero's strategy is to identify and acquire businesses that have complementary products and services. Somero may finance such future acquisitions from internally generated funds, bank borrowings, public or private securities offerings, or some combination of these methods. In addition, the Company may issue debt or equity securities as some or all of the consideration for such acquisitions. Somero may not be able to raise the capital necessary to complete future acquisitions. In addition, Somero may not be able to find suitable businesses to purchase or may be unable to acquire desired businesses or assets on economically acceptable terms. In the event Somero is unable to complete future strategic acquisitions, Somero may not fulfil its objectives for growth. Furthermore, if Somero issues equity securities as consideration, shareholders of the Company may suffer a dilution in earnings per share, which may also adversely affect the price of Common Shares.

In addition, Somero has limited experience in acquiring or investing in other businesses, and as a result may not be successful in completing, financing, or integrating an acquired business into its existing operations. The acquisition of businesses poses numerous additional risks, such as:

- unanticipated costs associated with the acquisition or investment;
- diversion of management time and resources;
- problems in assimilating and integrating the new business operations;
- potential loss of key customers or personnel of an acquired company;
- increased legal and compliance costs; and
- unanticipated liabilities of an acquired company.

Further, although an acquired company may have already developed and marketed products, these products may not be as successful as initially expected, anticipated product enhancements may not be developed as expected (or at all), and pre-acquisition due diligence may not have identified all possible issues that might arise with respect to the acquired company or its products.

Somero increasingly sells its products and purchases components outside the United States, which presents additional risks

For the year ended 31 December 2005, approximately 30.5% of Somero's net sales were attributable to products sold outside the United States, and expanding international sales remains a principal component of its growth strategy. In particular, Somero is focused on introducing or expanding sales in emerging markets located in Europe, the Middle East and Asia. Somero maintains direct sales representatives in the United Kingdom and Italy, and relationships with external sales representatives in countries outside the United States. In addition, Somero routinely purchases component parts outside the United States. As a result, Somero is subject to the financial and operating risks of conducting business internationally, including:

- laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes and changes in these laws;
- fluctuating exchange rates;
- potential labour unrest;
- differing, and in many cases more stringent, labour regulations;
- difficulties in staffing and managing international sales operations;
- dependence on sales agents outside the United States;
- trade barriers, including import and export restrictions, tariffs, customs, export duties and quotas;
- differing degrees of protection for intellectual property;
- regional economic uncertainty and political instability; and
- potential hostilities and changes in diplomatic and trade relationships.

Implementation of Somero's strategy of increasing international sales will likely increase the impact of the risks described above. Certain of these risks are particularly salient in emerging markets located in Eastern Europe, the Middle East and Asia where economic and political systems have historically been relatively unstable, and where Somero is currently focusing its growth efforts.

Somero is subject to currency fluctuations from international sales

Somero's products are sold in the local currencies in many countries around the world. Thus, a portion of Somero's revenues is generated in foreign currencies, including principally the Pound Sterling and the Euro, while costs incurred to manufacture the products that generate those revenues are primarily incurred in U.S. Dollars. As a result, the amount of cash flow Somero receives in U.S. Dollars from its international sales could decrease in the event the U.S. Dollar strengthens, while the cost of component parts purchased in the U.S. remains unchanged. Conversely, Somero routinely purchases certain of its component parts outside the U.S., at prices listed in the local currencies, while the vast majority of Somero's sales are in the U.S. As a result, fluctuating exchange rates could cause the applicable U.S. Dollar cost of components purchased outside the U.S. to increase, and the Company may not be able to pass that increased cost on to its U.S. customers by raising its prices. Furthermore, Somero's financial statements are denominated in U.S. Dollars, and therefore changes in currency exchange rates between the U.S. Dollar and other currencies have had, and will continue to have, an impact on the Company's reported earnings. Somero currently does not engage in hedging transactions that would mitigate losses from currency fluctuation. As a result, currency fluctuations may adversely impact Somero's financial performance in the future, and could affect comparability of Somero's results of operations and cash flows from period to period.

The long and variable sales cycles for Somero's products may cause revenues and operating results to vary from one period to the next, which could cause volatility in the price of Common Shares

The amount of revenue that Somero will recognise in any period is difficult to predict because of the length of its product sales cycles. Somero does not recognise revenue until a product has been shipped to a customer and the customer assumes the risk of loss and collection is considered probable. Given the cost of purchasing a Somero product, particularly a Large Laser Screeed, management believes many customers view the purchase of Somero's products as a significant and strategic decision. As a result, management believes customers typically expend significant time and effort in evaluating and testing Somero products, and considering whether a Somero product will generate sufficient cost-reductions over the long term to justify the initial capital outlay. This customer evaluation process frequently results in a lengthy initial sales cycle of often several months or more. While Somero's customers are evaluating the Company's products and before they place an order, Somero may incur substantial sales and marketing efforts. Somero may also order long lead-time components or materials prior to receiving an order. Even after this evaluation

process, a potential customer may not purchase Somero's products. As a result, these long and variable sales cycles may cause Somero's net sales and operating results to vary significantly and unexpectedly from period to period, which could cause volatility in the price of Common Shares.

Somero operates in the concrete construction equipment industry, which is highly competitive

Somero sells its products in the highly competitive concrete construction equipment industry. Somero competes in this industry based on product design, quality, price, overall return on investment to customers, customer training, customer support, product performance and maintenance costs. Although the Company believes that relatively few companies currently produce laser-guided concrete levelling equipment that compete directly with Somero's Large Laser Screed, other companies in the concrete construction equipment industry may introduce new products in the future that compete directly with Somero. In addition, Somero competes with alternate methods of concrete levelling and placing, such as hand-held vibrating screeds and other manual methods. Some of Somero's current and future competitors may have greater financial, marketing, manufacturing and distribution resources than Somero does. Somero's products may not continue to compete successfully with those of current and future competitors (or with alternative methods of levelling and placing concrete), and Somero may not be able to retain its customer base or improve or maintain its profit margins on sales to its customers.

If Somero fails to develop new and innovative products, or if customers do not accept them, Somero's brand reputation, operating results and financial condition could be negatively affected

A key area of Somero's growth strategy is the development and introduction of new and innovative products and enhancements to existing products on an on-going basis to meet customer needs. Somero regularly makes substantial expenditures in order to introduce new products or to enter new markets, including research and development costs. These expenditures may fail to result in products accepted by the market. In such an event, Somero will have incurred increased expenses without the benefit of any or sufficient increased sales in light of such expenses. Furthermore, Somero's competitors may develop innovative products more quickly than Somero does. Failure to develop successful new products may cause potential and existing customers to choose to purchase competitive products, rather than purchase new products manufactured by Somero. Any failure to develop new products that meet customers' demand for quality and cost-reduction could harm Somero's brand reputation and negatively impact its operating results and financial condition. In addition, as Somero's patents expire in the ordinary course, it is important for the Company to obtain additional patent protection in the future to protect its market share from potential competitors. If Somero fails to develop new and innovative products or product improvements, this would limit Somero's ability to obtain additional patent protection in the future.

Somero is dependent on third-party dealers and sales representatives for a significant amount of its sales

In countries outside the United States and Canada, Somero relies on independent dealers and external sales representatives, in addition to its direct sales force, to market and to sell its products. Somero also utilises independent dealers within North America. Based on their assessment of market demand, independent dealers and external sales representatives could elect to de-emphasise sales efforts for Somero's product lines. Dealers carry inventories of equipment and adjust those inventories based on their assessments of future needs. Such adjustments can impact Somero's results either positively or negatively. Almost all of the dealers and external sales representatives with whom Somero transacts business offer alternative products to their customers. As a principal component of Somero's growth strategy is the expansion of international sales, the loss of a substantial number of its dealers and representatives or an increase in their sales of alternative products to Somero's potential customers would likely adversely impact Somero's ability to implement its strategy successfully.

Somero's manufacturing operations are dependent upon third-party suppliers, making Somero vulnerable to supply shortages, price increases and reductions in quality of component parts

Somero's manufacturing process is a light assembly operation, and as a result, its raw materials consist primarily of finished components, including electronic components, hydraulic components and fabricated steel components. Somero relies on third parties to supply these components and other supplies necessary for its operations. Through supplier consolidation, Somero has reduced its supplier base to form relationships with a core group of key component providers. While the Company believes it has favourable

working relationships with its suppliers, these relationships may not continue in the future. With one exception, Somero is not a party to fixed-term supply contracts for the supply of components of the equipment it assembles. Disruption or termination of supplier relationships would likely have a material adverse effect on Somero's assembly operations. Although the Company believes that alternative sources could be obtained, the inability to obtain sufficient quantities of the components or the need to develop alternative sources, if and as required in the future, is likely to result in delays or reductions in product shipments which in turn would adversely affect the timing or amount of sales. In particular, Somero's suppliers of lasers, laser-related components and hydraulic manifolds would be time-consuming to replace, and alternative suppliers may charge significantly higher prices and be unable to provide the same level of quality and reliability as existing suppliers. Furthermore, if the quality of component parts were to decrease, and Somero were unable to locate replacement suppliers of a satisfactory quality, then the quality of Somero's end product would be negatively impacted. Any reduction in quality could result in an increase in warranty claims and product liability claims, and a decrease in Somero's brand reputation and sales. If Somero's suppliers increase their prices, and Somero is unable to pass those price increases on to its customers, Somero's profit margins will be negatively impacted.

Somero may face product liability claims, which could result in losses in excess of insurance coverage or in an inability to obtain adequate insurance coverage in the future

Somero's business exposes it to claims for personal injury, death and property damage resulting from the use of equipment that it manufactures and sells. As a result, Somero may be subject to significant claims for product liability and may have difficulty in obtaining product liability insurance or may be forced to pay high premiums. Somero currently has product liability insurance, but existing or future claims may exceed the amount of Somero's insurance coverage. In addition, adequate insurance may not continue to be available to Somero on economically reasonable terms.

Increased or unexpected product warranty claims could adversely affect Somero

Somero provides customers with warranties that typically cover parts and labour on its products. These warranties generally provide that products will be free from defects for periods ranging from 3 to 12 months, and longer periods to the extent covered by warranties provided by component part manufacturers. If a product fails to comply with the warranty, Somero would be obliged, at its expense, to correct any defect by repairing or replacing the defective product. Although Somero maintains warranty reserves in an amount based primarily on the number of units shipped and on historical and anticipated warranty claims, future warranty claims may not follow historical patterns, and Somero may be unable to anticipate accurately the level of future warranty claims. An increase in the rate or amount of warranty claims or the occurrence of unexpected warranty claims would likely increase Somero's costs and negatively impact its brand reputation, sales, operating profit and cash flow.

Many of Somero's customers rely on third-party financing to purchase Somero products, which may become unavailable or may cause Somero to incur expenses assisting customers in securing third-party financing

A portion of Somero's sales is financed by third-party finance companies on behalf of Somero's customers. The availability of financing by third parties is affected by general economic conditions, the creditworthiness of customers and the estimated residual value of Somero's equipment. Changes in the credit requirements of finance companies, deterioration in the credit quality of Somero's customers or an increase in interest rates, among other factors, could negatively impact customers' ability to obtain the resources needed to make purchases of Somero's products or their ability to obtain third-party financing. An inability of Somero's customers to access third-party financing would likely cause some potential customers to determine not to purchase Somero's products, which would adversely impact Somero's sales, potentially materially.

Somero has in the past provided buyback commitments to the third-party financial institutions providing financing to Somero's customers. Currently, Somero only has buyback commitments outstanding with respect to two pieces of equipment. However, Somero may consider providing future buyback commitments and other support to its customers in obtaining financing, which would result in contingent liabilities for Somero. If Somero is required to buy back equipment or incur other costs as a result of customer defaults, Somero's operating results and financial condition would likely be negatively impacted.

Somero's ability to protect its intellectual property rights is important to its success

Somero holds 33 issued patents and has filed 27 pending patent applications covering technology related to its products. Somero also utilises several trade names and holds a number of registered trademarks in

the United States and in other countries. Somero's patents and trademarks are important to the operation of its business. Somero also relies on trade secrets and proprietary know-how that Somero protects in part by confidentiality agreements with its employees and consultants. Although the Company intends to protect its intellectual property rights vigorously, it may not be successful in doing so. As with all patents, Somero's patents expire in the ordinary course after 20 years. Its original U.S. patent covering the Large Laser Screed expired in September 2005, and certain other patents are scheduled to expire in the near future. Although the Company has issued and pending patents that cover newer versions of, and subcomponents and technologies used in, its products, there can be no assurance that it will be able to continue to protect its intellectual property adequately in the future as patents expire. Somero's employees or consultants may breach the terms of their confidentiality agreements with Somero and Somero may not have adequate remedies for breach of these agreements. Effective trademark, service mark, patent and trade secret protection may not be available in every country in which Somero's products and services are offered. This is particularly true in certain emerging markets, such as China, where protection for intellectual property rights remains relatively low, and where Somero is focusing its sales growth efforts. One or more of Somero's pending patent applications may not result in the issuance of a patent. Third parties may also assert or prosecute infringement claims against Somero, which Somero may or may not be able to defend successfully against. Litigation, either to enforce intellectual property rights or to defend against claimed infringement of the rights of others, could result in substantial costs and a diversion of Somero's resources. In addition, if a third party were to prevail in an infringement claim against Somero, then Somero would likely need to obtain a licence from the third party in order to continue to manufacture and sell the particular product that relied on the infringed intellectual property, which may not be available or may be cost-prohibitive. If a licence is not obtained, or the third party is able to obtain injunctive relief prohibiting the manufacture or sale of the allegedly infringing products, this would severely restrict Somero's ability to conduct its business and negatively impact its sales, operating profit and cash flows.

Governmental regulations, including environmental regulations, may result in increases in Somero's operating costs, capital expenditures and liabilities and decreases in earnings

A wide range of federal, state and local laws, ordinances and regulations in the United States and elsewhere apply to Somero's operations, including health, safety and environmental regulations. Environmental laws and regulations that impact Somero's operations include those relating to air emissions, wastewater discharges, the handling and disposal of solid and hazardous materials and wastes and the remediation of contamination. In many instances, Somero must have various certificates, permits or licences in order to conduct its business. Failure to comply with health, safety and environmental regulations, including failure to maintain required certificates, permits or licences could result in substantial fines, penalties or possible revocation of authority to conduct some of Somero's operations. Somero has in the past and will likely continue to incur capital costs, legal costs and other expenditures relating to its health, safety and environmental compliance efforts. These laws and regulations are complex and subject to frequent change. It is impossible to predict accurately the effect they may have upon Somero's financial condition, results of operations or cash flows. Certain of these regulations impose strict liability without regard to negligence or fault and expose Somero to liability for the conduct of or conditions caused by others, or for Somero's acts that complied with all applicable requirements when it performed them. Because Somero operates a manufacturing facility, it has in the past discharged regulated substances to the environment, and continues to do so. In addition, previous occupants of Somero's Jaffrey, New Hampshire facility engaged in activities that may have involved the discharge of regulated substances to the environment. To the extent that any of Somero's previous or ongoing discharges (or discharges by previous occupants of its facilities) have resulted in violations of applicable laws or regulations, Somero may be subject to fines, penalties and cleanup costs. Compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements, the future discovery of health, safety and environmental conditions and other unanticipated events may require Somero to make significant unanticipated expenditures. In addition, although the Company intends to conduct appropriate investigations with respect to health, safety and environmental matters in connection with future acquisitions, and with respect to its purchase of the Jaffrey, New Hampshire facility at the end of its lease at the end of 2006, Somero may fail to identify or obtain indemnification for all potential health, safety and environmental liabilities of any acquired business or the Jaffrey, New Hampshire facility.

Because a key component of Somero's strategy involves expanding its operations and sales internationally, Somero will become increasingly subject to the legal and regulatory regimes of countries other than the United States. Somero may incur significant costs in complying with the laws and regulations of these additional countries, and may be unsuccessful in its compliance efforts.

Somero has incurred significant indebtedness and its financing agreement imposes operating and financial restrictions

Somero has incurred significant indebtedness, and substantially all of its assets are subject to liens to secure outstanding debt. Somero will require substantial amounts of cash to fund scheduled payments of principal and interest on its indebtedness, future capital expenditures, and any increased working capital requirements. Somero's ability to make scheduled payments on its debt obligations will depend upon its future operating performance and, if Somero does not generate sufficient cash from operations, on its ability to obtain additional debt or equity financing. Prevailing economic conditions and financial, business and other factors, many of which are beyond Somero's control, will affect its ability to make these payments. If Somero fails to generate sufficient cash from operations to meet its obligations, Somero will need to refinance its debt, obtain additional financing or sell assets, none of which may be feasible at all or on economically attractive terms.

The covenants under Somero's financing agreement impose operating and financial restrictions on Somero. These restrictions limit Somero's ability, among other things, to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- repurchase Common Shares;
- consolidate, merge or sell all or substantially all of its assets;
- acquire or invest in other companies;
- make capital expenditures in excess of specified amounts; and
- enter into transactions with affiliates.

In addition, Somero's financing agreement requires it to maintain specified leverage ratios and achieve certain EBITDA levels. These covenants may adversely affect Somero's ability to finance future operations or capital needs or to pursue available business opportunities. A breach of the financial or other covenants could result in a default under the financing agreement. If a default occurs, Somero's lenders could declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and could proceed against any collateral securing that indebtedness.

Somero is subject to interest rate risk

Somero is exposed to market risk from changes in interest rates. If interest rates rise, Somero will experience increased interest expenses in connection with its outstanding indebtedness. Furthermore, if interest rates rise significantly, economic conditions in the United States and internationally could be negatively impacted. The construction industry, on which Somero's business is directly dependent, typically experiences reduced growth or a recession during a period of rising interest rates. Increased interest rates could also decrease the ability of customers to obtain financing for purchases of Somero products on affordable terms. Somero currently does not engage in hedging transactions that would mitigate losses from changes in interest rates, which would result in higher interest expenses if interest rates rise.

Somero's sales are subject to numerous political factors, including armed conflicts and terrorist attacks, which could cause unanticipated declines in sales

Political factors in the United States and in other countries could have a major impact on Somero's business. Terrorist attacks have contributed to economic instability in the United States and elsewhere, and further acts of terrorism, violence or war could further affect the markets in which Somero operates, its business, operating results and financial condition. This risk is particularly salient in light of Somero's plans to grow its sales internationally, especially in emerging markets in Eastern Europe, the Middle East and Asia. There can be no assurance that terrorist attacks, or responses to such attacks from the United States, will not lead to further acts of terrorism and civil disturbances in the United States or elsewhere or to armed hostilities, which may contribute to economic instability. These attacks or armed conflicts may directly impact Somero's physical facilities or those of its suppliers or customers, may make customers less inclined to expend funds for equipment Somero produces, and could impact Somero's revenues, supply chain, production capability and ability to deliver products and services to its customers.

Somero's earnings could be adversely affected as a result of impairments of goodwill and other intangibles

Goodwill and other intangibles represented 67.5% of Somero's total assets as of 30 June 2006. Goodwill represents the excess of costs over the fair value of identifiable net assets of businesses acquired, and

other intangibles consist primarily of customer relationships and patents. If Somero acquires other businesses, its goodwill may increase as a percentage of its total assets. The Company evaluates the carrying value of goodwill and other intangible assets at least annually, to determine whether the carrying value of these assets exceeds fair value. If Somero determines that any of its goodwill or other intangibles are impaired, it may be required to take an immediate non-cash charge to earnings.

Somero may not be in compliance with all potentially applicable regulations in relation to government contracting

Somero sells, either directly or indirectly, to various federal, state and local government entities in the United States and internationally, and has received approval to supply equipment to the U.S. Department of Defense. Although government customers have historically represented a relatively small percentage of Somero's sales, they would increase in importance if Somero targets the public construction market. Increased sales to governmental entities and government contractors would involve a number of risks in addition to Somero's normal business risks, including: compliance with government procurement requirements and other regulations; potential government investigations and inquiries; and government budgeting processes. Somero may incur expenditures to establish and maintain controls and procedures to comply with rules and regulations applicable to companies selling to governmental entities, and such efforts may not be sufficient to ensure compliance.

Somero's combined 2005 financial results are unaudited, and represent the addition of two separate audited periods

This document also includes unaudited Somero financial information for the full year ended 31 December 2005, which has been calculated by adding together amounts from the audited financial statements for the period from 1 January 2005 through 10 August 2005, and the period from 11 August 2005 through 31 December 2005. Combined year 2005 financial information has not been audited, and is presented for the convenience of the reader. It is important to note that there are certain effects of the Somero Acquisition that limit the comparability of the Dover Financial Information to the Post-Dover Financial Information. In connection with the Somero Acquisition, in accordance with U.S. GAAP, certain assets were written up as a result of the excess purchase price over the then-current book value of such assets, which has resulted in increased amortisation expenses following the Somero Acquisition. As a result, it may be difficult to compare combined 2005 financial results with other periods presented.

RISK FACTORS ASSOCIATED WITH THE PLACING AND THE COMMON SHARES

Investors may experience difficulties in selling the Common Shares due to the relatively limited liquidity of shares traded on AIM and significant restrictions limiting the resale of Common Shares in the United States

Prior to Admission, there will have been no trading market for the Common Shares. Admission to AIM should not be taken as implying that there will be a liquid market for the Common Shares particularly as, on Admission, the Company will have a limited number of shareholders whose ability to sell Common Shares will be subject to certain transfer restrictions imposed by U.S. securities laws in respect of the Placing, including requirements that the Common Shares be traded in physical form. See "Restrictions on transfer under the U.S. Securities Act will impact a shareholder's ability to resell Common Shares" in this Part II. Although the Common Shares will be listed on AIM following the Placing, AIM-listed companies often do not develop active trading markets and therefore an active trading market for the Common Shares may not develop or be sustained after Admission. The Placing Price also may not correspond to the price at which the Common Shares will trade in the public market subsequent to the Placing. It will likely be more difficult for an investor to realise his or her investment on AIM than it would be to realise an investment in a company whose shares or other securities are quoted on the Official List, NYSE or NASDAQ. The AIM Rules are less demanding than those of the Official List, NYSE or NASDAQ. As a result, an investment in a share that is traded on AIM is likely to carry a higher risk than an investment in shares quoted on the Official List, NYSE or NASDAQ.

The Company may be unable to, or may choose not to, pay dividends on the Common Shares at rates acceptable to investors, or at all

The Company's ability to pay dividends on the Common Shares is limited under the terms of its Financing Agreement with Fortress. See paragraph 23.1.1 of Part VII for a description of the Financing Agreement. In addition, Delaware law generally restricts the Company from paying dividends in circumstances where the

payment would make it unable to pay its debts as they become due. Any future payments of cash dividends will depend on Somero's financial condition, capital requirements and earnings, as well as other factors that the Board may consider.

There is no guarantee that the Company will maintain its listing on AIM

The Company cannot assure investors that the Company will always retain a listing on AIM. If it fails to retain such a listing, certain investors may decide to sell their Common Shares, which could have an adverse impact on the Common Share price. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition to AIM, the level of liquidity of the Common Shares traded on AIM could decline.

The share price of publicly traded companies with smaller market capitalisations can be highly volatile

The price at which the Common Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to Somero and its operations and some of which may affect construction equipment manufacturing companies or AIM-listed companies generally. These factors could include the performance of Somero, large purchases or sales of the Common Shares, currency fluctuations, legislative changes, general economic, political or regulatory conditions, and the other risk factors discussed in this Part II. Given the possibly limited liquidity, the share price may be subject to greater fluctuation on small volumes of shares, and thus the Common Shares may be difficult to sell at a particular price. The market price of the Common Shares may go down as well as up and may not reflect the underlying value of Somero's net assets. Investors may not be able to sell when they desire due to insufficient buyer demand and may realise less than, or lose all of, their investment.

Gores will continue to have significant influence over the Company after the Placing

Upon completion of the Placing, Gores will control approximately 37.5% of the issued share capital of the Company, and one of the Directors is a Gores representative. Although less than a majority, Gores' equity holding could act as a control block, enabling Gores to exercise significant influence over matters requiring shareholder approval. This could include the ability to prevent an outside party from acquiring or merging with the Company, or to elect directors Gores does not support. In addition, the interests of Gores in this regard could conflict with the interests of other holders of Common Shares. The ability of Gores to prevent or delay change of control transactions could adversely affect the price of the Common Shares. Under its management agreement with Gores, Somero has relied on Gores to provide certain important functions. Gores and Somero have agreed to terminate the management agreement upon Admission but anticipate that Gores may continue to provide certain services to Somero following Admission.

Admission to AIM will require the company to report its financial results publicly

Prior to the Placing, the Company has been privately held, and has not been subject to the financial reporting requirements applicable to companies whose shares are traded publicly. Following Admission, the Company will be required to prepare and file annual and half-yearly financial statements, which will cause the Company to incur significant costs, including internal accounting expenses, public accountant fees, and legal fees. In addition, because these reports will be publicly available, customers and potential competitors will have access to information about the profitability of Somero's business that has previously been unavailable. As a result, customers may demand lower prices, which would result in decreased profit margins. In addition, publicising Somero's results may encourage additional companies to develop products that compete with Somero's products.

Restrictions on transfer under the U.S. Securities Act may impact a shareholder's ability to resell Common Shares

The issuance of the Common Shares has not been and will not be registered under the U.S. Securities Act or the securities laws of any U.S. state. The Common Shares are "restricted securities" as defined in Rule 144 promulgated under the U.S. Securities Act. The Common Shares may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless their transfer is registered under the U.S. Securities Act or an exemption from the registration requirements thereof is available, and the offer and sale are conducted in accordance with all applicable securities laws of the states of the United States and any other applicable jurisdictions. The exemptions that may be available are extremely limited

and unlikely to be applicable for most proposed transfers to U.S. persons. Only the Company is entitled to register the offer and the sale of the Common Shares under the U.S. Securities Act and the Company has no obligation to do so (nor does it intend to do so). The Company can give no assurances that an exemption from registration will be available to any subscribers for or purchasers of the Common Shares.

The Common Shares offered and sold in reliance on Regulation S under the U.S. Securities Act will be issued in certificated form, and will bear a legend describing restrictions on transfer and prohibiting hedging transactions in the Common Shares unless in compliance with the U.S. Securities Act. Each subscriber for or purchaser of the Common Shares, by subscribing for or purchasing such shares, agrees to re-offer or resell them only in accordance with the provisions of Regulation S, pursuant to registration under the U.S. Securities Act, or pursuant to an available exemption from registration, in accordance with all applicable securities laws of the states of the United States and any other applicable jurisdictions, and agrees not to engage in hedging transactions with regard to such securities unless in compliance with the U.S. Securities Act. Please refer to Part IX of this document for further details of the transfer restrictions applicable to the Common Shares.

The above restrictions severely restrict purchasers of Common Shares from reselling such shares in the United States or to a U.S. person. The Common Shares will not be admitted for trading on any U.S. securities exchange in connection with the Placing. In the event that the market for the Common Shares outside the United States does not develop or becomes illiquid, purchasers of such shares may be unable to access the market within the U.S. due to the restrictions on transfer of such shares.

The Common Shares will trade only in certificated form outside the United States, which may affect the liquidity of the Common Shares

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. However, due to restrictions on transfer under the U.S. Securities Act, non-U.S. holders must hold the Common Shares in physical certificated form following the closing of the Placing, and the Common Shares will not be eligible for settlement through CREST for the foreseeable future. The Common Shares are not registered in the United States and the certificates will bear a legend to that effect. Purchasers and sellers will be required to confirm certain matters relating to their Common Shares under the U.S. securities laws in connection with the transfer of Common Shares during the restricted period, which will continue at least 12 months from the closing of the Placing. Accordingly, settlement of transactions in the Common Shares following Admission will not take place within the CREST system and investors will experience extended settlement periods, possibly several weeks long. Investors are asked to consult with their brokers. The absence of electronic trading may reduce the liquidity of the Common Shares.

Registration requirements under the U.S. Exchange Act may require the Company to expend significant resources

Under Section 12(g) and Rule 12g-1 under the U.S. Exchange Act, any company that has \$10 million or more in assets on the last day of its most recent fiscal year and any class of its equity held by 500 or more persons of record is required to register under the U.S. Exchange Act. The record holder of the Common Shares includes those individuals or entities in whose names the Common Shares are held, or registered, with the Company's registrar, and do not include the beneficial owners of Shares held indirectly, such as through nominee accounts. Once the Common Shares are traded on AIM, the Company may be unable to control whether the number of record holders of shares equals or exceeds 500, which would require registration under the U.S. Exchange Act. Such registration would obligate the Company to file annual and other reports with the U.S. Securities and Exchange Commission under the U.S. Exchange Act and to comply with various substantive provisions of the U.S. Exchange Act (including various requirements under the Sarbanes-Oxley Act of 2002). This registration and compliance is required even if the issuer has conducted no registered offering in the United States and has not listed its securities on any U.S. market. The cost of such registration and compliance is expensive, and would cause the Company to expend significant resources both in terms of management time and working capital, which will adversely affect its operating profits and earnings per share, which would likely adversely affect the price of Common Shares.

Exchange rate risks relating to listing on AIM and payment of dividends

The proceeds of the Placing from purchasers of Common Shares outside the United States will be received in Pounds Sterling while the Company's functional currency is U.S. Dollars. Somero is not hedging against

exchange rate fluctuations, and consequently the Company will be at the risk of any adverse movement in the U.S. Dollar-Pounds Sterling exchange rate between the pricing of this Placing and settlement for Common Shares sold by the Company. It is anticipated that pricing and settlement will occur not more than three business days apart.

The Company's share price will be quoted on AIM in Pounds Sterling. However, its reporting currency is U.S. Dollars and the market for its products and services are mostly denominated in currencies other than Pounds Sterling. As a result, movements in foreign exchange rates may cause the price of the Common Shares to fluctuate for reasons unrelated to Somero's financial condition or performance and may result in a discrepancy between Somero's actual results of operations and investors' expectations of returns on the Common Shares expressed in Pounds Sterling.

In addition, the amount of any dividends declared by the Company will be determined based on the U.S. Dollar-denominated results of operations. The Company will declare its dividends in U.S. Dollars and the amount received by holders of Common Shares will be an amount in Pounds Sterling, converted from the U.S. Dollar dividend amount at the current spot exchange rate at or before the time of payment. As a result, holders of Common Shares will be subject to the risk of currency fluctuations between the declaration of a dividend and its payment in Pounds Sterling.

Provisions of Delaware law and the Company's certificate of incorporation and by-laws could prevent or delay a change of control or change in management that could be beneficial to the Company and its public shareholders

Certain provisions of Delaware law and the Company's certificate of incorporation and by-laws may prevent, delay or discourage:

- a merger, tender offer or proxy contest;
- the assumption of control by a holder of a large block of the Company's securities; and
- the replacement or removal of current management by the Company's shareholders.

For example, the Company's certificate of incorporation divides the Board into three classes, with members of each class to be elected for staggered three-year terms. This provision may make it more difficult for shareholders to change the majority of directors and may frustrate accumulations of large blocks of Common Shares by limiting the voting power of such blocks. This may further result in discouraging a change of control or change in current management. Furthermore, the Company's certificate of incorporation provides that the Company may issue up to 50 million shares of preferred stock, on terms to be determined by the Board, and without shareholder approval. This gives the Board the power to designate and issue one or more dilutive classes of preferred stock in order to prevent a hostile acquirer from obtaining control of the Company.

If securities analysts do not publish research or reports about Somero or if they downgrade the Common Shares or Somero's industry, the price of Common Shares could decline

The trading market for Common Shares relies in part on the research and reports that industry or financial analysts publish about Somero or its industry. The Company cannot control what these analysts publish. Furthermore, if one or more of the analysts downgrade the Common Shares or Somero's industry, or the shares of any of Somero's competitors, the price of Common Shares could decline. If one or more analysts cease coverage of the Company, the Company could lose visibility in the market, which in turn could cause the price of Common Shares to decline.

Future sales or issuances, or the possibility of future sales or issuances, of a substantial number of Common Shares may depress the earnings per share and the price of Common Shares

Future sales or the availability for sale of a substantial number of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and could impair the Company's ability to raise capital through future sales of equity securities. Following the Placing, there will be 34,281,968 Common Shares outstanding. Of these, 12,872,130 Common Shares will be held by the Selling Shareholder and will be eligible for future sale, subject to applicable restrictions under U.S. securities laws and lock-in provisions contained in the Placing Agreement. In addition, the Company may issue Common Shares or other securities from time to time either as consideration for future acquisitions and investments,

or to raise capital. Following the Placing, the Company will have 45,718,032 Common Shares authorised but not yet issued, and its certificate of incorporation will permit the Company to issue up to 50 million shares of preferred stock. The Company cannot predict the size and timing of future issuances or sales of Common Shares or other securities, or the effect, if any, that future issuances and sales will have on the market price of Common Shares. Furthermore, unlike shareholders in U.K. public companies, shareholders of the Company, a Delaware corporation, will have no pre-emption or approval rights in the event the Company issues additional shares of capital stock. Sales and issuances of substantial amounts of the Company's common stock, or the perception that such sales could occur, may adversely affect the price of Common Shares. If the Company issues additional Common Shares or other securities, shareholders of the Company may suffer a dilution in earnings per share, which may also adversely affect the price of Common Shares.

PART III

THE PLACING AND LOCK-UP ARRANGEMENTS

General

On 24 September 2006, Somero announced its intention to seek admission to the AIM market of the London Stock Exchange. Application has since been made to the London Stock Exchange for the whole of the Common Shares, issued and to be issued in connection with the Placing, to be admitted to trading on AIM.

Under the Placing, 4,281,968 Common Shares are being issued by the Company and 17,127,870 Common Shares are being sold by the Selling Shareholder, Somero Holdings, LLC, which is the Company's existing sole shareholder and is approximately 99%-owned by affiliates of Gores. Under the Placing Agreement, Jefferies International and Collins Stewart have agreed, conditional upon, inter alia, Admission taking place on or before 8:00 a.m. on 1 November 2006 (or such later date as the Company, Jefferies International and Collins Stewart shall agree, being not later than 30 November 2006) to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Immediately following Admission, the Selling Shareholder will own 12,872,130 Common Shares, representing 37.5% of the Company's outstanding Common Shares.

The Common Shares have not been, and will not be, registered under the U.S. Securities Act or under the securities laws of any state of the United States, and the Managers have agreed that Common Shares have only been offered and sold, and will only be offered and sold (a) as part of their distribution at any time and (b) otherwise until two years after the later of commencement of the offering and the closing date, or such earlier date as the Common Shares are no longer "restricted securities" as defined in Rule 144 under the Securities Act (i) inside the United States, only to U.S. persons (as defined in Regulation S) that are institutions reasonably believed to be "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act and from whom an investor letter satisfactory to the Managers and the Company, is received or (ii) outside the United States in offshore transactions (as defined in Regulation S) to non-U.S. persons (as defined in Regulation S) meeting the offering restriction and other requirements of Regulation S under the Securities Act and from whom an investor letter satisfactory to the Managers and the Company, is received.

The Managers and certain of their related entities may acquire for their own account a portion of the Common Shares, and such purchase will be counted towards achieving the "reasonable endeavours" basis.

Lock-up Arrangements

Pursuant to the Placing Agreement, the Company has agreed to certain restrictions on the issue or offer of Common Shares for the period of 12 months after the date of Admission without the prior written consent of Jefferies International. Such restrictions do not apply to the granting or exercise of options or other rights under the Company's Share Option Plan. The Selling Shareholder has agreed to certain restrictions on its ability to dispose of its remaining holding of Common Shares for a period of 6 months after the date of Admission without the prior written consent of Jefferies International and has further agreed, in the subsequent 6 month period, only to dispose of its Common Shares in accordance with the reasonable requirements of Jefferies International so as to ensure an orderly market in the Company's Common Shares (which may include a requirement that any such disposal be effected through Jefferies International or such other broking firm as may be the Company's broker at the relevant time).

To the extent that the Directors and senior management acquire Common Shares or interests in Common Shares, they have agreed to restrictions on the disposal of those shares or interests for a period of 12 months after the date of Admission without the consent of Jefferies International. Additionally, Messrs. Cooney and Niemela collectively own approximately 1.13% of the membership interests in the Selling Shareholder. Although these interests do not provide them with the ability to make decisions as to the disposition of Common Shares held by the Selling Shareholder, they will entitle Messrs. Cooney and Niemela to distributions from the Selling Shareholder in the event it sells Common Shares and distributes the proceeds to its members. For additional information regarding these membership interests, see paragraphs 10.5, 10.6 and 10.7 of Part VII. Messrs. Cooney and Niemela will agree to restrictions on the disposal of their membership interests in the Selling Shareholder (to the extent that the Selling Shareholder still holds Common Shares at the relevant time) for a period of 12 months from the date of Admission, without the consent of Jefferies International.

Dealing Arrangements

It is expected that dealings in Common Shares will commence at 8:00 a.m. (London Time) on 1 November 2006.

Settlement and CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instruction. Due to restrictions on transfer under the U.S. Securities Act, however, the Common Shares must be held in certificated form for an indefinite period following the Placing and so the Common Shares will not be eligible for settlement through CREST for the foreseeable future. Accordingly, settlement of transactions in the Common Shares following Admission will not take place within the CREST system, although trades can be reported to AIM and the cash consideration can be settled using the CREST residual service. Settlement may therefore take longer than settlement through the usual CREST system.

Conditionality of The Placing

The Placing is conditional, inter alia, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring by not later than 8:00 a.m. on 1 November 2006 (or such later time and/or date, being not later than 30 November 2006, as the Company and the Managers may agree).

In the event that subscribers or purchasers are not procured for all the Placing Shares at the Placing Price, the Company and the Selling Shareholder each reserves the right not to proceed with the Placing or Admission. Further details in relation to the Placing and the Placing Agreement are set out in paragraph 22 of Part VII of this document.

Reasons for Placing and Use of Proceeds

The Company estimates that it will receive a gross amount of approximately £5.35 million (\$10.03 million) from the Placing which equates to net proceeds of approximately £3.15 million (\$5.90 million) after deducting estimated commissions and other estimated fees and expenses. The Company will not receive any portion of the proceeds from the sale of the Common Shares by the Selling Shareholder, who the Company estimates will receive approximately 37.5% of the gross proceeds of the Placing.

The Company intends to use the net proceeds it receives from the Placing, together with cash on hand to repay a portion of its outstanding term loan under its Financing Agreement with Fortress. Details of the Financing Agreement are included at paragraph 23.1.1 of Part VII of this document.

The Directors believe that admission to trading on AIM and the Placing will:

- allow the Company to repay up to \$9.5 million of its current bank loans (using a combination of net proceeds from the Placing and cash on hand), which will also result in a lower interest rate and reduced interest expenses;
- facilitate future access to capital for the development of Somero's business, including supporting the Company's strategy of expansion by acquisition where it may offer equity as consideration and/or to provide access to capital through additional fundraisings;
- raise the profile of the Company further, particularly within the United Kingdom and Europe; and
- help fund working capital for general business purposes.

In addition, the Placing will facilitate the orderly disposition of Common Shares held by the Selling Shareholder.

PART IV FINANCIAL INFORMATION

Summary Financial Information

The summary consolidated financial information set out below is extracted from Somero's audited and unaudited financial statements included in Part V of this document and has been prepared in accordance with U.S. GAAP. Investors should read the entire document, including the financial information in Parts IV and V of this document, and not rely solely on the summarised financial information set out below. On 10 August 2005, the Company acquired certain assets and assumed certain liabilities from Dover. Prior to and including 10 August 2005, the Somero Business (also referred to as "Somero Enterprises Group") operated as subsidiaries of Dover and not as a stand-alone business. For purposes herein, (i) the results for Somero Enterprises Group are representative of the Somero Business for periods prior to and including 10 August 2005 and (ii) the results of Somero Enterprises, Inc. are representative of the Somero Business for periods after 10 August 2005. Combined 2005 results represent the summation of (i) the results for 1 January 2005 through 10 August 2005 for Somero Enterprises Group and (ii) the results for 11 August 2005 through 31 December 2005 for Somero Enterprises, Inc. The accounting treatment for both periods is the same in all material respects with the exception of amortisation of intangibles and immaterial differences in depreciation expense. You should carefully review the section entitled "Important Information for Investors—Basis of Presentation" on page 3 above for a further discussion of the comparability of financial data for periods prior to and including 10 August 2005 with periods after 10 August 2005.

	SOMERO ENTERPRISES GROUP			SOMERO ENTERPRISES, INC.	Combined	SOMERO ENTERPRISES GROUP	SOMERO ENTERPRISES, INC.
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	Years Ended 31 December 2003	2004	1 January 2005 Through 10 August 2005	11 August 2005 Through 31 December 2005	Year Ended 31 December 2005	Six Months Ended 30 June 2005	Six Months Ended 30 June 2006
Figures in US\$ Thousands							
REVENUE	\$25,429	\$33,176	\$25,769	\$16,549	\$42,318	\$22,370	\$29,076
COST OF SALES	15,004	17,167	12,661	7,953	20,614	10,805	13,268
GROSS PROFIT	10,425	16,009	13,108	8,596	21,704	11,565	15,808
OPERATING EXPENSES							
Selling Expense	4,805	5,205	3,925	2,542	6,467	3,234	4,484
Engineering Expense	999	986	710	417	1,127	482	598
General & Administrative Expense	4,191	4,551	3,734	2,637	6,371	3,106	4,151
Total Operating Expense	9,995	10,742	8,369	5,596	13,965	6,822	9,233
OPERATING INCOME	430	5,267	4,739	3,000	7,739	4,743	6,575
OTHER INCOME (EXPENSE)							
Interest Expense	(444)	(411)	(307)	(1,162)	(1,469)	(246)	(1,934)
Interest Income	6	223	383	-	383	290	35
Foreign Exchange Gain (Loss)	122	20	(90)	(40)	(130)	(50)	167
Other	(46)	73	37	(288)	(251)	(19)	(196)
INCOME BEFORE TAXES	68	5,172	4,762	1,510	6,272	4,718	4,647
PROVISION FOR INCOME TAXES	(56)	1,760	1,681	548	2,229	1,657	1,758
NET INCOME	\$ 124	\$ 3,412	\$ 3,081	\$ 962	\$ 4,043	\$ 3,061	\$ 2,889
<u>Other Data</u>							
EBITDA(1)	\$ 2,046	\$ 6,819	\$ 5,598	\$ 4,208	\$ 9,806	\$ 5,450	\$ 7,934
Net Income Before Amortisation (1)	1,079	4,367	3,662	1,963	5,625	3,538	4,073
Depreciation Expense	\$ 661	\$ 597	\$ 278	\$ 207	\$ 485	\$ 230	\$ 175
Amortisation of Intangibles	955	955	581	1,001	1,582	477	1,184
Capital Expenditures	614	359	118	79	197	69	263

Note:

- (1) References to "EBITDA" are to Somero's operating income plus depreciation and amortisation of intangibles. References to "net income before amortisation" are to Somero's net income plus amortisation of intangibles. EBITDA and net income before amortisation are not measurements of the Company's financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with GAAP, or as an alternative to GAAP cash flow from operating activities as a measure of profitability or liquidity. EBITDA and net income before amortisation are presented herein because management believes they are useful analytical tools for measuring the profitability and cash generation of the business. The Company understands that although EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, its calculation of EBITDA may not be comparable to other similarly titled measures reported by other companies. See the section entitled "Use of Non-U.S. GAAP Financial Measures" for additional information regarding EBITDA and net income before amortisation, including a reconciliation of EBITDA and net income before amortisation to operating income and net income, respectively, for the periods presented.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is based upon Somero's audited consolidated financial statements as at and for the six months ended on 30 June 2006 and the period beginning on 11 August 2005 and ended on 31 December 2005, as well as Somero's audited combined financial statements as at and for the years ended 31 December 2004 and 2003, and the period beginning on 1 January 2005 and ended on 10 August 2005 and unaudited combined financial statements as at and for the six months ended 30 June 2005, and unaudited combined results of operations for the year ended 31 December 2005, which have been calculated by adding together amounts from the audited financial statements for the period 1 January 2005 through 10 August 2005, and the period from 11 August 2005 through 31 December 2005. This section should be read in conjunction with Somero's audited and unaudited consolidated and combined financial statements and the related notes thereto included in Part V of this document and the section of this document entitled "Important Information for Investors—Basis of Presentation" on page 3 above. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those expressed or implied by such forward-looking statements as a result of various factors. For additional information regarding some of the risks and uncertainties that affect Somero's business and the industry in which it operates and that apply to an investment in Common Shares, please see Part II, "Risk Factors".

Trends Affecting the Company's Results of Operations

Economic and Industry Conditions

Somero's financial performance is affected by a number of factors, including the cyclical nature of the non-residential concrete construction industry, as well as the varying nature of the geographic markets Somero serves, which currently include primarily the United States, Canada and Western Europe. Somero also has a growing presence in Asia, Eastern Europe, Australia, the Middle East, Africa and South and Central America. Demand in these markets fluctuates in response to overall economic conditions and is particularly sensitive to the amount of private sector spending on commercial construction projects, especially by retailers such as Wal-Mart and Costco, where Somero's Large Laser Screed products have been utilised.

New Product Innovation and Product Replacement Demand

Somero's financial performance is also dependent upon the introduction of new products and the replacement or refurbishment of older products as they reach the end of their expected life cycles. Somero's first major product line, the Large Laser Screed, is entering a period of demand for replacement and refurbishment, as older machines reach the end of their lifecycles. Somero's level of replacement demand is dependent on its ability to develop enhanced models that encourage customers to replace older machines.

Somero's small-line products, the CopperHead and PowerRake, were developed more recently and have generated increasing revenues as a result of further penetration of the market for smaller concrete construction projects. Somero introduced the first CopperHead model in 2002, and the PowerRake was introduced in 2005. Somero has also recently introduced the HoseHog in August 2006.

Somero's financial results are also affected by its ability to develop accessories and replacement parts for its Large Laser Screed, CopperHead and PowerRake models. Somero is experiencing growing sales of the 3-D Profiler System, which is a hardware and software accessory for the Large Laser Screed. Somero is beginning to experience increased sales of spare parts kits for the CopperHead and PowerRake machines.

Geographic Expansion

Somero's financial performance is also dependent upon its ability to successfully enter and penetrate geographic markets outside the United States. Currently, Western Europe and Canada represent Somero's primary markets outside the U.S., and Somero is focusing expansion efforts on Asia, Eastern Europe, Australia, the Middle East, Africa and South and Central America. As non-U.S. sales have increased, Somero's financial performance has become more heavily influenced by fluctuations in currency exchange rates. A weakening U.S. Dollar against the Euro and the Pound Sterling has had a positive impact on Somero's financial results, which are reported in its functional currency, the U.S. Dollar. Somero does not enter into currency hedging arrangements.

note continued:

EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, its calculation of EBITDA may not be comparable to other similarly titled measures reported by other companies. See the section entitled "Use of Non-U.S. GAAP Financial Measures" for additional information regarding EBITDA and net income before amortisation, including a reconciliation of EBITDA and net income before amortisation to operating income and net income, respectively, for the periods presented.

Interest Rates

Somero's financial performance is also linked to prevailing interest rates. Following the Somero Acquisition, Somero incurred significant indebtedness under its Financing Agreement with Fortress, all of which bears interest at floating rates tied either to the Prime Rate or LIBOR (each, as defined in the Financing Agreement), at the option of Somero. Since the initial drawdown in November 2005, the Company has always elected to pay interest based on the Prime Rate. See "Liquidity and Capital Resources" below. As a result, rising U.S. interest rates have had the effect of increasing Somero's interest expenses. The Prime Rate has risen from 7.0% on 22 November 2005, the date of the initial drawdown under the Fortress Financing Agreement, to 8.0% as of 30 June 2006.

Impact of Somero Acquisition on Financial Results

On 10 August 2005, the Company purchased certain assets and liabilities from affiliates of Dover relating to the Somero Business (the "Somero Acquisition"). Financial information presented in this document is derived from two sets of financial statements prepared in accordance with U.S. GAAP, the first in respect of the periods up to and including the date of the Somero Acquisition on 10 August 2005 (the "Dover Financial Information"), and the second in respect of the periods following the Somero Acquisition (the "Post-Dover Financial Information"). Dover Financial Information is based on the audited combined financial statements of the Somero Business (also referred to as "Somero Enterprises Group") on a carve-out basis from various Dover entities, as of and for the years ended 31 December 2003 and 2004 as of 10 August 2005 and for the period beginning 1 January 2005 and ended 10 August 2005, and unaudited combined financial statements of the Somero Business as of and for the six month period ended 30 June 2005, which are included herein at Part V, Section B. For these periods, the Somero Business operated as subsidiaries of Dover, and not as a stand-alone business. Accordingly, for those periods, the assets and liabilities have been accounted for at the historical book values carried by Dover. Although the Dover Financial Information reflects certain intercompany loans from Dover to the Somero Business and related interest expense, these amounts may not be sufficient to reflect the full allocation of Dover's general corporate debt, which was used to finance the operations of the Somero Business. In addition, the combined statement of operations for the Somero Business does not include an allocation of Dover's general corporate expenses. The financial condition and operating results of the Somero Business prior to the Somero Acquisition may have differed materially had they included amounts reflecting a full allocation of Dover's interest expense and general corporate expenses to the Somero Business. The Post-Dover Financial Information is derived from the Company's audited consolidated financial statements as of 31 December 2005 and 30 June 2006 and for the period from 11 August 2005 through 31 December 2005 and the six months ended 30 June 2006, which are included herein at Part V, Section A.

This document also includes unaudited Somero financial information for the full year ended 31 December 2005, which has been calculated by adding together amounts from the audited financial statements for the period from 1 January 2005 through 10 August 2005, and the period from 11 August 2005 through 31 December 2005. Combined year 2005 financial information has not been audited and is presented for the convenience of the reader. It is important to note that there are certain effects of the Somero Acquisition that limit the comparability of the Dover Financial Information to the Post-Dover Financial Information. In connection with the Somero Acquisition, in accordance with U.S. GAAP, certain assets were written up as a result of the excess purchase price over the then-current book value of such assets, which has resulted in increased amortisation expenses following the Somero Acquisition.

It is important to note that there are certain effects of the Somero Acquisition and other factors that limit the comparability of the Dover Financial Information to the Post-Dover Financial Information. These are:

- *Write-Up of intangibles and increased amortisation.* At the date of the Somero Acquisition, the purchase price of \$46,735,000 paid by Gores exceeded the then-current book value of the Somero Business by \$16,400,000. As required by U.S. GAAP, this excess was allocated to various assets comprising the Somero Business and resulted in a write-up of certain intangible assets and goodwill, primarily customer relationships and intellectual property. This has had and will likely continue to have the effect of increased amortisation expenses relating to these assets since the acquisition. The resulting increase in intangible assets has been the principal cause of Somero's amortisation expenses following the Somero Acquisition, from approximately \$1.0 million per year prior to the Somero Acquisition, to approximately \$2.4 million per year following the Somero Acquisition;

- *Elimination of cash pooling arrangement.* Prior to the Somero Acquisition, the Somero Business, along with other subsidiaries and divisions of Dover, participated in a cash pooling arrangement, whereby cash was swept on a daily basis from various Dover businesses and re-distributed as Dover saw fit. As a result, cash held by the Somero Business at any given time was negligible. The excess cash swept from Somero to Dover reduced net parent company investment from \$8.9 million as of 31 December 2003 to negative \$0.4 million as of 10 August 2005. Following the Somero Acquisition, in part because there is no longer a daily cash sweep, Somero has accumulated cash following the Somero Acquisition, and has received interest income for these cash balances for the six months ended 30 June 2006;
- *Increased interest expenses.* Somero incurred significant indebtedness to Gores following the Somero Acquisition in the form of bridge financing, which was subsequently repaid in November 2005 using term loan proceeds under the Financing Agreement. This increased indebtedness has resulted in increased interest expenses to levels of approximately \$1.2 million and \$1.9 million for the period from 11 August 2005 through 31 December 2005 and the six months ended 30 June 2006, respectively;
- *Elimination of accrued bonuses.* The Dover Financial Information includes the effects of a cash bonus plan sponsored by Dover under which bonuses were accrued but not yet paid. As a result, the Dover Financial Information includes compensation expenses and accrued liabilities relating to this bonus plan. Following the Somero Acquisition, these compensation expenses are no longer incurred. Dover determined not to pay these accrued bonuses and the related accrued liability has been eliminated;
- *Management fees.* Following the Somero Acquisition, the Company has paid to Gores a management fee of \$33,333 per month under a management agreement. This management agreement is due to expire on 31 December 2006. However, Gores and Somero have agreed to terminate the management agreement upon Admission.

Results of Operations for the Six Months Ended 30 June 2006 Compared to the Six Months Ended 30 June 2005

Revenues

Somero's consolidated revenues for the six months ended 30 June 2006 were \$29.1 million, which represented a 29.9% increase from \$22.4 million in consolidated revenues for the six months ended 30 June 2005. Somero's revenues consist primarily of sales of new large line products (the SXP Large Laser Screed and its predecessors), sales of new small line products (the CopperHead and PowerRake) and other revenues, which consist of, among other things, revenue from sales of spare parts, refurbished machines and accessories. The overall increase in revenues for the six months ended 30 June 2006 as compared to the six month period ended 30 June 2005 was driven by growth in each of Large Line Sales, Small Line Sales and Other Revenues.

The table below shows the breakdown between large line sales, small line sales and other revenues during the six months ended 30 June 2005 (unaudited) and 2006:

	Six Months Ended 30 June 2005 (unaudited)		Six Months Ended 30 June 2006	
	(in millions)	Percentage of net sales	(in millions)	Percentage of net sales
Large Line Sales	\$ 10.5	46.9%	\$ 13.5	46.4%
Small Line Sales	\$ 5.4	24.1%	\$ 8.6	29.5%
Other Revenues	\$ 6.5	29.0%	\$ 7.0	24.1%
Total	\$ 22.4	100%	\$ 29.1	100%

Large line sales increased from \$10.5 million for the six months ended 30 June 2005 to \$13.5 million for the six month period ended 30 June 2006. This increase in revenue was driven by a 21.4% increase in unit volume (from 42 units to 51 units) and increases in average selling prices. The higher unit volume was driven primarily by increased replacement demand in the United States and increased international sales.

Small line sales increased from \$5.4 million for the six months period 30 June 2005 to \$8.6 million for the six month period ended 30 June 2006. This increase was driven largely by the August 2005 introduction of the PowerRake, which generated \$2.7 million in revenues in the six months ended 30 June 2006 from the

sale of 67 units. Increased sales of CopperHeads also contributed to revenue growth, with 143 units sold during the six months ended 30 June 2006 (generating revenues of \$5.9 million), compared with 128 units sold during the six months ended 30 June 2005 (generating revenues of \$5.4 million). Management believes this increase has resulted from changes made in 2005 to the CopperHead sales team structure to create specialist CopperHead demonstration teams, which has led to an increase in the number of demonstrations performed.

Other revenues, including sales of spare parts, refurbished machines and accessories, increased from \$6.5 million during the six months ended 30 June 2005 to \$6.9 million during the six months ended 30 June 2006. This revenue growth resulted primarily from the increased installed base of machines and support kits and accessories available for the CopperHead and PowerRake products.

International sales growth has also contributed to increases in sales revenue. Sales to customers located in North America comprises the majority of Somero's revenue, constituting 74.9% and 71.6% of total revenue for the six months ended 30 June 2006 and 2005, respectively, while sales to customers in Europe, South Africa and the Middle East combined contributed 17.5% and 23.5%, respectively. The remaining sales in these periods were to customers in Asia, Australia, Central America and South America. The Company has been focused on expanding international sales, with revenues outside North America increasing to \$7.3 million during the six months ended 30 June 2006, an increase of 15.9% over revenues of \$6.3 million during the six months ended 30 June 2005. Sales in Europe, South Africa and the Middle East generated \$5.1 million during the six months ended 30 June 2006, compared with \$5.3 million during the six months ended 30 June 2005. Sales of the Large Laser Screed and the CopperHead in these regions remained relatively flat between these two periods. Sales in Asia, Australia and Central and South America represented \$2.2 million during the six months ended 30 June 2006, as compared to \$1.0 million during the six months ended 30 June 2005. This increase was driven by an increase in sales of Large Laser Screed to 4 units during the six months ended 30 June 2006, compared with one unit during the corresponding period of 2005.

Despite the focus on international expansion, North American (the United States and Canada) sales experienced the highest total growth of any individual region during these periods. Sales to customers in North America were \$21.8 million during the six months ended 30 June 2006, a 37.1% increase over North American sales of \$15.9 million during the six months ended 30 June 2005.

Cost of Sales

Cost of sales increased to \$13.3 million during the six months ended 30 June 2006, a 23.1% increase over \$10.8 million during the six months ended 30 June 2005. The primary reason for the cost of sales increase was due to the increase in material costs related to the increase in product sales to \$25.7 million during the six months ended 30 June 2006, a 33.8% increase over \$19.2 million during the six months ended 30 June 2005. As a percentage of revenue, cost of sales has declined to 45.6% of revenues during the six months ended 30 June 2006, from 48.3% during the six months ended 30 June 2005 (see the following section on gross profit).

Gross Profit

Somero's gross profit for the six months ended 30 June 2006 was \$15.8 million, a 36.2% increase over \$11.6 million for the six months ended 30 June 2005. As a percentage of revenue, gross profit increased to 54.4% for the six months ended 30 June 2006, from 51.7% for the six months ended 30 June 2005. The increase in gross profit as a percentage of revenue has been due to increased sales volumes, increasing list prices, an improvement in product mix with an increasing percentage of total revenues derived from sales of recently-introduced products that have higher margins, such as the CopperHead, PowerRake and spare parts, and management's strategy of implementing manufacturing cost reduction initiatives.

Operating Expenses

Operating expenses were \$9.2 million for the six months ended 30 June 2006, a 35.3% increase over \$6.8 million for the six months ended 30 June 2005. The increase in operating expenses, which consists of selling, engineering and general and administrative expenses, resulted primarily from higher amortisation expenses (an increase of \$0.7 million) and an increase in total sales, with operating expenses equalling 31.6% and 30.3% of revenues for the six months ended 30 June 2006 and for the six months ended 30 June 2005, respectively.

Selling expense increased by \$1.3 million, or 40.6%, to \$4.5 million for the six months ended 30 June 2006, as compared with \$3.2 million for the six months ended 30 June 2005. The increase in selling expense was primarily due to increased sales, which resulted in increased commissions, additional sales support required for the increased sales of the small line Copperhead and PowerRake products, both of which require more product demonstration efforts in the sales process, and increased support for additional external sales representatives.

Engineering expense increased by \$0.1 million, or 20.0%, to \$0.6 million for the six months ended 30 June 2006 from \$0.5 million for the six months ended 30 June 2005. The main increase was due to the hiring of an additional employee in the second half 2005 engaged in future product development, including the development of the HoseHog, which was launched in August 2006.

General and administrative expense increased \$1.1 million, or 35.5% to \$4.2 million for the six months ended 30 June 2006 from \$3.1 million for the six months ended 30 June 2005. A substantial amount of the increase in general and administrative expense resulted from increased amortisation of intangible assets resulting from the write-up of those intangible assets from historical book value in connection with the Somero Acquisition in August 2005. Depreciation and amortisation increased from \$0.7 million to \$1.4 million from the six months ended 30 June 2005 to the six months ended 30 June 2006, resulting primarily from increased amortisation attributable to the write-up of the book value of intangible assets following the Somero Acquisition. For additional detail regarding impacts of the Somero Acquisition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Somero Acquisition on Financial Results" above.

Expenses relating to company bonus programs were \$0.5 million for the six months ended 30 June 2006, as compared with \$0.7 million for the six months ended 30 June 2005. This decrease resulted primarily from the absence of the Dover long-term incentive plan following the Somero Acquisition.

Other Income (Expense)

Other income (expense) was (\$1.9) million for the six months ended 30 June 2006, compared to \$0 million for the six months ended 30 June 2005. Other income (expense) consists of interest income and expense, foreign exchange gains and losses, gains and losses on disposal of assets, and other expenses consisting primarily of management fees paid to Gores. The increase in other income (expense) has resulted primarily from increased interest expense.

Interest expense was \$1.9 million for the six months ended 30 June 2006 compared to \$0.2 million in the six months ended 30 June 2005, resulting primarily from increased indebtedness following the Somero Acquisition and, to a lesser extent, rising interest rates during the first half of 2006.

Foreign exchange gain was \$0.2 million for the six months ended June 30, 2006, compared with a foreign exchange loss of \$0.1 million for the six months ended 30 June 2005 resulting primarily from sales made to Europe, combined with a weakening U.S. Dollar compared to the Pound Sterling and the Euro.

Other expense was \$0.2 million for the six months ended 30 June 2006, compared with \$0 for the six months ended 30 June 2005, primarily resulting from management fees of \$0.2 million paid to Gores during that period.

Provision for Income Taxes

Provision for income taxes increased by \$0.1 million, or 6%, to \$1.8 million in the six months ended 30 June 2006, as compared with \$1.7 million for the six months ended 30 June 2005. Overall, Somero's effective tax rate increased from 35.1% to 37.8%. This was driven by the elimination by the U.S. Internal Revenue Service of the extra-territorial income exclusion in 2005, which had previously enabled Somero to obtain an income exclusion for certain revenues derived from countries outside the United States.

Net Income

Net income decreased by \$0.2 million, or 6.5%, to \$2.9 million in the six months ended 30 June 2006 as compared with \$3.1 million for the six months ended 30 June 2005. The primary causes of the reduction in net income were increased amortisation and interest expense, as discussed above.

Results of Operations for the Years Ended 31 December 2005, 2004 and 2003

Revenues

The combined 2005 results represent the summation of the results for 1 January 2005 through 10 August 2005 for Somero Enterprises Group and the results for 11 August 2005 through 31 December 2005 for Somero Enterprises, Inc. The accounting treatment for both periods is the same in all material respects with the exception of amortisation of intangibles and immaterial differences in depreciation expense. You should carefully review the section entitled "Important Information for Investors—Basis of Presentation" at page 3 for a further discussion of the comparability of financial data for periods prior to and including 10 August 2005 with periods after 10 August 2005.

Somero's revenues were \$42.3 million in 2005, which represented a 27.4% increase from \$33.2 million of revenues in 2004, which represented a 30.7% increase over 2003 revenues of \$25.4 million. Somero's revenues consist primarily of sales of large line products (the SXP Large Laser Screed and its predecessors), sales of small line products (the CopperHead and PowerRake) and other revenues, which consist of, among other things, revenue from sales of spare parts, refurbished machines and accessories. The table below shows the breakdown between large line sales, small line sales and other revenues during the years 2003, 2004 and 2005 (unaudited):

	2003		2004		2005 (unaudited)	
	(in millions)	Percentage of net sales	(in millions)	Percentage of net sales	(in millions)	Percentage of net sales
Large Line Sales	\$ 7.2	28.3%	\$ 14.6	44.0%	\$ 17.7	41.8%
Small Line Sales	\$ 8.2	32.3%	\$ 9.7	29.2%	\$ 12.5	29.6%
Other Revenues	\$ 10.0	39.4%	\$ 8.9	26.8%	\$ 12.1	28.6%
Total	\$ 25.4	100%	\$ 33.2	100%	\$ 42.3	100%

Large line sales increased from \$7.2 million in 2003 to \$14.6 million in 2004, resulting from increased unit volume (from 31 units in 2003 to 62 units in 2004), as well as increases in average sales price. Increased unit volumes were driven primarily driven by a partial recovery of the concrete construction industry, increasing replacement demand and the release of the new SXP model of the Large Laser Screed in early 2004. Higher sales from 2003 to 2004 were also driven by increases in the average price of CopperHead products. CopperHead unit sales increased slightly, from 241 units in 2003 to 243 units in 2004. Other revenues declined from 2003 to 2004 by 11.0% to \$8.9 million driven by a reduction of used machine sales from 25 units in 2003 to 15 units in 2004.

Large Line Sales increased from \$14.6 million in 2004 to \$17.7 million in 2005, resulting from increased unit volume (from 62 units in 2004 to 71 units in 2005), as well as continued increases in average price. The increase in large line unit volume was driven primarily by increasing replacement demand. Total small line (Copperhead and PowerRake) units increased to 312 in 2005 from 243 in 2004, driven by the introduction of the PowerRake product in August 2005, which generated revenue of \$2.4 million in 2005 (66 units sold). Other revenues increased from \$8.9 million in 2004 to \$12.1 million in 2005, resulting primarily from the increased installed base of machines and support kits and accessories available for the CopperHead and PowerRake products.

International sales growth has also contributed to increases in sales revenues in 2005 compared to 2004, and 2004 compared to 2003. Sales to customers located in North America comprise the majority of Somero's revenue, constituting 72%, 69% and 76% of total revenues for 2005, 2004 and 2003, respectively, while sales to customers in Europe, South Africa and the Middle East combined contributed 21%, 22% and 18%, respectively. The remaining sales in these periods were to customers in Asia, Australia, Central America and South America. The Company has been focused on expanding international sales, with revenues outside North America increasing to \$11.7 million in 2005, compared to revenues of \$10.2 million in 2004 and revenues of \$5.9 million in 2003. Sales in Europe, South Africa and the Middle East generated \$7.4 million in 2004, compared with \$4.6 million in 2003. The increase in sales in Europe, South Africa and the Middle East from 2003 to 2004 was driven primarily by increased CopperHead Sales, a 9-unit increase in Large Laser Screed sales, and an increase in average Large Laser Screed sales price, as well as a weakening U.S. Dollar against the Pound Sterling and the Euro. Sales in Europe, South Africa and the Middle East increased further to \$8.8 million in 2005, compared with \$7.4 million in 2004, driven primarily by an increase in the average sales price for the Large Laser Screed and the continued weakening of the U.S. Dollar against the Pound Sterling and Euro.

Despite the focus on international expansion, North American (the United States and Canada) sales experienced the highest growth rate of any individual region in 2004 and 2005. Sales to customers in North America were \$30.4 million in 2005, a 31.6% increase over North American sales of \$23.1 million in 2004, which in turn represented a 4.1% increase over North American sales of \$22.2 million in 2003.

Cost of Sales

Cost of sales increased to \$20.6 million in 2005, a 19.8% increase over \$17.2 million in 2004, which represented a 14.7% increase over \$15.0 million in 2003. The primary reason for the cost of sales increase was due to the increase in material costs related to the increase in product sales to \$42.3 million, a 27% increase over \$33.2 million in 2004, which increased 30.7% over \$25.4 million in 2003. As a percentage of revenue, cost of sales has declined to 48.7% of revenues in 2005, down from 51.7% in 2004 and 59.0% in 2003 (see the following section on gross profit).

Gross Profit

Somero's gross profit in 2005 was \$21.7 million, a 35.5% increase over \$16.0 million in 2004, which represented an increase of 53.8% over \$10.4 million in 2003. As a percentage of revenue, gross profit increased to 51.3% in 2005, from 48.3% in 2004 and 41.0% in 2003. The increase in gross profit as a percentage of revenue has been due to increased sales volumes, increasing list prices, an improvement in product mix with an increasing percentage of total revenues derived from sales of recently-introduced products that have higher margins, such as the CopperHead, PowerRake and spare parts, and management's strategy of implementing manufacturing cost reduction initiatives.

Operating Expenses

Operating expenses were \$14.0 million in 2005, a 30.0% increase over \$10.7 million in 2004, which represented an increase of 7.0% from \$10.0 million in 2003. The increase in operating expenses, which consists of selling, engineering and general and administrative expenses, resulted primarily from an increase in total sales and, in 2005, increased amortisation expenses, with operating expenses equalling 33.0%, 32.4% and 39.3% of revenues in years 2005, 2004 and 2003, respectively.

Selling expense increased by \$1.3 million, or 25.0%, to \$6.5 million in 2005 as compared with \$5.2 million in 2004, which represented a 8.3% increase over selling expenses of \$4.8 million in 2003. The increase in selling expense throughout the periods was primarily due to increased sales, which resulted in increased commissions, and additional sales support required for the increased sales of the small line Copperhead and PowerRake products, both of which require more product demonstration efforts in the sales process, and to support additional external sales representatives.

Engineering expense increased by \$0.14 million, or 14.3%, to \$1.1 million in 2005 from \$0.98 million in 2004, which was flat compared with \$0.99 million in 2003. The main increase was due to the hiring of 2 employees in the second half of 2005 engaged in future product development, including the development of the HoseHog, which was launched in August 2006.

General and administrative expense increased by \$1.8 million, or 39.1% to \$6.4 million in 2005 from \$4.6 million in 2004, compared to \$4.2 million in 2003. A substantial amount of the increase in general and administrative expense in 2005 compared to 2004 resulted from increased amortisation of intangible assets resulting from the write-up of those intangible assets from historical book value in connection with the Somero Acquisition in August 2005. Depreciation and amortisation increased from \$1.6 million in 2004 to \$2.1 million in 2005, resulting primarily from increased amortisation attributable to the write-up of the book value of intangible assets following the Somero Acquisition in August 2005. For additional detail regarding impacts of the Somero Acquisition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of Somero Acquisition on Financial Results" above.

Expenses relating to company bonus programs increased from \$0.1 million in 2003, to \$0.8 million on 2004 and \$1.2 million in 2005, primarily as a result of accrued bonuses and expenses under Dover's long-term incentive plan.

Other Income (Expense)

Other income (expense) was \$(1.5) million for 2005, compared to \$(0.1) million for 2004, as compared to \$(0.4) million in 2003. Other income (expense) consists of interest income and expense, foreign exchange gains and losses, gains and losses on disposal of assets, and other expenses. The increase in other income (expense) has resulted primarily from increased interest expense following the Somero Acquisition.

Interest expense was \$1.5 million in 2005, as compared with \$0.4 million for each of 2004 and 2003. The increase resulted primarily from increased indebtedness following the Somero Acquisition.

Foreign exchange loss was \$0.1 million in 2005, compared with no foreign exchange gain or loss in 2004 and a foreign exchange gain of \$0.1 million in 2003. These fluctuations resulted primarily from sales made to Europe, which were denominated in local currency, combined with fluctuating exchange rates.

Other expense was \$0.3 million in 2005, as compared to other income of \$0.1 million for 2004 and \$0 million in 2003. The increase from 2004 to 2005 resulted primarily from management fees of \$0.2 million paid to Gores in 2005 following the Somero Acquisition. The change from 2003 to 2004 resulted primarily from the collection of sales taxes from customers that had been written off in prior years.

Provision for Income Taxes

Provision for income taxes increased by \$0.4 million, or 22.2%, to \$2.2 million for 2005 as compared with \$1.8 million 2004, which was compared to the \$0.1 million benefit in 2003. Overall, Somero's effective tax rate increased to 35.5% in 2005 from 34.0% in 2004 and nil in 2003. The change from 2004 to 2005 was driven by the elimination by the U.S. Internal Revenue Service of the extra-territorial income exclusion in 2005, which had previously enabled Somero to obtain an income exclusion for certain revenues derived from countries outside the United States. In 2003, there was no taxable income and no taxes were paid, resulting in an effective tax rate of nil.

Net Income

For the reasons discussed above, net income increased by \$0.6 million, or 17.6%, to \$4.0 million in 2005 as compared with \$3.4 million in 2004, which represented an increase of \$3.3 million over 2003 net income of \$0.1 million.

Liquidity and Capital Resources

Liquidity

The Company's principal liquidity needs are for payroll, lease obligations, purchases of component parts and interest and principal payments on its long-term debt. The Company does not maintain a significant product inventory, as products are assembled following customer orders. The Company's primary sources of liquidity are cash balances, cash provided by operations and its available revolving line of credit with Fortress of up to \$3 million. Operations are primarily funded through draw-downs under the Fortress revolving line of credit.

At 31 December 2005 the Company had \$2.4 million in cash and cash equivalents compared to \$8,000 at 31 December 2004 and \$0.3 million at 31 December 2003. Cash provided by operating activities in 2005 was \$7.3 million compared to \$10.1 million in 2004 and \$7.9 million in 2003. The increased level of cash provided by operating activities in 2004 compared to 2003 was largely a result of increased net income during that period. The decrease from 2004 to 2005 was primarily a result of a lower benefit from working capital changes.

Cash provided by financing activities was \$44.1 million in 2005 compared to \$10.0 million used in financing activities in 2004 and \$8.6 million used in 2003. This change is primarily due to additional financing that was obtained in 2005 under the Company's bridge financing from Gores following the Somero Acquisition, which was later replaced by the Financing Agreement with Fortress. Net cash flows used in investing activities was \$48.9 million in 2005 compared to \$0.4 million in 2004 and \$0.1 million provided by investing activities in 2003. The increase in net cash flows used in investing activities in 2005 primarily related to the asset purchase of the Somero Business by The Gores Group.

Capital Resources

Currently, the Company does not have any specific plans for significant capital expenditures. However, one element of Somero's strategy is to identify and acquire businesses that have complementary products and services. Somero may finance such future acquisitions from internally generated funds, bank borrowings, public or private securities offerings, or some combination of these methods. In addition, the Company may issue debt or equity securities as some or all of the consideration for such acquisitions. Somero cannot predict the level of financing that may be required in connection with future acquisitions.

As of 30 June 2006, the Company had \$31.5 million in aggregate principal amount outstanding in term loans under its Fortress Financing Agreement, and no amounts drawn under the revolving portion of its Fortress Financing Agreement. Following Admission, the Company expects to repay an aggregate of up to \$9.5 million of the outstanding term loans using a combination of the net proceeds of the Placing and cash on hand, leaving at least \$22.0 million outstanding under the term loan. The Company's Financing Agreement with Fortress imposes various restrictions and covenants on the Company which could potentially limit its ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities. The restrictive covenants include limitations on capital expenditures, limitations on the incurrence of additional indebtedness, limitations on the creation of liens and limitations on asset sales and other fundamental changes, limitations on payment of dividends and limitations on the redemption or repurchase of outstanding capital stock, among other restrictions. The covenants also include financial measures such as a minimum ratio of net debt to consolidated EBITDA, and a minimum level of consolidated EBITDA. For additional information regarding the Fortress Financial Agreement, refer to paragraph 23.1.1 of Part VII of this document.

The Directors believe that funds generated from operations, together with existing cash, will be sufficient to meet the Company's debt obligations over the next twelve months. The Directors also expect that existing cash and available funds from under the Financing Agreement with Fortress and funds generated from operations will be sufficient to meet anticipated operating requirements and to fund planned capital expenditures for the remainder of 2006 and for the 2007 calendar year. Somero had capital expenditures of \$0.2 million in 2005 and \$0.3 for the six months ended 30 June 2006. This capital primarily was spent to acquire computer hardware and software. The Directors will, from time to time, evaluate opportunities to sell equity or debt securities, and/or obtain credit facilities from lenders, which could result in dilution to the Company's shareholders and increased interest expense. Additional borrowing or equity investment may be required to fund future acquisitions.

Other Financial Arrangements

Contractual Obligations

The Company's principal commitments consist of obligations to repay outstanding indebtedness under its Financing Agreement with Fortress, lease payment obligations on its Jaffrey, New Hampshire and Chesterfield, England facilities and the obligation to purchase the Company's Jaffrey, New Hampshire facility at the end of its lease term on 31 December 2006. The following table sets forth the payments the Company was contractually obligated to make as of 31 December 2005 (dollars in thousands):

	Payment Due In				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations(1)	\$ 32,000	\$ 1,500	\$ 5,000	\$ 25,500	\$—
Capital Lease Obligations(2)	743	85	658	—	—
Operating Lease Obligations(3)	413	127	189	97	—
Purchase Obligations	—	—	—	—	—
Other Long-Term Liabilities	—	—	—	—	—
Total	\$ 33,156	\$ 1,712	\$ 5,847	\$ 25,597	\$—

- (1) Does not account for reductions in future payments that will result from the expected repayment of \$9.5 million of the Company's outstanding indebtedness, to be funded in part from the net proceeds from the Placing and in part from cash on hand, or the changes in the repayment schedule for this outstanding debt resulting from the amendment to the Financing Agreement discussed at paragraph 23.1.1 of Part VII.
- (2) Includes lease payment obligations relating to the Company's Jaffrey, New Hampshire facility, and the obligation to purchase the facility from the landlord on 1 January 2007 for \$657,500. Also includes leased office equipment under a capital lease through October 2010.
- (3) Consists of lease obligations relating to the Company's Chesterfield, England facility, automobile leases and leases for equipment.

Quantitative and Qualitative Disclosure about Market Risk

The Company is exposed to market risk from changes in interest rates and foreign currency exchange rates because it funds its operations through long- and short-term borrowings and receives revenues and incurs expenses in a variety of foreign currencies. The Company does not currently hedge against the risk of interest rate fluctuations or exchange rate fluctuations. A summary of the Company's primary market risk exposures follows.

Interest Rate Risk

The Company's primary interest rate risk exposure results from its floating rate debt under its Financing Agreement with Fortress. At 31 December 2005, 100% of the Company's debt was subject to floating interest rates. If interest rates were to increase 100 bps from 31 December 2005 and assuming no changes in debt from the 31 December 2005 levels, the additional annual interest expense would amount to approximately \$0.3 million on a pre-tax basis.

Foreign Currency Risk

The Company's foreign sales and results of operations are subject to the impact of foreign currency fluctuations because it receives revenues and incurs expenses in a variety of foreign currencies. Had the U.S. Dollar to Pound Sterling and U.S. Dollar to Euro exchange rates both decreased by 10% for the entirety of the six months ended 30 June 2006, Somero's overall revenues would have been lower by approximately \$530,000, assuming that Somero kept its Euro and Pound Sterling prices constant. The decrease in revenues would be partially offset by decreases in expenses incurred in Pounds Sterling, when corrected to U.S. Dollars, as discussed in the following paragraph. Were these exchange rates to increase, Somero would experience a corresponding increase in revenues. Although Somero does not engage in hedging against currency exchange risk, it has a practice of increasing its list prices in foreign currencies in order to maintain the price level when converted into U.S. Dollars. Historically, Somero has been able to increase prices to accommodate for fluctuations in exchange rates that would otherwise negatively impact its prices when converted into U.S. Dollars.

The Company incurs and pays some expenses in currencies other than the U.S. Dollar. Such expenses are primarily paid in Pounds Sterling. For the six months ended 30 June 2006, Somero incurred \$1.4 million in expenses that were denominated and paid in Pounds Sterling. If the U.S. Dollar to Pound Sterling exchange rate increased by 10% during the entirety of this period, these expenses would have been \$140,000 higher, when converted to U.S. Dollars. If this exchange rate had been lower, there would have been a corresponding decrease in these expenses. Any increase in expenses resulting from changes in exchange rates would be at least partially offset by an increase in revenues resulting from sales of products in foreign currencies, as discussed in the preceding paragraph. The risk of increased expenses from fluctuating exchange rates could increase if the Company is successful in its efforts to increase sales outside the U.S. and incurs increasing expenses related to sales denominated in those other currencies.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, please refer to note 2 to Somero's audited consolidated financial statements as of 31 December 2005 and 30 June 2006 and for the period from 11 August 2005 through 31 December 2005 and the six months ended 30 June 2006, which are included herein at Part V, Section A.

Stock Option Expensing

In December 2004, the U.S. Financial Accounting Standards Board issued SFAS No. 123(R), "Share-Based Payment", which establishes accounting standards for all transactions in which an entity exchanges its equity instruments for goods and services. SFAS No. 123(R) focuses primarily on accounting for transactions with employees, and carries forward without change prior guidance for share-based payments for transactions with non-employees.

SFAS No. 123(R) eliminates the intrinsic value measurement objective in APB Opinion No. 25 and generally requires Somero to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the date of the grant. The standard requires grant date fair value to be estimated using either an option-pricing model, which is consistent with the terms of the award, or a market observed price, if such a price exists. Such cost must be recognised over the period

during which an employee is required to provide service in exchange for the award, that is, the requisite service period (which is usually the vesting period). The standard also requires us to estimate the number of instruments that will ultimately be issued, rather than accounting for forfeitures as they occur.

Effective 1 January 2006, Somero adopted SFAS No. 123(R). The adoption of this standard had no impact on the Company.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, assumptions and subjective interpretations of accounting principles that have an impact on the amounts reported in the financial statements and accompanying notes, including assets, liabilities, revenues and expenses. These estimates can also affect other information contained in this document, including information regarding contingencies, risk and its financial condition. The Company believes its use of estimates and underlying accounting assumptions conform to U.S. GAAP and are consistently applied. Valuations based on estimates are reviewed for reasonableness on a consistent basis throughout the Company. Actual results could differ from management's estimates and assumptions. Certain accounting policies, methods and estimates are particularly important because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments. Although there are a number of accounting policies, methods and estimates affecting Somero's financial statements as described the notes to the financial statements contained herein at Part V, the following critical accounting policies reflect the primary areas where Somero's financial information is subject to the use of estimates, judgments and assumptions of management.

Revenue Recognition

In accordance with Staff Accounting Bulletin 104, "Revenue Recognition in Financial Statements," revenue is generally recognised and earned when all of the following criteria are satisfied:

- persuasive evidence of sales arrangements exist;
- delivery has occurred;
- the sales price is fixed or determinable; and
- collectibility is reasonably assured.

The final criteria, whether collectibility is reasonably assured, requires management to make significant estimates. In those cases where all four criteria are not met, recognition of revenue is deferred until the period in which all four criteria are satisfied.

Allowance for Doubtful Accounts

Somero records an allowance for doubtful accounts to reflect management's best estimate of the accounts receivable as of the balance sheet date that will likely be uncollectible. Somero evaluates its ability to collect accounts receivable based on a combination of factors. In circumstances where Somero is aware of a specific customer's inability to meet its financial obligations, a specific reserve for bad debts is recorded against amounts due to reduce the net recognised receivable to the amount reasonably expected to be collected. Additionally, a general percentage of past due receivables is reserved, based on Somero's past experience of collectibility. If circumstances change, as a result of higher than expected defaults, an unexpected materially adverse change in a major customer's ability to meet its financial obligations, or other factors, estimates of the recoverability of amounts due could be reduced by a material amount. Somero's level of reserves for its customer accounts receivable fluctuates depending upon the factors discussed. Historically, Somero's allowance for doubtful accounts has been sufficient to provide for write-offs of uncollectible amounts.

Inventory Valuation

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, and market. Certain items in inventory may be considered impaired, and as a result Somero may establish an allowance to reduce the carrying value of these items to their net realisable value. In addition, certain items in inventory

may be considered obsolete, and as a result, Somero may establish an allowance to reduce the carrying value of these items to their net realisable value. The amounts in these inventory allowances are determined by Somero based on certain estimates, assumptions and judgments made from information available at that time. Historically, inventory reserves have been sufficient to provide for proper valuation of Somero's inventory.

Goodwill and Other Long-Lived Assets

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds their fair value. Judgments related to the expected useful lives of long-lived assets and Somero's ability to realise any undiscounted cash flows in excess of the carrying amounts of such assets are affected by a number of factors, including the ongoing maintenance and improvements of the assets, changes in the expected use of the assets, changes in economic conditions, changes in operating performance and anticipated future cash flows. Since judgment is involved in determining the fair value of long-lived assets, there is risk that the carrying value of long-lived assets may require adjustment in future periods. If actual fair value is less than management's estimates, long-lived assets may be overstated on the balance sheet and a charge would need to be taken against earnings.

Indebtedness Statement

The following table shows the indebtedness of Somero as of 31 August 2006:

	As at 31 August 2006 (in US\$ Thousands)
Cash and cash equivalents	\$ 6,387
Bank overdrafts	—
Short term financial debts	2,000
Current portion of capital lease obligations	660
Current financial debt	2,660
Net current financial indebtedness	
Long term financial debts	29,000
Non current portion of capital leases	9
Non current financial indebtedness	29,009
Gross debt	31,669
Net financial indebtedness(1)	\$25,282

(1) Net financial indebtedness represents gross debt less cash and cash equivalents.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of 30 June 2006.

Use of Non-U.S. GAAP Financial Measures

The Company uses non-U.S. GAAP financial measures in order to provide supplemental information regarding the Company's operating performance. The non-U.S. GAAP financial measures presented herein should not be considered in isolation from, or as a substitute to, financial measures calculated in accordance with U.S. GAAP. Investors are cautioned that there are inherent limitations associated with the use of each non-U.S. GAAP financial measure. In particular, non-U.S. GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and many of the adjustments to the U.S. GAAP financial measures reflect the exclusion of items that may have a material effect on the Company's financial results calculated in accordance with U.S. GAAP.

EBITDA

References to "EBITDA" in this document are to Somero's operating income plus amortisation of intangibles and depreciation. Although EBITDA is not a measure of operating income, operating performance or

liquidity under U.S. GAAP, this financial measure is included because it is used by some investors to determine a company's ability to service indebtedness and fund ongoing capital expenditures. In addition, EBITDA has been included to enable investors to compare Somero's results of operations both before and after the Somero Acquisition, including by eliminating the effects of increases in depreciation and amortisation of intangibles that have occurred as a result of the write-up of these assets in connection with the Somero Acquisition. EBITDA should not, however, be considered in isolation or as a substitute for operating income as determined by U.S. GAAP, or as an indicator of operating performance, or of cash flows from operating activities as determined in accordance with U.S. GAAP. Since EBITDA is not a measure determined in accordance with U.S. GAAP and is thus susceptible to varying calculations, EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. For a reconciliation of EBITDA to operating income, see "Reconciliation of EBITDA and Net Income Before Amortisation" below.

Net Income Before Amortisation

References to "net income before amortisation" in this document are to Somero's net income plus amortisation of intangibles. Although net income before amortisation is not a measure of operating income, operating performance or liquidity under U.S. GAAP, this financial measure is included because management believes it will be useful to investors when comparing Somero's results of operations both before and after the Somero Acquisition, including by eliminating the effects of increases in amortisation of intangibles that have occurred as a result of the write-up of these assets in connection with the Somero Acquisition. Net income before amortisation should not, however, be considered in isolation or as a substitute for operating income as determined by U.S. GAAP, or as an indicator of operating performance, or of cash flows from operating activities as determined in accordance with U.S. GAAP. Since net income before amortisation is not a measure determined in accordance with U.S. GAAP and is thus susceptible to varying calculations, net income before amortisation, as presented, may not be comparable to other similarly titled measures of other companies. For a reconciliation of net income before amortisation to net income, see "Reconciliation of EBITDA and Net Income Before Amortisation" below.

Reconciliation of EBITDA and Net Income Before Amortisation

The following is a reconciliation of EBITDA to operating income and net income before amortisation to net income for the periods presented:

	SOMERO ENTERPRISES GROUP			SOMERO ENTERPRISES, INC.	Combined(1)	SOMERO ENTERPRISES GROUP	SOMERO ENTERPRISES, INC.
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	For the Years Ended 31 December	2004	1 January 2005 Through 10 August 2005	11 August 2005 Through 31 December 2005	For the Year Ended 31 December 2005	Six Months Ended 30 June 2005	Six Months Ended 30 June 2006
Figures in Thousands	2003	2004	10 August 2005	31 December 2005	31 December 2005	30 June 2005	30 June 2006
EBITDA Reconciliation							
Operating Income	\$ 430	\$ 5,267	\$ 4,739	\$ 3,000	\$ 7,739	\$ 4,743	\$ 6,575
Depreciation	661	597	278	207	485	230	175
Amortisation of Intangibles	955	955	581	1,001	1,582	477	1,184
EBITDA	<u>\$ 2,046</u>	<u>\$ 6,819</u>	<u>\$ 5,598</u>	<u>\$ 4,208</u>	<u>\$ 9,806</u>	<u>\$ 5,450</u>	<u>\$ 7,934</u>
Net Income Before Amortisation Reconciliation							
Net Income	\$ 124	\$ 3,412	\$ 3,081	\$ 962	\$ 4,043	\$ 3,061	\$ 2,889
Amortisation of Intangibles	955	955	581	1,001	1,582	477	1,184
Net Income Before Amortisation	<u>\$ 1,079</u>	<u>\$ 4,367</u>	<u>\$ 3,662</u>	<u>\$ 1,963</u>	<u>\$ 5,625</u>	<u>\$ 3,538</u>	<u>\$ 4,073</u>

(1) The combined 2005 results represent the summation of (i) the results for 1 January 2005 through 10 August 2005 for Somero Enterprises Group and (ii) the results for 11 August 2005 through 31 December 2005 for Somero Enterprises, Inc. The accounting treatment for both periods is the same in all material respects with the exception of amortisation of intangibles and immaterial differences in depreciation expense. You should carefully review the section entitled "Important Information for Investors—Basis of Presentation" on page 3 above for a further discussion of the comparability of financial data for periods prior to and including 10 August 2005 with periods after 10 August 2005.

**PART V
FINANCIAL STATEMENTS**

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SECTION A

SOMERO ENTERPRISES, INC. AND SUBSIDIARIES

Consolidated Financial Statements as of 31 December 2005 and 30 June 2006 and for the Period from 11 August 2005 Through 31 December 2005 and the Six Months Ended 30 June 2006 and Independent Auditor's Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Somero Enterprises, Inc. and Subsidiaries
Jaffrey, New Hampshire

We have audited the accompanying consolidated balance sheets of Somero Enterprises, Inc. and subsidiaries (the "Company"), as of 31 December 2005 and 30 June 2006, and the related consolidated statements of operations, stockholder's equity and cash flows for the period 11 August 2005 through 31 December 2005 and the six month period ended 30 June 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2005 and 30 June 2006, and the results of its operations and its cash flows for the period 11 August 2005 through 31 December 2005 and the six months ended 30 June 2006, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

6 October 2006
Boston, Massachusetts

SOMERO ENTERPRISES, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2005 AND 30 JUNE 2006
(in thousands)**

	31 December 2005	30 June 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,391	\$ 5,780
Accounts receivable-net	2,644	3,872
Inventories-net	4,504	4,797
Prepaid expenses and other assets	577	317
Deferred tax asset	47	27
Total current assets	10,163	14,793
PROPERTY, PLANT AND EQUIPMENT-net	4,834	4,863
INTANGIBLE ASSETS-net	23,987	22,808
GOODWILL	16,400	16,400
DEFERRED FINANCING COSTS	1,826	1,587
DEFERRED OFFERING COSTS	-	326
OTHER ASSETS	45	105
TOTAL ASSETS	\$ 57,255	\$ 60,882
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes payable-current portion	\$ 1,500	\$ 2,000
Accounts payable	2,384	3,355
Accrued expenses	2,373	2,695
Due to related party	710	710
Income taxes payable	374	255
Obligations under capital leases, current portion	-	660
Total current liabilities	7,341	9,675
Notes payable, net of current portion	30,500	29,500
Obligations under capital leases, net of current portion	657	9
Deferred income taxes	15	88
TOTAL LIABILITIES	\$ 38,513	\$ 39,272
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S EQUITY		
Preferred Stock, \$.001 par value, 1,000 shares authorised, no shares issued and outstanding	-	-
Common Stock-Series A, \$.001 par value, 1,000 shares authorised, 1,000 issued and outstanding	-	-
Common Stock-Series B, \$.001 par value, 99,000 shares authorised, 94,000 issued and outstanding	-	-
Additional paid in capital	17,783	17,783
Retained earnings	962	3,851
Other comprehensive income	(3)	(24)
Total Stockholder's Equity	18,742	21,610
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 57,255	\$ 60,882

SOMERO ENTERPRISES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIOD 11 AUGUST 2005 THROUGH 31 DECEMBER 2005
AND FOR THE SIX MONTHS ENDED 30 JUNE 2006
(in thousands)**

	11 August 2005 Through 31 December 2005	Six Months Ended 30 June 2006
REVENUE	\$ 16,549	\$ 29,076
COST OF SALES	7,953	13,268
GROSS PROFIT	<u>8,596</u>	<u>15,808</u>
OPERATING EXPENSES:		
Selling expenses	2,542	4,484
Engineering expenses	417	598
General and administrative expenses	2,637	4,151
Total operating expenses	<u>5,596</u>	<u>9,233</u>
OPERATING INCOME	3,000	6,575
OTHER INCOME (EXPENSE)		
Interest expense	(1,162)	(1,934)
Interest income		35
Foreign exchange gain (loss)	(40)	167
Other	(288)	(196)
INCOME BEFORE INCOME TAXES	<u>1,510</u>	<u>4,647</u>
PROVISION FOR INCOME TAXES	<u>548</u>	<u>1,758</u>
NET INCOME	<u>\$ 962</u>	<u>\$ 2,889</u>

See notes to consolidated financial statements.

SOMERO ENTERPRISES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE PERIOD 11 AUGUST 2005 THROUGH 31 DECEMBER 2005 AND
FOR THE SIX MONTHS ENDED 30 JUNE 2006 (in thousands, except numbers of shares)**

	Common Stock-Series A		Common Stock-Series B		Additional Paid In Capital	Retained Earnings	Other Comprehensive Income (Loss)	Total	Total Comprehensive Income
	Shares	Amount	Shares	Amount					
BALANCE—11 August 2005	1,000	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of shares	-	-	94,000	-	-	-	-	-	-
Contributed Capital	-	-	-	-	1,100	-	-	1,100	-
Transfer of loan from parent to equity	-	-	-	-	16,683	-	-	16,683	-
Cumulative translation adjustment	-	-	-	-	-	-	(3)	(3)	(3)
Net income	-	-	-	-	-	962	-	962	962
⌘ BALANCE—31 December 2005	1,000	-	94,000	-	17,783	962	(3)	18,742	\$ 959
Cumulative translation adjustment	-	-	-	-	-	-	(21)	(21)	(21)
Net income	-	-	-	-	-	2,889	-	2,889	2,889
BALANCE—30 June 2006	1,000	\$ -	94,000	\$ -	\$17,783	\$3,851	\$ (24)	\$ 21,610	\$ 2,868

See notes to consolidated financial statements.

SOMERO ENTERPRISES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD 11 AUGUST 2005 THROUGH 31 DECEMBER 2005 AND
THE SIX MONTHS ENDED 30 JUNE 2006
(in thousands)**

	11 August 2005 Through 31 December 2005	Six Months Ended 30 June 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 962	\$ 2,889
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	(32)	93
Depreciation and amortisation	1,208	1,359
Amortisation of deferred financing costs	-	238
Gain on sale of assets	-	(3)
Realised gain (loss) on currency exchange	40	(167)
Working capital changes:		
Accounts receivable	(622)	(1,228)
Inventories	(157)	(237)
Prepaid expenses and other assets	(291)	260
Other assets	(45)	(62)
Accounts payable and other liabilities	77	1,293
Income taxes payable	375	(119)
Net cash provided by operating activities	<u>1,515</u>	<u>4,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	-	22
(Expenditures)/Reimbursement for loan and acquisition costs-net	(1,826)	-
Payment for purchase of business-net of cash	(46,735)	-
Working capital adjustment from parent company	(265)	-
Property and equipment purchases	(79)	(263)
Net cash used in investing activities	<u>(48,905)</u>	<u>(241)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Direct payment of transaction costs	1,100	-
Proceeds from initial debt financing from parent	47,000	-
Borrowings from additional financing	32,000	-
Working capital advance from Parent	41	-
Payment for financing costs	-	(5)
Repayment of notes payable	-	(500)
Repayment of loan from parent	(30,317)	-
Repayment of capital lease	-	(1)
Payment of deferred offering costs	-	(326)
Net cash provided by (used in) financing activities	<u>49,824</u>	<u>(832)</u>
Effect of exchange rates on cash and cash equivalents	(43)	146
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>2,391</u>	<u>3,389</u>
CASH AND CASH EQUIVALENTS:		
Beginning of period	-	2,391
End of period	<u>\$ 2,391</u>	<u>\$ 5,780</u>
SUPPLEMENTARY CASH FLOW DISCLOSURES		
Cash paid for interest	<u>\$ 1,162</u>	<u>\$ 1,934</u>
Cash paid for taxes	<u>\$ 206</u>	<u>\$ 2,015</u>
Cash received for tax refunds	<u>\$ -</u>	<u>\$ 15</u>
Noncash transactions-transfer of stockholder loan to equity	<u>\$ 16,683</u>	<u>\$ -</u>

See notes to consolidated financial statements.

SOMERO ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2005 AND 30 JUNE 2006 AND FOR THE PERIOD FROM 11 AUGUST 2005 THROUGH 31 DECEMBER 2005 AND THE SIX MONTHS ENDED 30 JUNE 2006

1. ORGANISATION AND DESCRIPTION OF BUSINESS

Organisation—Somero Enterprises Inc. (formerly GTG Portfolio Holdings Inc. and together with its subsidiaries, the “Company”), was incorporated on 12 November 2002 and held no assets and conducted no business operations until 10 August 2005. On 10 August 2005, Somero Enterprises, Inc. acquired certain assets and assumed certain liabilities from various affiliates of Dover Industries, Inc. (collectively, the “Somero Business”).

Nature of Business—The Company designs, manufactures, refurbishes, sells and distributes concrete levelling, contouring and placing equipment, related parts and accessories, and training services worldwide. The operations are conducted from a corporate office in Jaffrey, New Hampshire, a single assembly facility located in Houghton, Michigan, and a European distribution office in the United Kingdom.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation—The consolidated financial statements include the accounts of Somero Enterprises, Inc. and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Cash and Cash Equivalents—Cash includes cash on hand, cash in banks, and temporary investments with a maturity of three months or less when purchased.

Accounts Receivable and Allowances for Doubtful Accounts—Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company’s accounts receivable are derived from revenue earned from a diverse group of customers primarily located in the United States. The Company performs credit evaluations of its commercial customers and maintains an allowance for doubtful accounts receivable based upon the expected ability to collect accounts receivable. Reserves, if necessary, are established for amounts determined to be uncollectible based on specific identification and historical experience. As of 31 December 2005 and 30 June 2006, the allowance for doubtful accounts was approximately \$110,000 and \$170,000, respectively.

Inventories—Inventories are stated at the lower of cost, using the first in, first out (“FIFO”) method, or market. Provision for potentially obsolete or slow-moving inventory is made based on management’s analysis of inventory levels and future sales forecasts.

Deferred Financing Costs—Deferred financing costs incurred in relation to long-term debt, are reflected net of accumulated amortisation and are amortised over the expected repayment term of the debt instrument, which is four years from the debt inception date. Deferred financing costs are amortised using the straight-line method.

Intangible Assets and Goodwill—*Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets*

The Company evaluates the carrying value of long-lived assets, excluding goodwill, at least annually for impairment or when events and circumstances indicate the carrying amount of an asset may not be recoverable. For the periods ended 31 December 2005 and 30 June 2006, no such events or circumstances were identified. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset (or asset group) are separately identifiable and less than the asset’s (or asset group’s) carrying value. In that event, a loss is recognised to the extent that the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Intangible assets consist principally of customer relationships and patents, and are carried at their fair value, less accumulated amortisation. Intangible assets are amortised using the straight-line method over a period of three to twelve years, which is their estimated period of economic benefit. Goodwill is not amortised but is subject to impairment tests on an annual basis, and the Company has chosen 31 December as its periodic assessment date.

Revenue Recognition—products—The Somero Business recognises revenue on sales of equipment, parts and accessories when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured. For product sales where shipping terms are F.O.B. shipping point, revenue is recognised upon shipment. For arrangements which include F.O.B. destination shipping terms, revenue is recognised upon delivery to the customer. Standard products do not have customer acceptance criteria. Revenues for training are deferred until the training is completed unless the training is deemed inconsequential or perfunctory

Revenue Recognition—sale of equipment under recourse financing—The Company initially defers recognition of revenue associated with equipment sold under recourse financing contracts. Revenue is recognised over the life of the contractual obligation, as is more fully described in note 6.

Warranty Reserve—The Company provides warranties on all equipment sales ranging from three months to one year, depending on the product. Warranty reserves are estimated net of the warranty passed through to the Company from vendors, specific identification of issues and historical experience.

Property, Plant and Equipment—Property, plant and equipment is stated at estimated market value based on an independent appraisal at the acquisition date or at cost for subsequent acquisitions, net of accumulated depreciation and amortisation. Land is not depreciated. Depreciation is computed on buildings using the straight-line method over the estimated useful lives of the assets, which is 31.5 to 40 years for buildings (depending on the nature of the building), 15 years for improvements, and 2 to 5 years for machinery and equipment.

Deferred Offering Costs—Deferred offering costs incurred in relation to the Company undertaking an initial public offering have been capitalised. The capitalised costs will be written off against any future proceeds received at the time the initial public offering is complete and successful or expensed if the offering is abandoned.

Income Taxes—The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 109, “Accounting for Income Taxes”. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance, if necessary, to the extent that it appears more likely than not, that such assets will be unrecoverable.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include allowances for doubtful accounts, inventory reserves, warranty reserves, and other accruals.

Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 151, “Inventory Costs, An Amendment of ARB 43, Chapter 4”. SFAS No. 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials should be recognised as current period charges in all circumstances. The Company adopted SFAS No. 151 on 1 January 2006. The adoption of SFAS No. 151 did not have a material impact on the Company’s financial position, results of operations or cash flows.

In March 2006, the FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets” an amendment of FASB Statement No. 140 (“SFAS No. 156”). SFAS No. 156 requires that all separately recognised servicing assets and servicing liabilities be initially measured at fair value, if

practicable. SFAS No. 156 permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. An entity that uses derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. Under SFAS No. 156 an entity can elect subsequent fair value measurement of its servicing assets and servicing liabilities by class, thus simplifying its accounting and providing for income statement recognition of the potential offsetting changes in fair value of the servicing assets, servicing liabilities, and related derivative instruments. An entity that elects to subsequently measure servicing assets and servicing liabilities at fair value is expected to recognise declines in fair value of the servicing assets and servicing liabilities more consistently than by reporting other-than-temporary impairments. SFAS No. 156 is effective for fiscal years beginning after 15 September 2006. The Company does not expect the adoption of SFAS No. 156 will have a material impact on its results of operations, financial position, or cash flows.

In December 2004, the FASB issued SFAS No. 123R "Share-Based Payment". SFAS No. 123R requires that cost resulting from all share-based payment transactions be recognised in the financial statements. SFAS No. 123R also establishes fair value as the measurement method in accounting for share-based payments to employees. In March 2005, the SEC released Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107") which provides interpretive guidance on SFAS No. 123R. SAB 107 does not change the accounting required by SFAS No. 123R.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" an interpretation of FASB Statement No. 109, which is effective for fiscal years beginning after 15 December 2006. The interpretation provides that a tax position is recognised if the enterprise determines that it is more likely than not that a tax position will be sustained based on the technical merits of the position, on the presumption that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realised upon ultimate settlement. The interpretation also provides guidance on removal from recognition, classification, interest and penalties, accounting for interim periods and transition. The Company is in the process of evaluating the impact that adoption of the interpretation will have on its financial statements.

Translation of Foreign Currencies – The functional currency for the company's foreign branch is the Pound Sterling. Balance sheet amounts are translated at 31 December and 30 June exchange rates and statement of operations accounts are translated at average rates. The resulting gains or losses are charged directly to accumulated other comprehensive income. The Company is exposed to market risks related to fluctuations in foreign exchange rates because some sales transactions, and the assets and liabilities of its foreign subsidiaries, are denominated in foreign currencies. The Company had no outstanding forward exchange contracts as of 31 December 2005 and 30 June 2006. Gains and losses from transactions denominated in foreign currencies and forward exchange contracts are included in the Company's net income as foreign exchange gain (loss) in the accompanying consolidated statements of operations.

Comprehensive Income – Comprehensive income, which is the combination of reported net income and other comprehensive income, was composed only of the Company's net income and foreign exchange losses for the period from 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006. Total comprehensive income for the periods was approximately \$959,000 and \$2,868,000, respectively.

3. BUSINESS COMBINATION

On 10 August 2005, the Company acquired the Somero Business whose results of operations are included in the consolidated results of operations presented herein for the period from 11 August 2005 to 31 December 2005. The Somero Business was formerly a division of Dover Industries, Inc. The aggregate purchase price was \$46,735,000, and the Company incurred \$1,500,000 of transaction costs.

The Company accounted for the acquisition using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations". The Company engaged a third-party valuation specialist to assist in the appraisal of intangible assets and real and personal property acquired. The total purchase price has been allocated based upon the fair value of the assets acquired and liabilities assumed. The excess purchase price above the fair value of the assets acquired and liabilities assumed has been recorded as goodwill. Identifiable intangible assets acquired were valued using assumed cash flow estimates, and applicable discount rates. The

Company identified intangible assets consisting of customer relationships and patents, which will be amortised over a period of 8 to 12 years, as is more fully described in note 5. The allocation of the purchase price consideration is as follows (in thousands):

Accounts receivable - net	\$ 2,033
Inventory - net	4,517
Prepaid expenses	286
Property and equipment	4,305
Intangible assets	<u>41,388</u>
Total assets acquired	<u>52,529</u>
Total liabilities assumed	<u>(5,794)</u>
Purchase price	<u>\$ 46,735</u>

4. INVENTORIES

Inventories consisted of the following at 31 December 2005 and 30 June 2006 (in thousands):

	2005	2006
Raw materials	\$ 2,266	\$ 2,817
Finished goods and work in process	<u>2,931</u>	<u>2,279</u>
	5,197	5,096
Less: reserve for excess and obsolete inventory	<u>(693)</u>	<u>(299)</u>
Total	<u>\$ 4,504</u>	<u>\$ 4,797</u>

5. GOODWILL AND INTANGIBLE ASSETS

Under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets ("SFAS No. 142")", the Company is required to test goodwill annually for impairment. The Company, tests for impairment by comparing the fair value of each reporting unit, which has been determined by estimating the present value of expected future cash flows to its carrying value. In 2005, the Company performed its annual SFAS No. 142 impairment test and determined that no impairment loss should be recognised. Goodwill in the amount of \$16,400,000 was recorded in the acquisition of the Somero Business and the majority is expected to be deductible for tax purposes.

The following table reflects intangible assets that are subject to amortisation under the provisions of SFAS No. 142 (in thousands):

	Weighted average Amortisation Period	2005	2006
Capitalised Cost			
Customer Relationships	8 years	6,300	6,300
Patents	12 years	18,538	18,538
Other Intangibles	3 years	<u>150</u>	<u>155</u>
		<u>\$ 24,988</u>	<u>\$ 24,993</u>
Accumulated Amortisation			
Customer Relationships	8 years	328	721
Patents	12 years	644	1,418
Other Intangibles	3 years	<u>29</u>	<u>46</u>
		<u>\$ 1,001</u>	<u>\$ 2,185</u>
Net Carrying Costs			
Customer Relationships	8 years	5,972	5,579
Patents	12 years	17,894	17,120
Other Intangibles	3 years	<u>121</u>	<u>109</u>
		<u>\$ 23,987</u>	<u>\$ 22,808</u>

Amortisation expense associated with the intangible assets for the period from 11 August 2005 through 31 December 2005 and the six months ended 30 June 2006 was approximately \$1,001,000 and \$1,184,000, respectively. Future amortisation on intangible assets is as follows (in thousands) at:

	30 June 2006
2006	\$ 1,191
2007	2,383
2008	2,363
2009	2,333
2010	2,333
Thereafter	<u>12,205</u>
	<u>\$ 22,808</u>

6. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following at 31 December 2005 and 30 June 2006 (in thousands):

	2005	2006
Land	\$ 207	\$ 207
Buildings and improvements	3,398	3,432
Machinery and equipment	600	728
Property and Equipment held under capital leases (See Notes 8 and 14)	658	670
Equipment sold under recourse contracts	<u>178</u>	<u>178</u>
	5,041	5,215
Less: accumulated depreciation and amortisation	<u>(207)</u>	<u>(352)</u>
	<u>\$ 4,834</u>	<u>\$ 4,863</u>

Depreciation expense for the period 11 August 2005 through 31 December 2005 and the six months ended 30 June 2006, was approximately \$207,000 and \$175,000, respectively.

The Company previously offered a facility to customers whereby the Company guaranteed the financing on the sale of equipment. Equipment sold under recourse contracts is included in Property, Plant and Equipment at a net book value at 31 December 2005 and 30 June 2006 of approximately \$147,000 and \$114,000, respectively. Revenue under these arrangements is deferred and recognised over the life of the financing arrangement. Deferred revenue of approximately \$173,000 related to these transactions was included in accrued expenses at 30 June 2006.

7. DEBT OBLIGATIONS

Summary—The Company's debt obligations consisted of the following at 31 December 2005 and 30 June 2006 (in thousands):

	2005	2006
Bank debt:		
Term loans	\$ 32,000	\$ 31,500
Less debt obligations due within one year	<u>1,500</u>	<u>2,000</u>
Obligations due after one year	<u>\$ 30,500</u>	<u>\$ 29,500</u>

Credit Facility—The Company has a credit facility with a financial institution that is composed of the following at 30 June 2006:

- \$3,000,000 revolving working capital line of credit under which amounts borrowed are due on demand
- \$32,000,000 term loan

The working capital line of credit loan bears interest at the Prime Rate (as defined in the financing agreement) plus 0.75% per annum (8.0% at 31 December 2005 and 8.75% at 30 June 2006). The term loan under the credit facility bears interest at the Prime Rate plus 2.25% per annum (9.5% at 31 December 2005 and 10.25% at 30 June 2006). All borrowings are secured by substantially all of the assets of the Company and contain a number of restrictive covenants that, among other things, limit the ability of the Company to make distributions to shareholders, make capital expenditures, and incur indebtedness. In addition, the Company is required to comply with quarterly debt service coverage ratios and minimum trailing twelve month EBITDA requirements. The credit facility expires on 22 November 2010.

Future Payments—The future payments by year under the Company's debt obligations are as follows (in thousands) at:

	30 June 2006
2006	\$ 1,000
2007	2,000
2008	3,000
2009	3,000
2010	<u>22,500</u>
 Total payments	 <u><u>\$ 31,500</u></u>

Interest—Interest expense on the credit facility during the period 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006, was approximately \$457,000 and \$1,879,000, respectively, related to the debt obligation, including \$0 and \$238,000, respectively of amortisation of loan origination fees. Interest expense paid by the Company's U.K. subsidiary was approximately \$0 and \$13,000 for the period 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006, respectively.

8. CAPITAL LEASE OBLIGATIONS

Summary—The Company leases a building in Jaffrey, New Hampshire, which is owned by a former co-owner of the Somero Business. The lease has a condition in which the owner of the building is allowed to require the Company to purchase the building at fair value at the end of the lease. The lease requires treatment as a capital lease.

The Company also leases office equipment under a capital lease through October 2010.

At 30 June 2006, the gross amount of property and equipment and related accumulated amortisation recorded under the capital lease were as follows (in thousands):

Building	\$ 657
Equipment	<u>12</u>
	669
Less: Accumulated Depreciation	<u>(27)</u>
	<u><u>\$ 642</u></u>

Future Payments—The future payments under the Company’s capital lease obligation are as follows at 30 June 2006 (in thousands):

2006	\$ 42
2007	660
2008	3
2009	3
2010	3
Thereafter	-
Net minimum lease payments	<u>711</u>
Less: Amount representing interest	\$ (42)
Present value of net minimum lease payments	<u>\$ 669</u>

Interest—Interest paid during the period 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006, was approximately \$40,000 and \$42,000, respectively, related to the capital lease obligation.

9. RETIREMENT PROGRAM

The Company has a savings and retirement plan for its employees, which is intended to qualify under Section 401(k) of the Internal Revenue Code (“IRC”). This savings and retirement plan provides for voluntary contributions by participating employees, not to exceed maximum limits set forth by the IRC. The Company matches 50% of the employee’s contribution, up to the first 4% of the employee’s salary, for the period from 11 August 2005 through 31 December 2005 and matches 75% of the employee’s contribution, up to the first 4% for the six months ended 30 June 2006. The Company match vests after one year of service with the Company. The Company contributed approximately \$21,000 and \$77,000 to the savings and retirement plan during the period from 11 August 2005 through 31 December 2005 and the six months ended 30 June 2006, respectively.

10. OPERATING LEASES

The Company leases property, vehicles and office equipment under leases accounted for as operating leases. Future minimum payments by year under non cancelable operating leases with initial terms in excess of one year were as follows at 30 June 2006 (in thousands):

	30 June 2006
2006	\$ 65
2007	129
2008	92
2009	63
2010	15
After 2010	<u>-</u>
Total	<u>\$ 364</u>

Total rent expense under operating leases was approximately \$50,000 and \$70,000 during the period 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006, respectively.

11. STOCKHOLDER’S EQUITY

At 30 June 2006, the Company had the following classes of stock:

- a. Preferred Stock, \$.001 par value, 1,000 shares authorised. No preferred stock has been issued.

- b. Common Stock, \$.001 par value, 100,000 shares authorized consisting of 1,000 shares of Series A Common Stock and 99,000 shares of Series B Common Stock. The holders of Series A stock are entitled to one (1) vote per share in respect to any matter to be voted on by the stockholders of the Company. The holders of Series B stock shall have no right to vote on any matter to be voted on by the stockholders of the Company. At 30 June 2006, 1,000 shares of Series A Common Stock are issued and outstanding, and 94,000 shares of Series B Common Stock are issued and outstanding.

12. TRANSACTIONS WITH RELATED PARTIES

During the period from 11 August 2005 through 31 December 2005, the Company received a \$47,000,000 loan from its sole shareholder, Somero Holdings, LLC of which \$30,317,000 was repaid via the credit facility discussed in Note 7. The remaining balance of \$16,683,000 was contributed to equity as additional paid in capital. At 31 December 2005 and 30 June 2006, the Company had payables due to Somero Holdings, LLC, its sole shareholder, on the accompanying consolidated balance sheets of approximately \$710,000. These advances relate to interest on the original acquisition financing and working capital advances not repaid by 31 December 2005 and 30 June 2006. During the period from 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006, the Company incurred interest in the amount of approximately \$706,000 and \$2,000 relating to this payable, respectively.

The Company has a management fee agreement and a 401(k) retirement plan through the investment manager of Somero Holdings, LLC. Fees paid under the management fee agreement were approximately \$167,000 and \$201,000 for the period from 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006, respectively.

13. BUSINESS AND CREDIT CONCENTRATION

The Company's line of business could be significantly impacted by, among other things, the state of the general economy, the Company's ability to continue to protect its intellectual property rights, and the potential future growth of foreign competitors. Any of the foregoing may significantly affect management's estimates and the Company's performance. At 31 December 2005, and 30 June 2006, the Company had receivables from two customers which represented approximately 25% and 15% of total accounts receivable, respectively.

14. COMMITMENTS AND CONTINGENCIES

Somero Holdings, LLC adopted the 2005 Deferred Compensation and Retention Plan (the "Plan") for certain employees of the Company. Participants in the Plan are granted "units" representing the right to share in a liquidity event based on the net proceeds of such an event. A liquidity event must involve the sale or merger of the Company or substantially all of its assets. Since any benefits are contingent upon a liquidity event, the Company will account for these equity instruments at the time a liquidity event is probable.

In September 2006, the plan was amended and restated as the 2006 Somero Holdings, LLC Deferred Compensation and Retention Plan (the "Amended Plan"). The Amended Plan expanded the definition of liquidity event to include the sale of more than 50% of the stock of the Company.

The Company has entered into employment agreements with certain members of senior management. The terms of these agreements range from six months to one year and include noncompete and nondisclosure provisions as well as providing for defined severance payments in the event of termination.

As disclosed in Note 8, the Company is obligated to purchase its leased Jaffrey, New Hampshire facility upon expiration of the lease on 31 December 2006. The Company is currently trying to sell the property. The building purchase price of \$657,500 is recorded as property and equipment. The building is valued based upon two recent appraisals.

15. INCOME TAXES

The Company calculates current and deferred income tax expense and deferred income tax assets and liabilities in accordance with SFAS No. 109.

The provision for income taxes at 31 December 2005 and 30 June 2006 includes the following (in thousands):

	2005	2006
Current income tax		
Federal	\$ 507	\$ 1,464
State	84	235
Foreign	(11)	(34)
Total current income tax expense	<u>\$ 580</u>	<u>\$ 1,665</u>
Deferred tax expense		
Federal	\$ (28)	\$ 89
State	(4)	4
Foreign	0	0
Total deferred tax (benefit) expense	<u>\$ (32)</u>	<u>\$ 93</u>
Total tax expense	<u>\$ 548</u>	<u>\$ 1,758</u>

The components of the net deferred income tax asset at 31 December 2005 and 30 June 2006 were as follows (in thousands):

	2005	2006
Deferred tax asset (Liability)		
Depreciation	\$ 38	\$ 29
Intangibles	(53)	(118)
Other	47	28
Total net deferred tax asset	<u>\$ 32</u>	<u>\$ (61)</u>
Less: Valuation allowance	<u>\$ 0</u>	<u>\$ 0</u>
Net deferred tax asset (Liability)	<u>\$ 32</u>	<u>\$ (61)</u>
Current	\$ 47	\$ 27
NonCurrent	(15)	(88)
	<u>\$ 32</u>	<u>\$ (61)</u>

The statutory federal income tax rate was 34% for the period from 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006. Differences between the income tax expense reported in the statement of operations and the amount computed by applying the statutory federal income tax rate to earnings before tax are due to the following items (in thousands):

	2005	2006
Consolidated Income before tax	\$ 1,510	\$ 4,647
Statutory rate	34%	34%
Statutory tax expense	<u>\$ 513</u>	<u>\$ 1,580</u>
State taxes	53	158
IRC Section 199 Deduction	(17)	(45)
Meals and Entertainment	13	30
Other	(14)	35
Actual tax expense	<u>\$ 548</u>	<u>\$ 1,758</u>

In assessing the ability to realise net deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods

in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment, but must give greater weight to recent historical operating losses. Based on those considerations, management believes it is more likely than not that the Company will realise the benefits of the deferred tax asset at 30 June 2006, and has not recognised a valuation allowance against the total net deferred tax asset.

16. RESEARCH AND DEVELOPMENT

The Company expenses research and development costs as incurred. Total research and development expense (for U.S. federal income tax purposes) was approximately \$214,000 and \$299,000 for the period 11 August 2005 through 31 December 2005, and the six months ended 30 June 2006, respectively.

17. SALES BY GEOGRAPHIC LOCATION

The Somero Business sells its product to customers throughout the world. The breakdown by location is as follows (in thousands):

	2005	2006
United States and U.S. Possessions	\$ 11,503	\$ 19,627
Canada	569	2,145
Rest of World	4,477	7,304
Total	<u>\$ 16,549</u>	<u>\$ 29,076</u>

18. SUBSEQUENT EVENTS

Share Option Plan – In October 2006 the Company adopted the Share Option Plan. The Share Option Plan provides for the grant of non-qualified and incentive stock options, stock appreciation rights, restricted stock units, deferred stock units and incentive bonuses, which may be paid in cash, Common Shares or a combination thereof (collectively referred to as “Awards”). Options granted to employees and non-executive Directors vest in equal installments over three years. The Share Option Plan was subsequently approved by a majority of the shareholders of the Company.

Management Agreements – Mr. John T. (Jack) Cooney, and Mr. Michael F. Niemela, the Company’s executive Directors, have entered into employment agreements with the Company, effective as of the date of Admission. Mr. Cooney’s and Mr. Niemela’s initial term of employment is one year, and automatically renews annually unless either party gives notice of termination prior to 90 days before expiration of the current term. In the case of Mr. Cooney, the agreement calls for a base salary of \$264,000 annually, an annual incentive bonus of up to \$132,000 and a stretch opportunity of \$66,000 if certain performance goals are met. In the case of Mr. Niemela, the agreement calls for a base salary of \$150,000 annually, an annual incentive bonus of up to \$60,000 and a stretch opportunity of \$30,000 if certain performance goals are met. The agreements provide that the Company may dismiss the employee for cause, and that the employee may resign if the Company fails to meet certain obligations. The Company has also entered into letters of appointment with three new members of the Board of Directors and one continuing member, each to be effective as of the date of Admission. The Directors will be directly reimbursed for their travel expenses, and will receive compensation as follows:

Name	Duties	Compensation
Mr. Doughty	Chairman of the Board of Directors	£ 50,000
Mr. Maskalunas	Audit Committee Chairman	\$ 57,000
Mr. Anderson	Remuneration Committee Chairman	\$ 57,000
Mr. Weingarten	Director	\$ 47,000*

* Mr. Weingarten’s compensation will be paid directly to The Gores Group.

In addition, Mr. Doughty will be compensated at the per diem rate of £1,250 for additional work and travel required in the first year in excess of two days per month.

Dividend Policy – The Directors intend to declare a dividend for the year ending 31 December 2006 equal to approximately 30% of the Company’s reported after-tax income for that year, pro rated to reflect the number of days between Admission and 31 December 2006.

SECTION B
SOMERO ENTERPRISES GROUP

Combined Financial Statements as of 31 December 2003 and 2004, 30 June 2005 (unaudited), and 10 August 2005 and for the Years Ended 31 December 2003 and 2004, the Six Months Ended 30 June 2005 (unaudited), and the Period from 1 January 2005 through 10 August 2005 and Independent Auditor's Report

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INDEPENDENT AUDITORS' REPORT

To Board of Directors and Shareholders of Somero Enterprises, Group
Jaffrey, New Hampshire

We have audited the accompanying combined balance sheets of Somero Enterprises Group (the "Somero Business"), a wholly-owned division of Dover Corporation ("Dover") as of 31 December 2003, and 2004 and 10 August 2005 and the related statements of operations, net parent company investment and cash flows for the years ended 31 December 2003, 31 December 2004 and the period, from 1 January 2005 through 10 August 2005. These financial statements are the responsibility of the Somero Business' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Somero Business' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Somero Business as of 31 December 2003, 31 December 2004 and 10 August 2005 and the results of its operations and its cash flows for the years ended 31 December 2003, 31 December 2004 and for the period from 1 January 2005 through 10 August 2005 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 2, the Somero Business' financial statements have been derived from the financial statements of Dover and reflect certain assumptions and allocations. The financial position, results of operations and cash flows of the Somero Business could differ from those that would have resulted had the Somero Business operated autonomously or independently of Somero. Also, as discussed in Note 17, on 10 August 2005, the Somero Business was sold to an affiliate of The Gores Group, LLC.

Deloitte & Touche LLP

6 October 2006
Boston, Massachusetts

SOMERO ENTERPRISES GROUP

COMBINED BALANCE SHEETS

**AS OF 31 DECEMBER 2003 and 2004, 30 JUNE 2005 (unaudited) and 10 AUGUST 2005
(in thousands)**

	31 December 2003	2004	30 June 2005 (Unaudited)	10 August 2005
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 326	\$ 8	\$ 13	\$ 9
Accounts receivable-net	2,409	1,440	2,539	2,407
Inventories-net	6,099	4,351	4,320	4,688
Refundable income taxes	101	-	-	-
Prepaid expenses and other current assets	173	302	164	175
Deferred tax assets	474	377	737	827
Total current assets	<u>9,582</u>	<u>6,478</u>	<u>7,773</u>	<u>8,106</u>
PROPERTY, PLANT AND EQUIPMENT-net	4,515	4,134	3,699	3,695
OTHER ASSETS	35	35	33	45
INTANGIBLE ASSETS-net	7,845	6,890	6,413	6,310
GOODWILL	1,197	1,197	1,197	1,197
TOTAL ASSETS	<u><u>\$23,174</u></u>	<u><u>\$18,734</u></u>	<u><u>\$19,115</u></u>	<u><u>\$19,353</u></u>
LIABILITIES AND NET PARENT COMPANY INVESTMENT				
CURRENT LIABILITIES:				
Notes payable-affiliate	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217
Accounts payable	1,840	1,784	2,736	2,894
Accrued expenses	1,565	2,083	2,153	2,443
Income taxes payable	-	1,957	3,998	4,141
Total current liabilities	<u>10,622</u>	<u>13,041</u>	<u>16,104</u>	<u>16,695</u>
Obligation under capital lease	657	657	657	657
Other long-term liabilities	-	300	-	-
Deferred tax liabilities	2,993	2,507	2,458	2,419
TOTAL LIABILITIES	<u><u>\$14,272</u></u>	<u><u>\$16,505</u></u>	<u><u>\$19,219</u></u>	<u><u>\$19,771</u></u>
COMMITMENTS AND CONTINGENCIES NET				
PARENT COMPANY INVESTMENT	<u>8,902</u>	<u>2,229</u>	<u>(104)</u>	<u>(418)</u>
TOTAL LIABILITIES AND NET PARENT COMPANY INVESTMENT	<u><u>\$23,174</u></u>	<u><u>\$18,734</u></u>	<u><u>\$19,115</u></u>	<u><u>\$19,353</u></u>

See notes to combined financial statements.

SOMERO ENTERPRISES GROUP

**COMBINED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004, THE SIX MONTHS
ENDED 30 JUNE 2005 (UNAUDITED) AND THE PERIOD
1 JANUARY 2005 THROUGH 10 AUGUST 2005
(in thousands)**

	Years Ended 31 December		Six Months Ended	1 January 2005 Through
	2003	2004	30 June 2005 (Unaudited)	10 August 2005
REVENUE	\$ 25,429	\$ 33,176	\$ 22,370	\$ 25,769
COST OF SALES	15,004	17,167	10,805	12,661
GROSS PROFIT	10,425	16,009	11,565	13,108
OPERATING EXPENSES:				
Selling expense	4,805	5,205	3,234	3,925
Engineering expense	999	986	482	710
General and administrative expense	4,191	4,551	3,106	3,734
Total operating expenses	9,995	10,742	6,822	8,369
OPERATING INCOME	430	5,267	4,743	4,739
OTHER INCOME (EXPENSE)				
Interest expense	(444)	(411)	(246)	(307)
Interest income	6	223	290	383
Foreign exchange gain (loss)	122	20	(50)	(90)
Other	(46)	73	(19)	37
INCOME BEFORE INCOME TAXES	68	5,172	4,718	4,762
PROVISION (BENEFIT) FOR INCOME TAXES	(56)	1,760	1,657	1,681
NET INCOME	\$ 124	\$ 3,412	\$ 3,061	\$ 3,081

See notes to combined financial statements.

SOMERO ENTERPRISES GROUP

**COMBINED STATEMENTS OF CHANGES IN NET PARENT COMPANY INVESTMENT
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004, THE SIX
MONTHS ENDED 30 JUNE 2005 (UNAUDITED) AND THE PERIOD
1 JANUARY 2005 THROUGH 10 AUGUST 2005
(in thousands)**

	Net Parent Company Investment	Accumulated Other Comprehensive Income (Loss)	Total Parent Company Investment	Total Comprehensive Income
BALANCE—1 January 2003	\$ 12,502	\$ (65)	\$ 12,437	
Net advances (payments and charges) from parent company	(3,592)	-	(3,592)	
Cumulative translation adjustment	-	(67)	(67)	(67)
Net income	124	-	124	124
BALANCE—31 December 2003	9,034	(132)	8,902	57
Net advances (payments and charges) from parent company	(10,047)	-	(10,047)	
Cumulative translation adjustment	-	(38)	(38)	(38)
Net income	3,412	-	3,412	3,412
BALANCE—31 December 2004	2,399	(170)	2,229	3,374
Net advances (payments and charges) from parent company (Unaudited)	(5,412)	-	(5,412)	
Cumulative translation adjustment (Unaudited)	-	18	18	18
Net income (Unaudited)	3,061	-	3,061	3,061
BALANCE—30 June 2005 (Unaudited)	48	(152)	(104)	3,079
Net advances (payments and charges) from parent company	(346)	-	(346)	
Cumulative translation adjustment	-	12	12	12
Net income	20	-	20	20
BALANCE—10 August 2005	\$ (278)	\$ (140)	\$ (418)	\$ 3,111

See notes to combined financial statements.

SOMERO ENTERPRISES GROUP

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004, THE SIX MONTHS ENDED
30 JUNE 2005 (UNAUDITED) AND THE PERIOD FROM 1 JANUARY 2005 THROUGH
10 AUGUST 2005
(in thousands)**

	Years Ended		Six Months Ended	1 January Through
	31 December 2003	2004	30 June 2005 (Unaudited)	10 August 2005
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 124	\$ 3,412	\$ 3,061	\$ 3,081
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred taxes	(318)	(389)	(408)	(537)
Depreciation and amortisation	1,616	1,552	707	858
Loss on sale of assets	52	-	20	20
Working capital changes:				
Accounts receivable	338	969	(1,099)	(967)
Inventories	3,525	1,886	187	(181)
Prepaid expenses and other current assets	104	(129)	136	126
Other assets	(35)	-	2	(10)
Accounts payable and other liabilities	373	762	723	1,170
Income taxes payable	2,115	2,058	2,041	2,184
Net cash provided by operating activities	<u>7,894</u>	<u>10,121</u>	<u>5,370</u>	<u>5,744</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of property and equipment	693	7	98	103
Property and equipment purchases	(614)	(359)	(69)	(118)
Net cash provided by investing activities	<u>79</u>	<u>(352)</u>	<u>29</u>	<u>(15)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments for notes payable	(5,023)	-	-	-
Change in net parent company investment	(3,592)	(10,047)	(5,412)	(5,758)
Net cash provided by financing activities	<u>(8,615)</u>	<u>(10,047)</u>	<u>(5,412)</u>	<u>(5,758)</u>
Effect of exchange rates on cash and cash equivalents	<u>(66)</u>	<u>(40)</u>	<u>18</u>	<u>30</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(708)	(318)	5	1
CASH AND CASH EQUIVALENTS:				
Beginning of period	<u>1,034</u>	<u>326</u>	<u>8</u>	<u>8</u>
End of period	<u>\$ 326</u>	<u>\$ 8</u>	<u>\$ 13</u>	<u>\$ 9</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:				
Cash paid for interest	<u>\$ 444</u>	<u>\$ 411</u>	<u>\$ 246</u>	<u>\$ 307</u>
Cash paid for taxes	<u>\$ 49</u>	<u>\$ 150</u>	<u>\$ 42</u>	<u>\$ 54</u>
Cash received for tax refunds	<u>\$ 1,921</u>	<u>\$ 94</u>	<u>\$ 13</u>	<u>\$ 13</u>

See notes to combined financial statements.

SOMERO ENTERPRISES GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003 AND 2004, 30 JUNE 2005 (UNAUDITED) AND 10 AUGUST 2005 AND FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004, THE SIX MONTHS ENDED 30 JUNE 2005 (UNAUDITED) AND THE PERIOD FROM 1 JANUARY 2005 THROUGH 10 AUGUST 2005

1. ORGANISATION AND DESCRIPTION OF BUSINESS

Somero Enterprises Group (the “Somero Business”) represents certain assets and certain liabilities of Dover Industries, Inc. and its affiliates (“Dover”). These financial statements represent the assets, liabilities, income, and expenses of the Somero Business as included in Dover’s financial statements prior to the acquisition of the Somero Business by Somero Enterprises, Inc., formerly GTG Portfolio Holdings, Inc. on 10 August 2005 (the “Acquisition”) (see Note 17 for further discussion). The Somero Business designs, manufactures, refurbishes, sells and distributes concrete levelling, contouring and placing equipment, related parts and accessories, and training services worldwide. The operations are conducted from a corporate office in Jaffrey, New Hampshire, a single assembly facility located in Houghton, Michigan, and a European distribution office in the United Kingdom.

Prior to the Acquisition, the Somero Business operated as subsidiaries of Dover, not as a stand-alone entity. Therefore, the accompanying financial statements do not reflect Dover’s general corporate debt, which may have been used to finance the operations of the Somero Business or an allocation of Dover’s interest expense and general corporate overhead costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The combined carve-out financial statements of the Somero Business have been prepared in accordance with accounting principles generally accepted in the United States of America.

Unaudited Interim Results—The accompanying balance sheet as of 30 June 2005 and the statements of operations and cash flows for the six months ended 30 June 2005 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Somero Business’ financial position as of 30 June 2005 and the results of operations and cash flows for the six months ended 30 June 2005. The financial data and other information disclosed in these notes to the financial statements related to the six months ended 30 June 2005 are unaudited. The results for the six months ended 30 June 2005 are not necessarily indicative of the results to be expected for the year ended 31 December 2005 or for any other interim period or for any future year.

Carve-out Financial Presentation—Prior to the sale on 10 August 2005 by Dover, the Somero Business was operated as subsidiaries of Dover, and not as a stand-alone entity. Therefore, the accompanying combined financial statements are presented on a carve-out basis. Accordingly, for the respective periods, the assets and liabilities of the Somero Business have been accounted for at the historical book values carried by Dover and do not reflect Dover’s general corporate debt, which may have been used to finance the operations of the Somero Business, or an allocation of Dover’s interest expense and general corporate expenses prior to the sale by Dover.

Principles of Combination—The combined carve-out financial statements include the assets and liabilities of the Somero Business and have been accounted for at the historical book values carried by Dover. All significant intercompany transactions and accounts have been eliminated in combination.

Cash and Cash Equivalents—Cash includes cash on hand, cash in banks and temporary investments with a maturity of three months or less when purchased.

Accounts Receivable and Allowances for Doubtful Accounts—Financial instruments that potentially subject the Somero Business to concentrations of credit risk consist primarily of accounts receivable. The Somero Business’ accounts receivable are derived from revenue earned from a diverse group of customers primarily located in the United States of America. The Somero Business performs credit evaluations of its commercial customers and maintains an allowance for doubtful

accounts receivable based upon the expected ability to collect accounts receivable. Reserves, if necessary, are established for amounts determined to be uncollectible based on specific identification and historical experience. As of 31 December 2003 and 2004, 30 June 2005 and 10 August 2005 the allowance for doubtful accounts was approximately \$152,000, \$143,000, \$166,000 (unaudited), and \$194,000, respectively.

Inventories—Inventories are stated at the lower of cost, using the first-in, first-out (“FIFO”) method, or market. Provision for potentially obsolete or slow-moving inventory is made based on management’s analysis of inventory levels and future sales forecasts.

Intangible Assets and Goodwill—Intangible assets consist principally of customer relationships and patents, and are carried at their fair value, less accumulated amortisation. Intangible assets are amortised using the straight-line method over a period of three to twelve years, which is their estimated period of economic benefit. The Somero Business evaluates the recoverability of intangible assets at least annually and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate impairment exists. Goodwill is not amortised but is subject to impairment tests on an annual basis, and the Somero Business has chosen 31 December as its periodic assessment date. There were no impairments identified in the periods ended 31 December 2003 and 2004, 30 June 2005 (unaudited) and 10 August 2005.

Revenue Recognition—products—The Somero Business recognises revenue on sales of equipment, parts and accessories when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured. For product sales where shipping terms are F.O.B. shipping point, revenue is recognised upon shipment. For arrangements which include F.O.B. destination shipping terms, revenue is recognised upon delivery to the customer. Standard products do not have customer acceptance criteria. Revenues for training are deferred until the training is completed unless the training is deemed inconsequential or perfunctory.

Revenue Recognition—sale of equipment under recourse financing—The Somero Business initially defers recognition of revenue associated with equipment sold under recourse financing contracts. Revenue is recognised over the life of the contractual obligation on a straight-line basis, as is more fully described in Note 5.

Warranty Reserve—The Somero Business provides warranties on all equipment sales ranging from three months to one year, depending on the product. Warranty reserves are estimated net of the warranty passed through to the Somero Business from vendors, based on issues that have been specifically identified as giving rise to warranty claims and historical experience.

Property, Plant and Equipment—Property, plant and equipment is stated at cost, net of accumulated depreciation and amortisation. Land is not depreciated. Depreciation is computed on buildings using the straight-line method over the estimated useful lives of the assets, which is 31.5 to 40 years for buildings (depending on the nature of the buildings), 15 years for improvements, and 2 to 5 years for machinery and equipment.

Income Taxes—The Somero Business reports its taxable income or loss on a consolidated tax return with Dover and its affiliates. At 31 December 2003 and 2004, 30 June 2005 and 10 August 2005, there was no formal tax sharing agreement in place between the Somero Business, Dover and its affiliates. The Somero Business accounts for its income taxes as if it were a stand-alone taxpayer in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 109, “Accounting for Income Taxes”. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance, if necessary, to the extent that it appears more likely than not that such assets will be unrecoverable.

Net Parent Company Investment—The carve-out statements only reflect certain assets and liabilities included in the sale by Dover. Therefore, the transactions normally classified as equity have been presented as a single line item as Net Parent Company Investment. The Net Parent

Company Investment presented constitutes the difference between the assets and liabilities of the combined Somero Business and includes adjustments for advances, repayments and various charges for expenses incurred by Dover and allocated to the Somero Business.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Translation of Foreign Currencies—The functional currency for the Somero Business' foreign branch is the Pound Sterling. Balance sheet amounts are translated at year end and six months ended exchange rates and statement of operations accounts are translated at average rates. The resulting gains or losses are charged directly to accumulated other comprehensive income. The Somero Business is exposed to market risks related to fluctuations in foreign exchange rates because some sales transactions, and the assets and liabilities of its foreign subsidiaries, are denominated in foreign currencies. The Somero Business had no outstanding forward exchange contracts for all periods. Gains and losses from transactions denominated in foreign currencies and forward exchange contracts are included in the Somero Business' net income as foreign exchange gain (loss) in the accompanying combined statements of operations. Realised net translation gains (losses) for the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 (unaudited) and the period from 1 January 2005 through 10 August 2005 were approximately \$122,000, \$20,000, (\$50,000) (unaudited), and (\$90,000), respectively.

Comprehensive Income—Comprehensive income, which is the combination of reported net income and other comprehensive income, was composed only of the Somero Business' net income and foreign exchange gains (losses) for the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 (unaudited) and the period from 1 January 2005 through 10 August 2005. Total comprehensive income for the periods was approximately \$57,000, \$3,374,000, \$3,079,000 (unaudited), and \$3,111,000, respectively.

3. INVENTORIES

Inventories consisted of the following at 31 December 2003 and 2004, 30 June 2005 (unaudited) and 10 August 2005 (in thousands):

	31 December		30 June	10 August
	2003	2004	2005	2005
			(Unaudited)	
Raw materials	\$ 1,969	\$ 1,618	\$ 1,969	\$ 2,466
Finished goods and work in process	5,178	3,437	3,057	2,931
	7,147	5,055	5,026	5,397
Less: reserve for excess and obsolete inventory	(1,048)	(704)	(706)	(709)
Total	<u>\$ 6,099</u>	<u>\$ 4,351</u>	<u>\$ 4,320</u>	<u>\$ 4,688</u>

4. GOODWILL AND INTANGIBLE ASSETS

The Somero Business has capitalised certain costs relating to patents and goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets ("SFAS No. 142")" Under the provisions of SFAS No. 142, assets with a definite life are amortised over the estimated useful life on a straight-line basis. Assets with an indefinite life are not amortised and are reviewed annually for impairment. The Somero Business tests for impairment by comparing the fair value of each reporting unit, which has been determined by estimating the present value of expected future cash flows, to its carrying value. During the years ended 31 December 2003 and 2004 the Somero Business performed its annual SFAS No. 142 impairment test and determined that no impairment loss should be recognised. For all periods presented the Somero Business had Goodwill in the amount of \$1,197,000.

The following table reflects intangible assets that are subject to amortisation under the provisions of SFAS No. 142 (in thousands):

	Weighted average Amortisation Period	31 December 2003	2004	30 June 2005 (Unaudited)	10 August 2005
Capitalised cost:					
Customer relationships	8 years	\$ 2,990	\$ 2,990	\$ 2,990	\$ 2,990
Patents	10 years	5,810	5,810	5,810	5,810
		<u>\$ 8,800</u>	<u>\$ 8,800</u>	<u>\$ 8,800</u>	<u>\$ 8,800</u>
Accumulated amortisation:					
Customer relationships	8 years	\$ 374	\$ 747	\$ 933	\$ 975
Patents	10 years	581	1,163	1,454	1,515
		<u>\$ 955</u>	<u>\$ 1,910</u>	<u>\$ 2,387</u>	<u>\$ 2,490</u>
Net carrying costs:					
Customer relationships	8 years	\$ 2,616	\$ 2,243	\$ 2,057	\$ 2,015
Patents	10 years	5,229	4,647	4,356	4,295
		<u>\$ 7,845</u>	<u>\$ 6,890</u>	<u>\$ 6,413</u>	<u>\$ 6,310</u>

Amortisation expense associated with the intangible assets for the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 and the period from 1 January 2005 through 10 August 2005 was approximately \$955,000, \$955,000, \$477,000 (unaudited) and \$581,000, respectively. Future amortisation on intangible assets is as follows (in thousands):

2005	374
2006	955
2007	955
2008	955
2009	955
Thereafter	<u>2,116</u>
	<u>6,310</u>

5. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following at 31 December 2003 and 2004, 30 June 2005 (unaudited), and 10 August 2005 (in thousands):

	31 December 2003	2004	30 June 2005 (Unaudited)	10 August 2005
Land	\$ 142	\$ 142	\$ 139	\$ 139
Buildings and improvements	3,282	3,282	3,075	3,111
Machinery and equipment	3,150	3,407	3,350	3,350
Property held under capital lease	657	657	657	657
Equipment sold under recourse contracts	793	656	494	494
	<u>8,024</u>	<u>8,144</u>	<u>7,715</u>	<u>7,751</u>
Less: accumulated depreciation	<u>(3,509)</u>	<u>(4,010)</u>	<u>(4,016)</u>	<u>(4,056)</u>
	<u>\$ 4,515</u>	<u>\$ 4,134</u>	<u>\$ 3,699</u>	<u>\$ 3,695</u>

Depreciation expense was approximately \$661,000, \$597,000, \$230,000 (unaudited) and \$278,000 for the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 (unaudited), and for the period from 1 January 2005 through 10 August 2005, respectively.

The Somero Business previously offered assistance to customers obtaining financing to purchase Somero equipment by guaranteeing the obligations of its customers to repay debt incurred to

purchase the equipment. Equipment sold under recourse contracts relating to these guarantees is included in property, plant and equipment as of 31 December 2003 and 2004, 30 June 2005 (unaudited) and 10 August 2005 at a net book value of approximately \$668,000, \$399,000, \$266,000 (unaudited) and \$255,000, respectively. Revenue under these arrangements is deferred and recognised over the life of the financing arrangement. Deferred revenue of approximately \$915,000, \$627,000, \$416,000 (unaudited), and \$390,000 was included on accrued expenses at 31 December 2003 and 2004, 30 June 2005 and 10 August 2005, respectively.

6. DEBT OBLIGATIONS

Summary—The Somero Business' debt obligations consisted of the following at 31 December 2003 and 2004, 30 June 2005 and 10 August 2005 (in thousands):

	31 December		30 June	10 August
	2003	2004	2005	2005
			(Unaudited)	
Affiliated Debt				
Term Loans	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217
Less: debt obligations due within one year	(7,217)	(7,217)	(7,217)	(7,217)
Total	\$ -	\$ -	\$ -	\$ -

The term loans consist of a note payable due to an affiliate of Dover in connection with the acquisition of the Somero Business in 1999 by Dover. The note requires quarterly payments of interest only at the prime rate (6.25% at 10 August 2005) and was due 31 December 2004. As of 10 August 2005, the affiliate has continued to only require interest payments and has not demanded repayment of principal.

Future Payments—The future payments by year under the Somero Business' debt obligations are as follows at 10 August 2005 (in thousands):

2006	\$ 7,217
2007	-
2008	-
2009	-
Thereafter	-
Total Payments	<u>\$ 7,217</u>

Interest—Interest expense related to Somero Business' debt obligation to Dover during the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 and the period from 1 January 2005 through 10 August 2005 was approximately \$366,000, \$303,000, \$201,000 (unaudited), and \$249,000, respectively.

7. CAPITAL LEASE OBLIGATIONS

Summary—The Somero Business leases a building in Jaffrey, New Hampshire, which is owned by a former co-owner of the Somero Business. The lease has a condition, which allows the owner of the building to require the Somero Business to purchase the building at fair value at the end of the lease. In early 2007, the Somero Business will be required to purchase the building for approximately \$657,000. The lease has been treated as a capital lease since inception. At 31 December 2003 and 2004, 30 June 2005 and 10 August 2005, the gross amount of the building and related accumulated amortisation recorded under the capital lease was as follows (in thousands):

	31 December		30 June	10 August
	2003	2004	2005	2005
			(Unaudited)	
Building	\$ 657	\$ 657	\$ 657	\$ 657
Less: accumulated depreciation	(115)	(131)	(139)	(141)
Total	<u>\$ 542</u>	<u>\$ 526</u>	<u>\$ 518</u>	<u>\$ 516</u>

Future Payments—The future payments by year under the Somero Business capital lease obligation were as follows at 10 August 2005 (in thousands):

2005	\$ 53
2006	82
2007	657
2008	-
2009	-
Thereafter	-
Net minimum lease payments	<u>\$ 792</u>
Less: Amount representing interest	<u>(135)</u>
Present value of net minimum lease payments	<u><u>\$ 657</u></u>

Interest—Interest paid during the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 (unaudited), and the period from 1 January 2005 through 10 August 2005, was approximately \$78,000, \$80,000, \$40,000 (unaudited), and \$53,000, respectively, related to the capital lease obligation.

8. RETIREMENT PROGRAM

The Somero Business participates in a savings and retirement plan for its employees, which is sponsored by Dover and is intended to qualify under Section 401(k) of the Internal Revenue Code (“IRC”). This plan provides for voluntary contributions by participating employees, not to exceed maximum limits set forth by the IRC. The Somero Business matches 50% of the employee’s contribution, up to the first 4% of the employee’s salary. The Somero Business match vests after one year of service with the Business. The Somero Business contributed approximately \$70,000, \$68,000, \$51,000 (unaudited), and \$59,000 to the retirement plan during the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 and the period from 1 January 2005 through 10 August 2005, respectively.

9. OPERATING LEASES

The Somero Business leases property, vehicles, and office equipment under leases accounted for as operating leases. Future minimum payments by year under non-cancelable operating leases with initial terms in excess of one year were as follows at 10 August 2005 (in thousands):

2005	\$ 38
2006	106
2007	98
2008	67
2009	59
Thereafter	<u>14</u>
Total	<u><u>\$ 382</u></u>

Total rent expense was approximately \$74,000, \$80,000, \$56,000 and \$75,000 during the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 and the period from 1 January 2005 through 10 August 2005, respectively

10. TRANSACTIONS WITH AFFILIATED COMPANIES

During the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 and the period from 1 January 2005 through 10 August 2005, the Somero Business was charged by Dover for various corporate expenses such as insurance, legal fees, and other miscellaneous charges that were allocated to the Somero Business. In addition, the Somero Business had a cash pooling agreement with Dover and its affiliates whereby any excess cash generated by the Somero Business was transferred daily to Dover. Dover would then pay the Somero Business interest on the accumulated balance of cash swept. All charges and credits to/from Dover have been recorded as adjustments to Net Parent Company Investment. The following table summarises expenses,

credits, and other charges incurred from Dover during the years ended 31 December 2003 and 2004 and the period from 1 January 2005 through 10 August 2005 (in thousands):

	31 December 2003	2004	30 June 2005 (Unaudited)	10 August 2005
Interest income received	0	223	246	383
Insurance charges (credits)	164	(1)	16	16
Legal fees	6	156	55	166
Miscellaneous expenses	(5)	2	0	0
Tax payments (refunds)	(1,837)	73	0	0

As discussed in Note 6, the Somero Business had a note payable to an affiliate of Dover.

11. BUSINESS AND CREDIT CONCENTRATION

At 31 December 2003, the Somero Business had no customers which represented more than 10% of accounts receivable. At 31 December 2004 the Somero Business had one customer which represented 26% of accounts receivable. At 30 June 2004, the Somero Business had one customer which represented 11% (unaudited) of accounts receivable. At 10 August 2005, the Somero Business had two customers which represented 22% of receivables.

12. INCOME TAXES

The Somero Business calculates current and deferred income tax expense and deferred income tax assets and liabilities in accordance with SFAS No. 109 "Accounting for Income Taxes ("SFAS No. 109)". Although the Somero Business is a subsidiary of Dover and is included in its consolidated return, there is no separate tax sharing arrangement. However, the business has elected to show current and deferred income taxes as if it were computing its taxes as a stand-alone taxpayer.

The provision for income taxes at 31 December 2003 and 2004, 30 June 2005 (unaudited), and 10 August 2005 includes the following (in thousands):

	31 December		30 June	10 August
	2003	2004	2005 (Unaudited)	2005
Current income tax:				
Federal	\$ 189	\$ 1,760	\$ 1,678	\$ 1,871
State	42	280	268	307
Foreign	31	109	119	41
Total current income tax expense	\$ 262	\$ 2,149	\$ 2,065	\$ 2,219
Deferred tax expense				
Federal	\$ (274)	\$ (336)	\$ (352)	\$ (464)
State	(44)	(53)	(56)	(74)
Foreign	-	-	-	-
Total deferred tax (benefit) expense	\$ (318)	\$ (389)	\$ (408)	\$ (538)
Total tax expense	\$ (56)	\$ 1,760	\$ 1,657	\$ 1,681

The components of the net deferred income tax asset at 31 December 2003 and 2004, 30 June 2005 (unaudited), and 10 August 2005 were as follows (in thousands):

	31 December		30 June	10 August
	2003	2004	2005	2005
			(Unaudited)	
Deferred tax asset (liability)				
Depreciation	\$ 60	\$ 78	\$ 59	\$ 60
Intangibles	(3,053)	(2,696)	(2,518)	(2,478)
Other	474	488	738	826
Total net deferred tax asset (liability)	\$ (2,519)	\$ (2,130)	\$ (1,721)	\$ (1,592)
Less: Valuation allowance	0	0	0	0
Net deferred tax asset (liability)	\$ (2,519)	\$ (2,130)	\$ (1,721)	\$ (1,592)
Current	\$ 474	\$ 377	\$ 737	\$ 827
Non current	(2,993)	(2,507)	(2,458)	(2,419)
	\$ (2,519)	\$ (2,130)	\$ (1,721)	\$ (1,592)

The statutory U.S. federal income tax rate was 34% for all years presented. Differences between the income tax expense reported in the statement of operations and the amount computed by applying the statutory federal income tax rate to earnings before tax are due to the following items (In thousands):

	31 December		30 June	10 August
	2003	2004	2005	2005
			(Unaudited)	
Combined income before tax	\$ 68	\$ 5,172	\$ 4,718	\$ 4,764
Statutory rate	34%	34%	34%	34%
Statutory tax expense	\$ 23	\$ 1,758	\$ 1,604	\$ 1,620
State taxes	(1)	149	140	154
R&D credit-net	(49)	-	(32)	(39)
Extraterritorial income exclusion	(66)	(181)	(72)	(88)
Meals and entertainment	25	31	24	30
Other	12	3	(7)	4
Actual tax expense	\$ (56)	\$ 1,760	\$ 1,657	\$ 1,681

The extraterritorial income exclusion is an exclusion of certain foreign sales from U.S. income tax allowed under the federal tax laws of the United States of America.

In assessing the ability to realise net deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment, but must give greater weight to recent historical operating losses. Based on those considerations, management believes it is more likely than not that the Somero Business will realise the benefits of the net deferred tax asset at 31 December 2003 and 2004, 30 June 2005 and 10 August 2005 and has not recognised a valuation allowance against the total net deferred tax asset. The provision for income taxes for the six months ended 30 June 2005 has been completed using an interim effective tax rate as required by Accounting Principles Board No. 28 "Interim Financial Statements."

13. RESEARCH AND DEVELOPMENT

The Somero Business expenses research and development costs as incurred. Total research and development expense (for U.S. federal income tax purposes) was approximately \$752,000,

\$663,000, \$264,000 (unaudited), and \$611,000 during the years ended 31 December 2003 and 2004, the six months ended 30 June 2005 and the period from 1 January 2005 through 10 August 2005. These costs are a component of engineering expenses in all periods presented.

14. STOCK OPTION PLAN

During the periods ended 31 December 2003 and 2004, 30 June 2005, and 10 August 2005 various officers and employees of the Somero Business were eligible to participate in a stock option plan maintained by Dover whereby employees were provided grants to purchase Dover stock. Under the terms of the plan, the option price could not be less than the fair market value of Dover Corporation common stock at the time the options were granted. The period during which these options were exercisable was fixed by Dover Corporation's Compensation Committee at the time of grant, but could not commence sooner than three years after the date of grant and could not exceed ten years from the date of grant.

The Somero Business accounts for the stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expenses are recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price, the intrinsic value method. Under SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure – an Amendment of Financial Accounting Standards Board ("FASB") Statement No. 123", entities are permitted to recognise as expense, over the vesting period, the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 148 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income (loss) disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 148 had been applied. The Somero Business has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures required by SFAS No. 148. All stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS No. 148 and related interpretations.

The following table summarises relevant information included in reported results under the Somero Business' intrinsic value method of accounting for stock awards. Supplemental information is included as if the fair value recognition provisions of SFAS No. 148 had been applied for the years ended 31 December 2003 and 2004, the six months ended 30 June 2005, and the period from 1 January 2005 through 10 August 2005. The amounts of stock-based employee compensation presented reflect only the portion of Dover Corporation's stock-based employee compensation that is attributable to employees of the Somero Business.

(in thousands)	31 December		30 June	10 August
	2003	2004	2005	2005
	(Unaudited)			
Net income-as reported	\$ 124	\$ 3,412	\$ 3,061	\$ 3,081
Add: stock-based employee compensation expense attributable to common stock options determined under the intrinsic value method, net of income taxes	-	-	-	-
Less: stock-based employee compensation expense attributable to common stock options determined under the fair value based method, net of income taxes	(154)	(144)	(114)	(120)
Net income (loss), as adjusted	\$ (30)	\$ 3,268	\$ 2,947	\$ 2,961

The fair value of each option grant, as it relates to Dover Corporation common stock, was estimated on the date of grant using a Black-Scholes option-pricing model with the following assumptions:

	2003	2004	2005
Risk-free interest rates	3.97%	3.71%	3.87%
Dividend yield	1.70%	1.46%	1.40%
Expected life	8	8	8
Volatility	31.15%	31.54%	30.64%
Weighted average option grant price	\$ 38.00	\$ 41.25	\$ 24.58
Weighted average fair value of options granted	\$ 13.24	\$ 14.89	\$ 8.90

15. LONG-TERM INCENTIVE PLAN

During the years ended 31 December 2003 and 2004, the six months ended 30 June 2005, and the period from 1 January 2005 through 10 August 2005 various officers and employees of the Somero Business were eligible to participate in a cash bonus plan sponsored by Dover. The amount of bonus was based on the percentage of income in excess of budgeted amounts determined by Dover based on an expected rate of return over each base year. The bonus was to be payable after three years from the base period. During the years ended 31 December 2003 and 2004, the six months ended and 30 June 2005, and the period from 1 January 2005 through 10 August 2005, compensation expense under this plan was \$0, \$300,000, \$249,000 (unaudited), and \$305,000, respectively.

16. SALES BY GEOGRAPHIC LOCATION

The Somero Business sells its product to customers throughout the world. The breakdown by location is as follows (in thousands):

	31 December		30 June	10 August
	2003	2004	2005	2005
			(Unaudited)	
United States and U.S. Possessions	\$ 21,674	\$ 21,919	\$ 15,449	\$ 17,777
Canada	522	1,171	447	570
Rest of World	3,232	10,249	6,312	7,260
Total	\$ 25,428	\$ 33,339	\$ 22,208	\$ 25,607

17. SALE OF BUSINESS

On 10 August 2005, the Somero Business whose results of operations are reflected in the combined carve-out statement of operations presented herein for the years ended 31 December 2003, 2004, the six months ended 30 June 2005 (unaudited), and the period from 1 January 2005 through 10 August 2005 was sold by Dover to Somero Enterprises, Inc. (then known as GTG Portfolio, Inc.), an affiliate of the Gores Group, LLC. for a total price of \$46,735,000. The Somero Business was previously operated by subsidiaries of Dover.

PART VI
UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The following unaudited pro forma statement of net assets of Somero has been prepared for illustrative purposes only to show the effect on the balance sheet of the Company had the Placing occurred on 30 June 2006. It has been compiled on the basis described below from the balance sheet of the Company as at 30 June 2006 as set out in Part V, Section A of this document. Due to its nature, the pro forma statement of net assets may not give a true picture of Somero's financial position and is designed to give only an indication of Somero's net assets position.

Amounts in US\$ Thousands	30 June 2006 Somero Enterprises Inc.	Net Proceeds of the Placing	Repayment of debt and payment of dividend	Pro forma total
	(note 1)	(note 2)	(note 3)	(note 4)
ASSETS				
Current Assets				
Cash and cash equivalents	5,780	5,899	(11,290)	389
Accounts Receivable	3,872	-	-	3,872
Inventory	4,797	-	-	4,797
Other	344	-	-	344
Total Current Assets	14,793	5,899	(11,290)	9,402
Fixed Assets				
Property and equipment, net	4,863	-	-	4,863
Goodwill	16,400	-	-	16,400
Intangible assets, net	22,808	-	-	22,808
Other assets	2,018	-	-	2,018
Total Fixed Assets	46,089	-	-	46,089
Total Assets	60,882	5,899	(11,290)	55,491
LIABILITIES				
Current liabilities (less loan from parent)	8,965	-	-	8,965
Loan from parent	710	-	-	710
Long-term liabilities	29,509	-	(9,500)	20,009
Deferred income taxes	88	-	-	88
Total Liabilities	39,272	-	(9,500)	29,772
Net Assets (Liabilities)	21,610	5,899	(1,790)	25,719

Notes:

1. Financial information relating to Somero Enterprises, Inc. and related companies has been extracted, without adjustment, from the audited consolidated balance sheet of Somero Enterprises Inc. as at 30 June 2006, which is included in the Part V, Section A of this document.
2. The adjustment reflects the gross proceeds of \$10 million receivable by the Company less estimated fees and expenses of \$4.1 million (based on the Selling Shareholder's reimbursement of \$1.7 million of the Company's fees and expenses).
3. The adjustment reflects the Director's intention to use net proceeds from the Placing, together with additional available funds, to (in each case, shortly following Admission): (i) repay up to \$9.5 million in outstanding debt to Fortress and (ii) pay a dividend to the Selling Shareholder in the amount of \$1.79 million, which has been previously declared (and will not be available to any other shareholder).
4. No adjustment has been made to reflect any trading or changes in working capital since 30 June 2006.

PART VII ADDITIONAL INFORMATION

1. Responsibility

The Directors, each of whose name appears on page 5 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and activities

- 2.1 The Company was incorporated and registered in Delaware under the name of Manufacturing Solutions, Inc. on 12 November 2002 as a corporation under the DGCL with registration number 3589295. On 6 August 2003, the Company's name was changed to GTG Portfolio Holdings, Inc. and the certificate of incorporation of the Company was amended and restated. On 26 August 2005, the Company's name was changed to Somero Enterprises, Inc.
- 2.2 The principal legislation under which the Company operates is the DGCL.
- 2.3 The liability of the shareholders of the Company is limited. Under the DGCL a stockholder of a corporation is not personally liable for the acts of the corporation.
- 2.4 The registered office of the Company in the State of Delaware is at 2711 Centerville Road, Suite 400, Wilmington, New Castle, Delaware 19808 USA. The telephone number of the Company is +1 603 532 5900. The principal place of business of the Company and business address of each Director is at 82 Fitzgerald Drive, Jaffrey, New Hampshire 03452 USA. The Company's commercial and legal name is Somero Enterprises, Inc.

3. The Company and its subsidiaries

- 3.1 The Company is an operating company involved in designing, manufacturing and selling concrete levelling and contouring equipment. It also acts as the holding company for the Company's subsidiaries.
- 3.2 The Company will, on Admission, have the subsidiaries listed below, all of which are wholly owned (directly or indirectly) by the Company:

<u>Entity Name</u>	<u>Jurisdiction of Organisation/ Incorporation</u>	<u>Principal Activity</u>
Somero Enterprises Limited	England and Wales	Selling concrete levelling and contouring equipment.
Somero Enterprises SRL	Italy	Selling concrete levelling and contouring equipment.

4. Share capital

- 4.1 Set out below are details of the authorised and issued share capital of the Company: (i) immediately prior to the recapitalisation described in paragraph 4.2.2 of this Part VII; (ii) as it will be following the recapitalisation described in paragraph 4.2.2 of this Part VII, and immediately prior to Admission; and (iii) as it will be immediately following Admission:

Class of share	(i) Immediately prior to recapitalisation		(ii) Immediately following recapitalisation, and immediately prior to Admission		(iii) Immediately following Admission	
	Par Value per Share	Number of Shares	Par Value per Share	Number of Shares	Par Value per Share	Number of Shares
Common Shares						
Authorised	n/a	0	\$0.001	80,000,000	\$0.001	80,000,000
Common Shares						
Issued and fully paid	n/a	0	\$0.001	30,000,000	\$0.001	34,281,968
Series A Common Stock						
Authorised	\$0.001	1,000	n/a	0	n/a	0
Issued and fully paid	\$0.001	1,000	n/a	0	n/a	0
Series B Common Stock						
Authorised	\$0.001	99,000	n/a	0	n/a	0
Issued and fully paid	\$0.001	94,000	n/a	0	n/a	0
Preferred Stock						
Authorised	\$0.001	1,000	\$0.001	50,000,000	\$0.001	0
Issued and fully paid	\$0.001	0	\$0.001	0	\$0.001	0

Pursuant to the Company's Organisational Documents, the Board has authority to issue Common Shares. Pursuant to a resolution passed on 26 October 2006, the Directors resolved to issue the New Common Shares on the date of Admission, such issue being conditional on Admission becoming effective.

4.2 Changes in capital.

- 4.2.1 The following changes have taken place in the authorised and issued share capital of the Company since 12 November 2002:

The Company was originally authorised to issue 1,000 shares of Series A common stock, par value \$0.001 per share, all of which were issued shortly after incorporation, and 99,000 shares of Series B common stock, par value \$0.001 per share, none of which were issued. The Series A and Series B common stock had identical economic rights. The holders of each share of Series A common stock were entitled to one vote per share and the holders of Series B common stock were not entitled to vote.

On 6 August 2003, the Company amended its capital structure to increase its authorised capital to 101,000 total shares, divided into 1,000 shares of preferred stock, par value \$0.001 per share, and 100,000 shares of common stock, par value \$0.001 per share. No shares of preferred stock were issued. The Company's authorised shares of common stock remained unchanged, with 1,000 shares of Series A common stock remaining outstanding and no shares of Series B common stock issued.

On 10 August 2005, the Company issued 94,000 shares of Series B common stock, par value \$0.001 per share. As of 31 December 2005, 1,000 shares of Series A common stock and 94,000 shares of Series B common stock were outstanding.

- 4.2.2 Prior to the Placing, the Company will be recapitalised by the filing of an amended and restated certificate of incorporation with the Secretary of State of Delaware. By the filing of the amended and restated certificate of incorporation, the Company will complete a stock split, whereby (i) each issued and outstanding share of Series A common stock will be reclassified, changed and converted into 315.78948 Common Shares; and (ii) each issued and outstanding share of Series B common stock will be reclassified, changed and converted into 315.78948 Common Shares. Following the recapitalisation, the Company

will be authorised to issue (i) 80,000,000 Common Shares, par value \$0.001 per share, of which 30,000,000 shares will be issued and outstanding; and (ii) 50,000,000 shares of preferred stock, par value \$0.001 per share, of which no shares will be issued and outstanding.

4.3 Options.

4.3.1 As at the date of this document, there are share options outstanding which, conditional on Admission, grant rights to certain Somero employees and Directors to subscribe, in aggregate, for up to 2,656,832 Common Shares. These options have been issued by the Company pursuant to the Share Option Plan described in paragraph 7 of this Part VII.

4.3.2 Details of the options issued by the Company to its employees and the Directors that are outstanding as at the date of this document are set out below:

<u>Exercise price (\$)</u>	<u>Number outstanding at the date of this document</u>	<u>Expiry date</u>
2.34	2,656,832	1 November 2016

4.3.2 Details of the terms of the Share Option Plan are set out at paragraph 7 of this Part VII.

4.4 As at 30 June 2006:

4.4.1 the Company had two classes of shares outstanding, namely Series A common stock and Series B common stock;

4.4.2 1,000 shares of Series A common stock par value \$0.001 each were authorised and 1,000 shares of Series A common stock were issued and fully paid at least at par value;

4.4.3 99,000 shares of Series B common stock par value \$0.001 each were authorised and 94,000 shares of Series B common stock were issued and fully paid at least at par value;

4.4.4 1,000 preferred shares par value \$0.001 each were authorised, of which no shares were issued;

4.4.5 save as set out in this paragraph 4, there are no acquisition rights and/or obligations over the authorised but unissued share capital of the Company or any undertakings to increase the share capital of the Company as of the date hereof.

4.5 During the period from 1 January 2004 to 31 December 2005 not more than 10% of the Company's issued share capital has been paid for with assets other than cash.

4.6 The ISIN number for the Common Shares to be sold in reliance on Regulation S of the U.S. Securities Act is USU834501038 and the ISIN number for the Common Shares to be sold to U.S. persons is US8344871004.

4.7 The CUSIP number for the Common Shares to be sold in reliance on Regulation S of the U.S. Securities Act is U83450103 and the CUSIP number for the Common Shares to be sold to U.S. persons is 834487100.

4.8 The rights of holders of Common Shares are governed by the DGCL and the Company's Organisational Documents. The Common Shares to be sold in reliance on Regulation S of the U.S. Securities Act will be registered and held in certificated form and the Common Shares to be sold to U.S. persons will be issued in nominee form through a global certificate held by The Depository Trust Company. ComputerShare, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW, Channel Islands will be in charge of keeping the records of the Common Shares sold in reliance on Regulation S, while ComputerShare Trust Company, Inc., 350 Indiana Street, Suite 800, Golden, Colorado 80401 USA, will be in charge of keeping the records of the Common Shares sold to U.S. persons.

4.9 On completion of the Placing, the issued share capital of the Company is expected to be increased by 14.3%, and the issue will result in a corresponding level of dilution.

- 4.10 There have been no public takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.
- 4.11 Save as set out in Part I of this document, no mandatory takeover bid rules or squeeze-out or sell-out rules exist in relation to the Company's equity.

5. Selling Shareholders

The names and business addresses of the Selling Shareholder together with details of any position, office or other material relationship that the Selling Shareholder has had with the Company within the past three years and number of Existing Common Shares being offered by each of them is as follows:

Name	Business address	Relationship with the Company	Number of Existing Common Shares
Somero Holdings, LLC	10877 Wilshire Boulevard, 18th Floor Los Angeles, California 90024 USA	100% Shareholder(1)	17,127,870

(1) Somero Holdings, LLC is controlled by Gores. For information regarding the relationship between Gores and the Company, please refer to the section entitled "Part I – Corporate Structure and Management – Relationship with Gores", as well as paragraph 13 of this Part VII.

6. Certificate of incorporation and by-laws

- 6.1 *Certificate of Incorporation.* Prior to Admission the Company's certificate of incorporation will be amended and restated. The following describes the amended and restated certificate of incorporation.
- 6.1.1 *Business Purpose.* Pursuant to article 3 of the Company's certificate of incorporation, the nature of the business or purposes to be conducted or promoted by the Company is to engage in any lawful act or activity for which corporations may be organised under the DGCL.
- 6.1.2 *Authorised Shares.* The total number of shares of all classes of capital stock that the Company has the authority to issue under the certificate of incorporation is 130,000,000, of which 80,000,000 are Common Shares and 50,000,000 are shares of preferred stock. Section 151 of the DGCL provides that the number of authorised Common Shares may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the then outstanding Common Shares. The Common Shares are not redeemable. There are no authorised shares of convertible stock. No pre-emptive rights attach to the Common Shares. The Board will determine the rights, preferences and limitations of shares of preferred stock, subject to certain legal limitations.
- 6.1.3 *Shareholder votes.* Generally, each holder of Common Shares has one vote in respect of each Common Share held by such holder of record on the books of the Company on all matters submitted to a vote of shareholders of the Company, other than those matters relating solely to the terms of outstanding shares of preferred stock.
- 6.1.4 *Dividends.* Shareholders are entitled to receive, when and if declared by the Board, out of the assets of the Company which are by law available therefor, dividends payable either in cash, in property or in shares of capital stock as legally permitted.
- 6.1.5 *Dissolution or liquidation.* In the event of any dissolution, liquidation or winding up of the affairs of the Company, the holders of Common Shares are generally entitled, unless otherwise restricted by law or contract, to receive all of the assets of the Company of whatever kind available for distribution to shareholders rateably in proportion to the number of Common Shares held by them respectively. The Board will determine the rights, if any, of holders of any outstanding shares of preferred stock in the event of any dissolution, liquidation or winding up of the affairs of the Company.
- 6.1.6 *Amendment of the by-laws.* The Board is authorised to adopt, amend or repeal the by-laws of the Company (by majority vote pursuant to the by-laws). In addition, the by-laws may be amended by the affirmative vote of holders of at least two-thirds of the outstanding shares of voting stock of the Company entitled to vote at an election of directors.

- 6.1.7 *Written action of shareholder denied.* Other than as provided in the rights of holders of any outstanding shares of preferred stock, no action required or permitted to be taken at any annual or special meeting of the shareholders may be taken without a meeting and the power of shareholders to consent in writing, without a meeting, to the taking of any action is denied.
- 6.1.8 *Calling of a special meeting of shareholders.* Special meetings of the shareholders may be called only by the chairman of the Board or the chief executive officer, with the concurrence of a majority of the Board, or by a resolution adopted by the affirmative vote of a majority of the Board.
- 6.1.9 *Limitation on liability.* To the fullest extent permitted by the DGCL, the certificate of incorporation provides that a director will not be personally liable to the Company or its shareholders for monetary damages for breach of fiduciary duty as a director. The DGCL provides that a corporation may eliminate or limit the personal liability of a director except in the following circumstances: (i) a breach of the duty of loyalty; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; (iii) unlawful payment of dividends or unlawful redemption or purchase of stock; and (iv) transactions in which the director derived an improper personal benefit.
- 6.1.10 *Repeal and modification.* The certificate of incorporation provides that any repeal or modification of the indemnification provisions of the certificate of incorporation will not adversely affect any right or protection existing thereunder immediately prior to such repeal or modification.
- 6.1.11 *Directors.* Except as otherwise provided by law, by the certificate of incorporation or by the by-laws, at each annual meeting of shareholders, directors of the Company will be elected to hold office until the expiration of the term for which they are elected and until their successors have been duly elected and qualified, or until such director's earlier death, disqualification, resignation or removal. The directors of the Company shall be divided into three classes as nearly equal in size as is practicable, designated Class I, Class II and Class III. The initial Class I directors will be Messrs. Maskalunas and Niemela. The initial Class II directors will be Messrs. Doughty and Anderson. The initial Class III directors will be Messrs. Weingarten and Cooney. At the first annual meeting of shareholders following Admission, the term of office of the Class I director will expire and the Class I director will be elected for a full term of three years. At the second annual meeting of shareholders following Admission, the term of office of the Class II directors will expire and Class II directors will be elected for a full term of three years. At the third annual meeting of shareholders following Admission, the term of office of the Class III directors will expire and Class III directors will be elected for a full term of three years. At each succeeding annual meeting of shareholders, directors will be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting. If the number of directors changes, each director then serving as such will nevertheless continue as a director of the Class of which he is a member until the expiration of his current term and any newly created directorships or decrease in directorships will be so apportioned among the classes as to make all classes as nearly equal in number as is practicable. Other than any directors elected by the holders of any series of preferred stock, a director may be removed from office by the affirmative vote of a majority of the outstanding shares of voting stock entitled to vote at an election of directors, so long as such removal is for cause.
- 6.1.12 *Amendments.* The affirmative vote of the holders of at least two-thirds of the votes entitled to be cast in any annual election of directors shall be required to amend the provisions of the certificate of incorporation, including those provisions with respect to: amendment of the by-laws, denial of shareholder action by written consent, who may call a special shareholder meeting, the composition of the Board, election and removal of directors, indemnification of directors, officers and other covered persons, and the provision relating to the amendment of the aforementioned provisions.
- 6.1.13 *Anti-takeover provisions.* The Company's certificate of incorporation includes a provision electing not to subject the Company to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested shareholder for a period of three years following the date such person became an interested shareholder, unless the business combination or the transaction in which such person became an interested shareholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or share

sale, or other transaction resulting in a financial benefit to the interested shareholder. Generally, an "interested shareholder" is a person that, together with affiliates and associates, owns, or within three years prior to the determination of interested shareholder status did own 15% or more of a corporation's voting stock.

6.2 *By-laws.* Prior to Admission the Company's by-laws will be amended and restated. The following describes the terms of the amended and restated by-laws.

6.2.1 Shareholder voting rights.

- (a) *Quorum of shareholders.* At any meeting of the shareholders a quorum with regard to any matter will consist of one third of the votes entitled to be cast on the matter, except where a larger quorum is otherwise required by law, by the certificate of incorporation or by the by-laws. If a quorum initially is present at any meeting of shareholders, the shareholders may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, but if a quorum is not present at least initially, no business other than adjournment may be transacted. At any such adjourned meeting at which a quorum may be present, any business may be transacted that might have been transacted at the meeting as originally called. Pursuant to Section 160 of the DGCL, shares of its own stock belonging to the Company or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Company, will neither be entitled to vote nor be counted for quorum purposes, provided, however, that the foregoing will not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.
- (b) *Action by vote.* Unless otherwise provided by law, by the certificate of incorporation or by the by-laws, when a quorum is present at any meeting, a plurality of the votes properly cast for election to any office shall elect to such office and a majority of the votes properly cast upon any question other than an election to an office shall decide the question. No ballot shall be required for any election unless requested by a shareholder present or represented at the meeting and entitled to vote in the election. Except as otherwise provided by law, or by the certificate of incorporation, each holder of record of shares of the Company entitled to vote on any matter at any meeting of the shareholders will be entitled to one vote for each share standing in the name of such holder on the share ledger of the Company on the record date for the determination of the shareholders entitled to vote at the meeting.
- (c) *Action without a meeting.* No action required or permitted to be taken by shareholders of the Company may be taken without a meeting and the power of the shareholders to consent in writing, without a meeting, to the taking of any action is specifically denied.
- (d) *Proxy representation.* Every shareholder may authorize another person or persons to act for him by proxy in all matters in which a shareholder is entitled to participate, whether by waiving notice of any meeting, or objecting to or voting or participating at a meeting. Every proxy must be signed by the shareholder or by his attorney-in-fact and filed with the secretary of the Company. No proxy may be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy will be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Company generally. The authorization of a proxy may but need not be limited to specified action, provided, however, that if a proxy limits its authorization to a meeting or meetings of shareholders, unless otherwise specifically provided such proxy shall entitle the holder thereof to vote at any adjourned session but shall not be valid after the final adjournment thereof.
- (e) *Notice of meetings.* Except as otherwise provided by law, a written notice of each meeting of shareholders stating the place, day and hour thereof and, in the

case of a special meeting, the purposes for which the meeting is called, will be given not less than ten nor more than sixty days before the meeting, to each shareholder entitled to vote thereat, and to each shareholder who, by law, by the certificate of incorporation or by the by-laws, is entitled to notice. As to any adjourned session of any meeting of shareholders, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment was taken except that if the adjournment is for more than thirty days or if after the adjournment a new record date is set for the adjourned session, notice of any such adjourned session of the meeting shall be given in the manner heretofore described. No notice of any meeting of shareholders or any adjourned session thereof need be given to a shareholder if a written waiver of notice, executed before or after the meeting or such adjourned session by such shareholder, is filed with the records of the meeting or if the shareholder attends such meeting without objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the shareholders or any adjourned session thereof need be specified in any written waiver of notice.

- (f) *Annual meeting.* The annual meeting of shareholders will be held at such place, on such date, and at such time as may be determined by the Board of Directors.
- (g) *Special meetings.* Unless otherwise provided in the certificate of incorporation, a special meeting of the shareholders may be called at any time only by the chairman of the Board or the chief executive officer, with the concurrence of a majority of the Board, or by a resolution adopted by the affirmative vote of a majority of the Board.

6.2.2 *Transfer of Shares.* Subject to the restrictions, if any, stated or noted on the stock certificate, shares may be transferred on the books of the Company by the surrender to the Company or its transfer agent of the certificate therefore properly endorsed or accompanied by a written assignment and power of attorney (if appropriate) properly executed, with necessary transfer stamps affixed (if any), and with such proof of the authenticity of signature as the Board or the transfer agent of the Company may reasonably require.

6.2.3 *Board.*

- (a) *Number.* The Board will consist of two or more directors, the exact number to be determined by the Board.
- (b) *Director as shareholder.* No director need be a shareholder.
- (c) *Tenure.* Except as otherwise provided by law, by the certificate of incorporation or by the by-laws, at each annual meeting of shareholders, directors of the Company will be elected to hold office until the expiration of the term for which they are elected and until their successors have been duly elected and qualified, or until such director's earlier death, disqualification, resignation or removal. Other than any directors elected by the holders of any series of preferred stock, a director may be removed from office by the affirmative vote of a majority of the outstanding shares of voting stock entitled to vote at an election of directors, so long as such removal is for cause.
- (d) *Powers.* The business and affairs of the Company are managed by or under the direction of the Board who have and may exercise all the powers of the Company and do all such lawful acts and things as are not by law, the certificate of incorporation or the by-laws directed or required to be exercised or done by the shareholders.
- (e) *Meetings of the Board.* Regular meetings of the Board may be held without call or notice at such places within or without the State of Delaware and at such times as the Board may from time to time determine and as have been publicised among all directors, provided that notice of the first regular meeting following any such

determination shall be given to absent directors. Telephonic meetings or meetings by similar medium are permitted. Special meetings of the Board may be held at any time and at any place within or without the State of Delaware designated in the notice of the meeting, when called by the chairman of the Board, if any, the chief executive officer, or by a majority of the directors, provided notice of at least five days if by mail, or at least 24 hours if personally or by telephone, is given prior to the meeting to each director.

- (f) *Quorum.* At any meeting of the directors a majority of the authorised number of directors shall constitute a quorum.
- (g) *Action by vote.* Unless otherwise provided by law, the certificate of incorporation or the by-laws, so long as a quorum is present, the vote of a majority of the directors present is deemed the act of the Board.
- (h) *Action without a meeting.* Any action required or permitted to be taken at any meeting of the Board or a committee thereof may be taken without a meeting if all the members of the Board or of such committee, as the case may be, consent thereto in writing or by electronic transmission.
- (i) *Committees.* The Board may, from time to time: (i) designate, change the membership of or terminate the existence of any committee, each committee to consist of one or more of the directors, (ii) designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of the committee, and (iii) determine the extent to which each such committee shall have and may exercise the powers of the Board in the management of the business and affairs of the Company, excepting such powers which by law, by the certificate of incorporation or by these by-laws they are prohibited from so delegating.

6.2.4 *Officers.* The officers of the Company are the chairman, president, a chief executive officer, chief financial officer, a treasurer, a secretary, a president, one or more vice presidents, a controller and such other officers, if any, as the Board from time to time may in its discretion elect or appoint. The officers may be elected by the Board at any time. Any officer elected or appointed by the Board may be removed with or without cause at any time by the affirmative vote of a majority of the Board or a committee duly authorised to do so.

6.2.5 *Indemnification.* The Company may indemnify any person who is involved in any action, suit, arbitration, alternative dispute mechanism, inquiry, administrative or legislative hearing, investigation or any other actual, threatened or completed proceeding, including any and all appeals, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, employee or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, to the fullest extent permissible by the DGCL, against all expenses, liability and loss reasonably incurred or suffered by such person, subject to Board approval where indemnification is sought in connection with proceedings initiated by such person. The right to indemnification includes the right to an advance payment by the Company to such person, subject, to the extent required by the DGCL, in the case of a director or officer to the delivery by such director or officer to the Company of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to indemnification. The rights of indemnification provided by the by-laws are not deemed exclusive.

6.2.6 *Insurance.* The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any expense, liability or loss asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Company would have the power to indemnify such person against such liability under the provisions of the DGCL.

7. Share Option Plan

On 5 October 2006 the Company adopted the Share Option Plan. The Share Option Plan provides for the grant of non-qualified and incentive stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units and incentive bonuses, which may be paid in cash or Common Shares or a combination thereof (collectively referred to as "Awards"). The Share Option Plan was subsequently approved by a majority of the shareholders of the Company.

Awards under the Share Option Plan may be issued to employees, officers, non-employee directors and other service providers to the Company and its subsidiaries. Awards under the Share Option Plan are generally not transferable other than by will or the laws of descent and distribution and are normally exercisable only by the participant during his or her lifetime.

A total of 3,428,196 Common Shares (approximately 10% of the issued share capital on Admission) are available for Awards granted under the Share Option Plan. As at the date of this document, an aggregate of 2,656,832 non-qualified stock options (approximately 8% of the issued share capital on Admission) have been granted under the Share Option Plan, which grants are conditional on Admission.

Options granted to employees upon Admission vest over three years. One-third of these options will vest on the first anniversary of the date of Admission, and thereafter the remaining portion will vest in equal monthly instalments over the remaining two years. These options have an exercise price equal to the Placing Price and expire ten years from the date of grant (unless there is early expiration in accordance with the terms of the grant).

Generally, upon termination of employment or service to the Company for any reason other than death, disability or for "cause", options will remain exercisable for three months, but only to the extent exercisable at the time employment or service to the Company is terminated. If termination of employment or service is due to death, disability or retirement, the options will remain exercisable for one year. If Mr. Cooney's or Mr. Torvinen's employment is terminated as a result of death or retirement, then any option held by Mr. Cooney or Mr. Torvinen, respectively, that was vested at the time of his termination of employment will remain exercisable for five years, subject to the expiration of the initial ten year term. Options will immediately expire if an optionholder's employment or service is terminated for "cause".

Any unvested option held by an employee will automatically vest and become immediately exercisable if the employee's employment is terminated by the Company without "cause" or upon resignation of the employee for "good reason" upon or within thirteen months of a "change in control" (as defined in the Share Option Plan).

Options granted to non-executive Directors upon Admission vest in equal instalments over three years on the anniversary of the date of grant and generally have the same terms and conditions as the options granted to employees, except that unvested options held by a non-employee director will automatically vest and become immediately exercisable upon a "change in control" (as defined in the Share Option Plan).

The Remuneration Committee, a committee of Directors appointed by the Board, has the authority to administer the Share Option Plan, or in the absence of a Remuneration Committee, the Directors or its delegate will administer the plan (the "Administrator"). The Administrator may delegate certain limited authority to grant Awards with respect to the Share Option Plan to one or more of the Company's officers. Amongst other things, the Administrator of the Share Option Plan has broad authority to:

- prescribe, amend and rescind rules and regulations relating to the Share Option Plan;
- select participants and determine the type of Award they are to receive and the timing of such Award;
- determine the number of Common Shares that are subject to the Award and the terms and conditions of such Award, including the price (if any) to be paid for the Award;
- to establish and verify the extent of satisfaction of any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award; amend, alter, suspend or terminate any or all outstanding Awards, subject to any required consents; and
- interpret and construe the plan and any terms and conditions of Awards.

As is customary in incentive plans of this nature, in the event that the number of Common Shares is increased or decreased through a reorganisation, reclassification, combination of Common Shares, stock split, reverse stock split, spin-off, dividend (other than regular or quarterly cash dividends) or otherwise, then each Common Share which has been authorised for issuance under the Share Option Plan or is the subject of an outstanding Award may be proportionately adjusted by the Administrator to reflect such increase or decrease. In the event there is any other change in the number or kind of outstanding Common Shares, or any stock or other securities into which such Common Shares are changed, or for which they shall be exchanged, whether by reason of a change of control, merger, consolidation or otherwise, then the Administrator may determine the appropriate adjustment (if any) to be effected and accelerate the times at which any Awards may be exercised.

Non-qualified and incentive stock options may not be granted at prices below the fair market value of the Common Shares on the date of grant. Each Option shall expire within a period of not more than ten years from the date of grant. However, in the case of the grant of an incentive stock option to a participant who owns more than 10% of the Common Shares then in issue, the exercise price of such option must be at least 110% of the fair market value of the Common Shares on the date of grant and the Option must expire within a period of not more than five years from the date of grant. The exercise price of options may be paid in, amongst other things, Common Shares, cash or a combination of the two, as determined by the Administrator.

Stock appreciation rights will generally be granted on the same terms and conditions applicable to non-qualified and incentive stock options. Stock appreciation rights entitle participants to receive Common Shares, cash or a combination of the two, as determined by the Administrator, to a value equal to or based on the excess of (i) the market price of the relevant number of Common Shares at the time of exercise over (ii) the exercise price of the right, as established by the Administrator on the date of grant. Stock appreciation rights may not be granted at prices below the fair market value of the Common Shares on the date of grant.

Restricted stock is an award or issuance of Common Shares, the grant, issuance, retention, vesting and/or transferability of which is subject during specified periods of time to such conditions (including continued employment or performance conditions) and terms as the Administrator deems appropriate. Restricted stock units are Awards denominated in units of Common Shares under which the issuance of Common Shares is subject to such conditions (including continued employment or performance conditions) and terms as the Administrator deems appropriate. Each restricted stock unit will generally be equal to one Common Share and will entitle a participant to either Common Shares or an amount of cash determined by reference to the value of the underlying Common Shares. Restricted stock and restricted stock units may be settled in Common Shares, cash or a combination of the two, as determined by the Administrator.

The Administrator may establish rules for the deferred delivery of Common Shares upon the exercise of a non-qualified or incentive stock option, stock appreciation right or upon settlement, vesting or other events with respect to restricted stock or restricted stock units or in payment or satisfaction of an incentive bonus. In such cases the deferral will be evidenced by use of "deferred stock units" equal in number to the number of Common Shares whose delivery is deferred or to the value of the amount of cash being deferred. A deferred stock unit is a book keeping entry representing an amount equivalent to the fair market value of one Common Share and represents an unfunded and unsecured obligation of the Company. Deferred stock units may be settled in Common Shares, cash or a combination of the two, as determined by the Administrator.

The Directors may amend or terminate the Share Option Plan at any time, but no such action will materially impair the rights and obligations of a participant in relation to any outstanding Award. Shareholder approval for an amendment to the Share Option Plan will only be required in relation to any (i) increase in the maximum number of Common Shares for which Awards may be granted, (ii) reduction in the price at which non-qualified and incentive stock options may be granted, (iii) reduction of the exercise price of outstanding non-qualified and incentive stock options, (iv) extension of the term of the Share Option Plan, or (v) amendment of the Share Option Plan in any manner requiring shareholder approval by law or under applicable stock market listing requirements.

The Share Option Plan will terminate on 5 October 2016. The Share Option Plan is not exclusive and the Directors may adopt such other incentive arrangements as they deem desirable.

8. 2006 Deferred Compensation and Retention Plan

On 28 August 2006, the Selling Shareholder adopted the 2006 Deferred Compensation and Retention Plan (the "Deferred Compensation Plan"), which amended and restated a similar plan that had been adopted by the Company (the "Previous Plan"). Upon Adoption of the Deferred Compensation Plan, the Previous Plan was assumed by the Selling Shareholder, and certain clarifying amendments were made.

Under the Deferred Compensation Plan, units are granted to members of Somero management in order to provide incentive compensation. Each unit under the Deferred Compensation Plan entitles the holder to a cash payment in the amount of 0.001% of the net proceeds received by the Selling Shareholder and its members in connection with a liquidity event.

The term "liquidity event," as defined under the plan, means (a) any sale of greater than 90% of the business, properties, and assets of the Selling Shareholder or the Company, or (b) any sale or issuance of the Company's or the Selling Shareholder's voting securities such that affiliates of the Gores no longer have beneficial ownership of more than 50% of the then-outstanding voting securities of the Selling Shareholder or the Company. There may be only one liquidity event under the Deferred Compensation Plan.

The term "net proceeds" under the Deferred Compensation Plan is defined as the gross proceeds received by the Selling Shareholder and its members in connection with a liquidity event, less (a) any payments to third parties in respect of indebtedness of the Selling Shareholder that is required by its terms to be repaid in connection with the liquidity event and is so repaid; (b) any liabilities of the Selling Shareholder or its members retained in connection with or with respect to the liquidity event; (c) any advances of the Selling Shareholder's members to the Selling Shareholder or the Company for expenses of the Selling Shareholder or the Company; (d) any transaction costs, fees, taxes or expenses paid in connection with the liquidity event; (e) in the event the liquidity event is a liquidation, any costs associated with the liquidation, and (f) any preferred distribution or liquidation preference or amount under a debt instrument payable to the Selling Shareholder's members with respect to their invested capital in the Selling Shareholder.

There are 6,300 units authorised under the Deferred Compensation Plan. The table below lists the participants in the Deferred Compensation Plan, and the number of units they each hold:

Participant	Number of Units
Mr. John T. (Jack) Cooney	3,700
Mr. Michael F. Niemela	1,000
Mr. James Torvinen	850
Mr. Howard Hohmann	250
Mr. Andrew Keen	250
Mr. Thomas Oury	250
Total Units Outstanding	6,300

Because Gores and its affiliates will own less than 50% of the Common Shares following Admission, the Placing will constitute a "liquidity event" under the Deferred Compensation Plan. As a result, each of the participants listed above will be paid an amount equal to the number of units held multiplied by 0.001% of the "net proceeds" received by the Selling Shareholder in connection with the Placing, and any subsequent sales of Common Shares by the Selling Shareholder. The exact amounts paid to the unitholders will depend on the level of "net proceeds" received by the Selling Shareholder, as determined by The Gores Group, as manager of the Selling Shareholder, based on the definition of "net proceeds" under the Deferred Compensation Plan, which will be net of any preferential proceeds described in paragraphs 10.6(a) and (b) of this Part VII paid out to members of the Selling Shareholder in accordance with the terms of its Limited Liability Company Agreement. Because the Placing will not constitute a sale of all of the Common Shares held by the Selling Shareholder, only a pro rata portion of the outstanding units will be redeemed based on the percentage of the Common Shares held by the Selling Shareholder prior to Admission that are sold in the Placing (and remaining units will entitle holders to future distributions). Assuming, for example, that the Selling Shareholder receives net proceeds of \$35 million from the Placing, and determines that, after paying expenses and preferential distributions to its members, "net proceeds" as defined under the Deferred Compensation Plan are determined to be \$14.6 million then each unit would entitle the holder to \$145.93, and Messrs. Cooney, Niemela, Torvinen, Hohmann, Keen and Oury would therefore receive approximately \$539,930, \$145,927, \$124,038, \$36,482, \$36,482 and \$36,482, respectively. These amounts are presented for illustrative purposes only. The actual net proceeds received by the Selling Shareholder and the amounts distributed to unit holders may be higher or lower than these amounts.

9. Directors

9.1 The details of those companies and partnerships of which the Directors have been directors or partners at any time during the five years prior to the date of this document are as follows:

Director	Age	Current directorships and partnerships	Past directorships and partnerships
Mr. Stuart J. Doughty	63	Agis Blast Protection Limited Hawford Lodge School Limited Paramount Productions Limited Scott Wilson Group Plc Somero Enterprises, Inc. The King's School, Worcester	Alstec Group Limited Beck Pollitzer Engineering Holdings Limited BPE Employee Trustees Limited Costain Group Plc National Road Operators Limited Renown Investments (Holdings) Limited Richard Costain Limited Westminster Plant Co. Limited
Mr. John T. (Jack) Cooney	59	Somero Enterprises, Inc. Somero Holdings, LLC	—
Mr. Michael F. Niemela	42	Somero Enterprises, Inc. Somero Enterprises Limited Somero Enterprises SRL	—
Mr. Thomas M. Anderson	55	Somero Enterprises, Inc. Schwing Bioset, Inc. Concrete Pump Repair Engineered Chassis Systems	Schwing America, Inc.
Mr. Ronald Maskalunas	65	Somero Enterprises, Inc.	—
Mr. Ian R. Weingarten	34	Somero Enterprises, Inc. SER Systems, Inc. SER Solutions, Inc. SER Holdings, Inc. Somero Holdings, LLC	—

9.2 At the date of this document no Director:

- 9.2.1 has any unspent convictions in relation to any indictable offences; or
- 9.2.2 has been bankrupt or entered into an individual voluntary arrangement; or
- 9.2.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- 9.2.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- 9.2.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- 9.2.6 has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

10. Directors' and other interests

10.1 Stock Ownership of Certain Beneficial Owners and Management

The following table and accompanying footnotes set forth information regarding the beneficial ownership of Common Shares immediately prior to Admission (based on information as of 26 October 2006), and immediately following Admission, by: each of the Directors and their families (as defined in the AIM Rules); each of the Company's named executive officers (as defined in paragraph 12.1 of this Part VII); all Directors and executive officers as a group; and all persons known to be beneficial owners of 5% or more of the Company's outstanding common stock. Beneficial ownership of shares is determined under SEC rules and generally includes any shares

over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, each person identified in the table possesses sole voting and investment power with respect to all Common Shares held by them. The percentages of beneficial ownership are based on 30,000,000 Common Shares outstanding as of 26 October 2006, and 34,281,968 Common Shares outstanding immediately following Admission. The address for Mr. Andrew Keen is c/o Somero Enterprises Limited, Broombank Road, Chesterfield Trading Estate, England S41 9QJ. The address for each other stockholder, director and executive officer is c/o Somero Enterprises, Inc., 82 Fitzgerald Drive, Jaffrey, New Hampshire 03452 USA.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership Common Stock (immediately prior to Admission)		Common Stock (immediately following Admission)	
	Shares (1)	Percent of Class	Shares	Percent of Class
Executive Officers and Directors				
Mr. Stuart J. Doughty	0	nil	72,000 (3)(4)	*
Mr. John T. (Jack) Cooney(2)	0	nil	128,034 (3)(4)	*
Mr. Thomas M. Anderson	0	nil	0 (3)	nil
Mr. Ronald Maskalunas	0	nil	0 (3)	nil
Mr. Ian R. Weingarten	0	nil	0	nil
Mr. Michael F. Niemela(2)	0	nil	21,339 (3)(4)	*
Mr. James Torvinen	0	nil	21,339 (3)(4)	*
Mr. Andrew Keen	0	nil	17,071 (3)(4)	*
Mr. Howard Hohmann	0	nil	4,268 (3)(4)	*
Mr. Thomas Oury	0	nil	4,268 (3)(4)	*
All directors and executive officers as a group (10 persons)	0	nil	0 (3)	nil
5% Beneficial Owners				
Somero Holdings, LLC	30,000,000	100%	12,872,130	37.5

*-Less than 1%.

(1) Amounts represent the number of Common Shares following the recapitalisation described in paragraph 4.2.2 of this Part VII.

(2) The amount of securities shown does not include any securities indirectly held through Somero Holdings, LLC.

(3) Although certain directors and executives have been granted options, conditionally upon Admission, to purchase Common Shares, none of these options are exercisable until one year following Admission.

(4) Amounts shown represent Common Shares expected to be purchased in connection with the Placing at the Placing Price.

10.2 As at the date of this document, the following options have been granted to the Directors and the named executive officers (as defined in paragraph 12.1 of this Part VII) under the Share Option Plan conditionally upon Admission:

Director	Number of Common Shares under option	Approximate percentage of issued Common Shares following Admission represented by option	Exercise price per Common Share	Expiration date
Mr. Stuart Doughty	154,268	0.45% of outstanding	\$2.34	1 November 2016
Mr. John T. (Jack) Cooney	874,190	2.55% of outstanding	\$2.34	1 November 2016
Mr. Thomas M. Anderson	85,704	0.25% of outstanding	\$2.34	1 November 2016
Mr. Ronald Maskalunas	85,704	0.25% of outstanding	\$2.34	1 November 2016
Mr. Michael F. Niemela	205,691	0.60% of outstanding	\$2.34	1 November 2016
Mr. James Torvinen	205,691	0.60% of outstanding	\$2.34	1 November 2016
Mr. Andrew Keen	205,691	0.60% of outstanding	\$2.34	1 November 2016
Mr. Howard Hohmann	205,691	0.60% of outstanding	\$2.34	1 November 2016
Mr. Thomas Oury	205,691	0.60% of outstanding	\$2.34	1 November 2016

In consideration of the Directors' and executive officers' agreement to provide services or remain in the employment of the Company, the Company granted the above options. These options have an exercise price equal to the Placing Price, generally vest over three years (subject to acceleration in certain events) and expire ten years from grant (unless there is early expiration in accordance with the terms of the grant). Options granted to non-employee Directors vest over three years in annual equal instalments. Options granted to executive Directors and executive officers also vest over three years, with one-third of the option vesting on the first anniversary of the date of grant and thereafter vesting in equal monthly instalments over the remaining two-year vesting period. For additional terms of these option awards see paragraph 7 of this Part VII.

- 10.3 Immediately prior to Admission (but following the recapitalisation described in paragraph 4.2.2 of this Part VII) and so far as the Directors are aware, the only persons who are or will be interested, directly or indirectly, in 3% or more of the issued share capital of the Company are as follows:

<u>Shareholder</u>	<u>(i) Immediately prior to Admission</u>		<u>(ii) Immediately following Admission</u>	
	<u>Number of Common Shares</u>	<u>Percentage of issued share capital</u>	<u>Number of Common Shares</u>	<u>Percentage of issued share capital</u>
Somero Holdings, LLC	30,000,000	100%	12,872,130	37.5

- 10.4 The Gores Group, through its affiliate, Somero Holdings, LLC, was interested in 30,000,000 Common Shares before the Placing (following the recapitalisation described in paragraph 4.2.2 of this Part VII) and will be interested in 12,872,130 Common Shares after the Placing. As a result, the Gores Group may be deemed to have control over the Company following Admission.

- 10.5 The Selling Shareholder is the Company's sole shareholder prior to Admission. The Selling Shareholder is managed by The Gores Group, and is principally owned by affiliates of The Gores Group. The Company's Director, President and Chief Executive Officer, Mr. John T. (Jack) Cooney, and its Chief Financial Officer Secretary and Director, Mr. Michael F. Niemela, own minority equity interests in the form of Class A Units in the Selling Shareholder. The remaining membership interests of the Selling Shareholder are held by affiliates of The Gores Group. The table below presents the names of each member of the Selling Shareholder, and their respective invested capital, invested capital percentages, class and number of outstanding units, and percentage interests:

<u>Member</u>	<u>Invested Capital</u>	<u>Invested Capital Percentage</u>	<u>Class and Number of Units</u>	<u>Percentage Interests</u>
Gores Capital Partners, LP	\$13,242,862	63.56%	6,486 Class A Units	59.56%
Gores Co-Invest Partnership, LP	\$4,593,750	22.05%	2,250 Class A Units	20.66%
Gores FF Partners, LP	\$538,388	2.59%	264 Class A Units	2.42%
Mr. John T. (Jack) Cooney	\$208,260	1.00%	102 Class A Units	0.94%
Mr. Michael F. Niemela	\$26,453	0.13%	13 Class A Units	0.13%
Gores Capital Advisers, LLC	N/A	N/A	1,072 Class B Units	10.00%
Total	\$18,609,803	100%	10,182 Units	100%

- 10.6 Pursuant to the Amended and Restated Limited Liability Company Agreement (the "LLC Agreement") of the Selling Shareholder, distributions may be made to the members of the Selling Shareholder at the option of The Gores Group, LLC. Distributions by the Selling Shareholder, if any, will be made as follows:

- (a) first, to members holding Class A Units pro rata according to their invested capital percentage until each such member has received distributions equal to its invested capital;
- (b) second, to members holding Class A Units pro rata according to their invested capital percentage until each such member has received distributions equal to 8% cumulative per annum return on its invested capital; and
- (c) third, to all members holding either Class A Units or Class B Units, pro rata according to their percentage interests.

- 10.7 As a result of ownership by Mr. Cooney and Mr. Niemela of Class A Units of the Selling Shareholder, in the event that the Selling Shareholder distributes any of the net proceeds it receives in connection with the Placing to its members, Mr. Cooney and Mr. Niemela will receive a portion of this distribution in accordance with the terms of the LLC Agreement. For example, if the Selling Shareholder determines to distribute \$35 million of net proceeds it receives in connection with the Placing to its members, Mr. Cooney and Mr. Niemela will receive approximately \$165,189 and \$45,929, respectively. These amounts are presented for illustrative purposes only and are in addition to any amounts that may be payable pursuant to the Deferred Compensation Plan described in paragraph 8 of this Part VII. The actual net proceeds received and/or distributed by the Selling Shareholder may be higher or lower than \$35 million, which would result in higher or lower distributions to Messrs. Cooney and Niemela. In the event that the Selling Shareholder sells additional shares of the Company in the future, and distributes proceeds from the sale to its members, Messrs. Cooney and Niemela would be entitled to additional distributions in accordance with the terms of the LLC Agreement.

- 10.8 None of the shareholders listed in paragraph 10.3 of this Part VII have different voting rights to other shareholders.
- 10.9 So far as the Company is aware, there are no arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 10.10 No Director has, or has had any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.
- 10.11 Save as described in paragraphs 8 and 10 of this Part VII, there is no Director or member of a Director's family (as defined in the AIM Rules) who has a related financial product (as defined in the AIM Rules) referenced to the Common Shares.
- 10.12 There are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.
- 10.13 Save as described in paragraphs 11, 12 and 13 of this Part VII, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

11. Directors' service agreements, letters of appointment and emoluments

- 11.1 Mr. John T. (Jack) Cooney and Mr. Michael F. Niemela, the Company executive Directors, entered into employment agreements with the Company, effective as of the date of Admission, in respect of their employment with the Company. Details of Mr. Cooney's and Mr. Niemela's employment agreements are set out below:

<u>Director</u>	<u>Term of employment agreement</u>	<u>Notice period</u>	<u>Remuneration per annum</u>
Mr. John T. (Jack) Cooney	One year initial term (commencing on Admission), which renews automatically for successive one-year terms unless either party gives notice	90 days prior to expiration of current term	\$264,000 base salary \$132,000 target bonus
Mr. Michael F. Niemela	One year initial term (commencing on Admission), which renews automatically for successive one-year terms unless either party gives notice	90 days prior to expiration of current term	\$150,000 base salary \$60,000 target bonus

- 11.2. Mr. Cooney's and Mr. Niemela's employment agreements are for a one-year term, which automatically renews for successive one-year terms unless either party gives notice of termination prior to 90 days before expiration of the current term. Mr. Cooney is entitled to an annual base salary of \$264,000 and an annual incentive bonus targeted at \$132,000 with a stretch bonus opportunity of \$66,000 depending on actual achievement of performance goals, each as adjusted from time to time by the Directors. Mr. Niemela is entitled to an annual base salary of \$150,000 and an annual incentive bonus targeted at \$60,000 with a stretch bonus opportunity of \$30,000 depending on actual achievement of performance goals, each as adjusted from time to time by the Directors. Mr. Cooney and Mr. Niemela also received awards of options, conditional upon Admission, equal to approximately 2.55% and 0.6%, respectively, of the expected post-Admission issued share capital of the Company. Other material terms of Mr. Cooney's and Mr. Niemela's employment agreements are as follows:

- 11.2.1 The employment of the employee may be terminated by the Company for "cause" upon 20 days' notice, during which time the employee will have an opportunity to cure the act or

omission to the extent curable, if the employee (i) is convicted of, or enters a pleading of guilty or nolo contendere to a felony (other than a DUI or similar felony); (ii) materially fails to perform his duties under his employment agreement, it being understood that poor performance of the Company shall not, in and of itself, be a material failure to perform duties, (iii) materially fails to comply with the Company's standard policies and procedures or fails to comply with a lawful directive of the Directors; (iv) wilfully commits an act (including an act of fraud or dishonesty) as a result of which he receives a material and improper personal benefit at the expense of the Company, or (v) wilfully breaches his non-compete, non-solicitation or confidentiality covenants contained in his employment agreement, other than an inadvertent breach with no adverse effect on the Company. In the event of such termination, the employee will be entitled to receive any earned, but unpaid base salary and welfare benefits up to the effective date of termination.

- 11.2.2 If the Company terminates the employee's employment without "cause", then the employee will be entitled to receive 18 months (in the case of Mr. Cooney) or 12 months (in the case of Mr. Niemela) of continued salary, continued coverage at the Company's expense under the Company's group health plan for 18 months (in the case of Mr. Cooney) or 12 months (in the case of Mr. Niemela), and a pro rata target bonus payment. If the employee's employment is terminated due to his Disability (as defined in his employment agreement) or his death, the employee or his estate will be entitled to receive any earned, but unpaid base salary and welfare benefits
- 11.2.3 The employee may resign and terminate his employment at any time for "good reason" (as defined below) by giving 20 days' written notice to the Company, during which time the Company will have an opportunity to cure the act or omission. If the employee's resignation is due to "good reason", he will receive 18 months' (in the case of Mr. Cooney) or 12 months' (in the case of Mr. Niemela) continuation of base salary, continued coverage at the Company's expense under the Company's group health plan for 18 months (in the case of Mr. Cooney) or 12 months (in the case of Mr. Niemela), and a pro rata target bonus payment. "Good reason" means (i) the failure by the Company to provide compensation or benefits or a breach by the Company of any material provision of the employee's agreement, other than an isolated, or inadvertent failure, (ii) a material diminution in the employee's position, duties or responsibilities, or (iii) a relocation of the employee's principal place of employment that is outside a 50 mile radius of his then principal place of employment. If the employee's resignation is not due to Good Reason, he will be entitled to receive any earned, but unpaid base salary and welfare benefits up to the effective date of termination.
- 11.2.4 All of the foregoing severance payments upon termination without "cause" or upon resignation for "good reason" are subject to the employee signing a general release and waiver with respect to any claims he may have against the Company.
- 11.2.5 Mr. Cooney will be subject to an eighteen month non-compete and non-solicitation agreement upon termination of employment, and Mr. Niemela will be subject to a twelve month non-compete and non-solicitation agreement upon termination of employment.
- 11.3 Mr. Cooney was appointed as a Director of the Company on 10 August 2005. Mr. Niemela will be appointed as a Director shortly prior to Admission.
- 11.4 The Company has entered into letters of appointment dated 1 September 2006, 21 September 2006 and 1 September 2006 concerning the appointment of Mr. Maskalunas, Mr. Doughty and Mr. Anderson, respectively, and a letter of appointment dated 25 September 2006 concerning the continued service of Mr. Weingarten (who has served as a Director of the Company since August 2005) as non-executive Directors of the Company which are conditional upon Admission and which provide for:
- 11.4.1 in the case of Mr. Doughty, termination by either party on three months' written notice, or immediately without notice or compensation in the event that grounds for removal from office for cause exist under the DGCL or in the event that Mr. Doughty is removed from office as a director of the Company or fails to be re-elected by shareholders at the end of his term but, in the event of termination due to such failure to be re-elected, without prejudice to his rights to compensation (if any) set out in the agreement;
- 11.4.2 a fee of £50,000 per annum in the case of Mr. Doughty (as Chairman) and \$57,000 per annum in the case Messrs. Maskalunas and Anderson (which includes compensation for service as chairman of the audit and remuneration committees, respectively), and \$47,000 in the case of Mr. Weingarten, which shall be paid to The Gores Group. These fees shall be reviewed annually by the Board;

- 11.4.3 the Company is to reimburse each non-executive Director in full for all reasonable out of pocket expenses which he properly incurs in the course of performing his duties as a non-executive Director of the Company;
- 11.4.4 in the case of Mr. Doughty, a per diem of £1,250 for additional work and travel required in the first year in excess of two days per month;
- 11.4.5 each non-executive Director is subject to a confidentiality undertaking without limitation in time; and
- 11.4.6 each non-executive Director must communicate to the Board any conflict of interest arising out of his position as a non-executive Director together with any information or knowledge acquired or gained by him in any manner whatsoever whilst continuing in that office which may be of value or which may be to the detriment of the Company or any of its group companies.
- 11.5 Each non-executive Director is ineligible to participate in any incentive or pension arrangements other than the Share Option Plan and the Deferred Compensation Plan described in paragraph 7 and paragraph 8 of this Part VII.
- 11.6 Save as disclosed in this paragraph 11, there are no existing or proposed service agreements, letters of appointment or other arrangements between any of the Directors and the Company which provide for benefits upon termination of employment.

12. Compensation of Executive Officers

- 12.1 The following table sets forth certain information concerning compensation that the Company paid to its President and Chief Executive Officer and its other executive officers as of 31 December 2005, for services rendered to the Company in all capacities during the fiscal year ended 31 December 2005. In this document, these individuals are referred to as the Company's "named executive officers." The following table also includes each named executive officer's annual salary and bonus potential as of 1 October 2006, labelled as year 2006.

Name and Position	Year	Annual Compensation			Long-Term Compensation Awards	
		Salary(1)	Bonus(2)	Other Annual Compensation(3)	Securities Underlying Options(4)	All Other Compensation
Mr. John T. (Jack) Cooney President and Chief Executive Officer	2005	\$240,000	\$180,000	\$14,400	–	\$450,000(5)
	2006	\$264,000	\$132,000	\$16,000	874,190	
Mr. Michael F. Niemela Chief Financial Officer, Vice President and Secretary	2005	\$95,000	\$57,000	\$–	–	\$75,000(5)
	2006	\$150,000	\$60,000	\$16,000	205,691	
Mr. James Torvinen Vice President, Manufacturing	2005	\$115,000	\$69,000	\$13,300	–	\$150,000(5)
	2006	\$127,000	\$50,800	\$16,381	205,691	
Mr. Andrew Keen Managing Director, Europe	2005	£71,740	£17,935	£7,200	–	–
	2006	£82,297	£20,575	£7,200	205,691	
Mr. Howard Hohmann Vice President and Sales Director – Eastern U.S. and Latin America	2005	\$124,531	\$46,700	\$–	–	–
	2006	\$149,494	\$37,374	\$16,000	205,691	
Mr. Thomas Oury Vice President and Sales Director – Western U.S. and Asia/Australia	2005	\$124,531	\$46,700	\$9,600	–	–
	2006	\$149,494	\$37,374	\$14,400	205,691	

- (1) Salary amounts for 2006 represent annual salaries as of 1 October 2006. Actual salaries for the full year 2006 may be higher or lower than these amounts.
- (2) Bonus amounts represent 2006 target bonuses as of 1 October 2006. Actual bonuses may be higher or lower than these amounts.
- (3) Represents lease payments for a company vehicle. For 2006, these are projected full-year amounts. Actual amounts may be higher or lower than these amounts.
- (4) Securities underlying options for 2006 represents options to purchase Common Shares that will be granted upon Admission. Actual amounts for the full year 2006 may be higher or lower than these amounts.
- (5) Represents bonuses paid by Dover upon the consummation of the Gores Asset and Share Purchase Agreement in August 2005.

- 12.2 Employment Agreements. Somero is a party to employment agreements with Messrs. Cooney, Torvinen, Niemela and Keen (which, in the case of Messrs. Cooney, Torvinen and Niemela are effective on the date of Admission). The employment agreements of Messrs. Cooney, Torvinen and Niemela provide for an initial term of one year, with automatic successive one-year terms unless either party gives notice not to renew the agreement prior to 90 days before the expiration of the current term. Mr. Keen's employment agreement is for an unspecified term. Other material terms of the employment agreements are as follows:
- 12.2.1 Mr. Cooney's and Mr. Niemela's employment agreements are described in paragraph 11 of this Part VII. Mr. Torvinen's employment agreement contains substantially similar terms as Mr. Niemela's employment agreement.
- 12.2.2 Mr. Torvinen is entitled to an annual base salary of \$127,000 and an annual incentive bonus targeted at \$50,800 with a stretch bonus opportunity of \$25,400, subject to the actual achievement of performance goals under the Company's incentive bonus plan. Mr. Torvinen also received an award of options, conditional upon Admission, equal to approximately 0.6% of the expected post-Admission issued share capital of the Company. The terms of these options are described in paragraph 7 of this Part VII.
- 12.2.3 Mr. Keen's current base salary is £82,297 annually (subject to annual cost of living adjustment). Under the Company's bonus scheme, he is entitled to an annual incentive bonus targeted at £20,575 with a stretch bonus opportunity of £10,288, subject to the actual achievement of performance goals under the Company's bonus scheme. He receives a car allowance of £600 per month. He is, entitled to 3 months' notice prior to termination, and is required to give 3 months' notice prior to terminating his own employment. Mr. Keen received an award of options, conditional upon Admission, equal to 0.6% of the expected post-Admission issued share capital of the Company.
- 12.3 Stock Option Plan. The Company's stock option plan is described in paragraph 7 of this Part VII.

13. Fees and other amounts paid to The Gores Group and its affiliates

On 10 August 2005, Gores entered into a management agreement with the Company. Under the terms of the agreement, Gores agreed to provide various services to Somero in return for a monthly management fee of \$33,333.34. The term of the management agreement is due to expire on 31 December 2006, but Gores has agreed with the Company that the management agreement will terminate earlier on the date of Admission.

The Board has declared a dividend of \$1.79 million, which will be paid two business days after Admission to the Selling Shareholder, and which the Directors understand is intended to be used, in part, to pay for a portion of the expenses incurred by the Selling Shareholder and the Company in connection with the Placing. Purchasers of Common Shares in the Placing will not share in this dividend. The Company also intends to repay outstanding indebtedness to Gores in the amount of \$710,000 prior to 31 December 2006.

Gores has agreed that it will reimburse Somero for up to \$1.7 million of expenses incurred by Somero in connection with the Placing.

14. Employees

14.1 As at 30 June 2006 the Group had 113 employees located in the following geographical locations:

<u>Country/Activity</u>	<u>U.S.</u>	<u>U.K.</u>	<u>Italy</u>	<u>Total</u>
Accounting	4	1	-	5
Administration / Marketing	2	1	-	3
Assembly / Support	25	-	-	25
Customer Service	13	-	-	13
Engineering	12	-	-	12
Human Resources	2	-	-	2
Information Technology	3	-	-	3
Manufacturing Administration	3	-	-	3
Marketing	2	-	-	2
Purchasing	4	-	-	4
Sales Support	2	1	-	3
Sales and Service Reps	25	8	1	34
Senior Management	3	1	-	4
Total	<u>100</u>	<u>12</u>	<u>1</u>	<u>113</u>

15. United States law and taxation

15.1 General.

The following is a general discussion of the material U.S. federal income and estate tax consequences to a Non-U.S. Shareholder of the ownership and disposition of Common Shares. For the purpose of this discussion, a "Non-U.S. Shareholder" is any shareholder that for U.S. federal income tax purposes is not a U.S. person or a partnership. For the purposes of this discussion, the term "U.S. person" means:

- an individual citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation or other entity taxable as a corporation created or organised in the United States or under the laws of the United States, any state or the District of Columbia;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (a) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons that have the authority to control all substantial decisions of the trust or (b) which has made a valid election to be treated as a U.S. person.

If a partnership holds Common Shares, the tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold Common Shares and partners in such partnerships should consult their tax advisers.

This discussion assumes that Non-U.S. Shareholders will hold Common Shares issued pursuant to the offering as a capital asset (generally, property held for investment). This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant in light of a Non-U.S. Shareholder's special tax status or special tax situation. U.S. expatriates or former long-term residents, life insurance companies, tax-exempt organisations, dealers in securities or currency, banks or other financial institutions, investors that have elected mark-to-market accounting, who acquired Common Shares as compensation, or that hold Common Shares as part of a hedge, straddle, constructive sale, conversion, or other risk reduction transaction, and special status corporations (such as "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. income tax) are among those categories of potential investors that are subject to special rules not covered in this discussion. This discussion does not address any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. Furthermore, the following discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, and U.S. Treasury Regulations and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Accordingly, each Non-U.S. Shareholder should consult its tax adviser regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of Common Shares.

GENERAL RELIANCE NOTICE

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, NON-U.S. SHAREHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCUSSION IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY NON-U.S. SHAREHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON NON-U.S. SHAREHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) NON-U.S. SHAREHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

15.2 Dividends.

As discussed in the section entitled “Key Information – Dividend Policy” of this document, following Admission, the Company intends to pay dividends. In the event that the Company does pay dividends, those payments will constitute dividends for U.S. tax purposes to the extent paid from the Company’s current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those dividends exceed the Company’s current and accumulated earnings and profits, the dividends will constitute a return of capital and will first reduce a shareholder’s tax basis, but not below zero, and then will be treated as gain from the sale of stock.

Any dividend (out of earnings and profits) paid to a Non-U.S. Shareholder of Common Shares generally will be subject to U.S. withholding tax at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable tax treaty. For example, a 15% withholding rate generally will apply if the Non-U.S. Shareholder qualifies for such reduced withholding rate under the U.S.-U.K. income tax treaty. In order to receive a reduced treaty rate, a Non-U.S. Shareholder must provide the Company with a U.S. Internal Revenue Service (“IRS”) Form W-8BEN (or successor form) or an appropriate substitute form certifying qualification for the reduced rate. The Non-U.S. Shareholder must periodically update the information on such forms. Such Non-U.S. Shareholder may also be required to obtain and provide a U.S. taxpayer identification number and/or demonstrate residence in the applicable foreign jurisdiction by providing documentation issued by the government of such jurisdiction. Furthermore, U.S. Treasury Regulations require special procedures for payments through qualified intermediaries. A Non-U.S. Shareholder of Common Shares that is eligible for a reduced rate of withholding tax pursuant to a tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Dividends received by a Non-U.S. Shareholder that are effectively connected with a U.S. trade or business conducted by the Non-U.S. Shareholder are exempt from the 30% withholding tax. In order to obtain this exemption, a Non-U.S. Shareholder must provide the Company with an IRS Form W-8ECI (or successor form) or an appropriate substitute form properly certifying such exemption. “Effectively connected” dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If the Non-U.S. Shareholder is eligible for the benefits of a tax treaty between the United States and the shareholder’s country of residence, any effectively connected dividends or gain would generally be subject to U.S. federal income tax only if such amount is also attributable to a permanent establishment or fixed base maintained by the shareholder in the United States.

In addition to the graduated tax described above, dividends received by a corporate Non-U.S. Shareholder that are effectively connected with a U.S. trade or business of a corporate Non-U.S. Shareholder may also, under certain circumstances, be subject to a branch profits tax at a rate of 30% or such lower rate as specified by an applicable tax treaty.

15.3 Gain on dispositions.

A Non-U.S. Shareholder generally will not be subject to U.S. federal income tax on any gain recognised upon the sale or other disposition of Common Shares unless:

- the gain is effectively connected with a U.S. trade or business of the Non-U.S. Shareholder (which gain, in the case of a corporate Non-U.S. Shareholder, must also be taken into account for branch profits tax purposes);

- the Non-U.S. Shareholder is an individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are satisfied; or
- Common Shares constitute a U.S. real property interest by reason of the Company's status as a "U.S. real property holding corporation" for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the shareholder's holding period for Common Shares, and the Non-U.S. Shareholder does not fall within a de minimis exception. The Company has determined that the Company is not, and the Company does not anticipate becoming, a U.S. real property holding corporation for U.S. federal income tax purposes. However, the Company can give no assurance that the Company will not become a U.S. real property holding corporation. Accordingly, Non-U.S. Shareholders are urged to consult their tax advisers to determine the application of these rules to their disposition of Common Shares.

An individual or corporation that is described in the first bullet point above will be subject to U.S. federal income tax on any gain recognized at the applicable graduated U.S. federal income tax rate. An individual who is described only in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% on any gain recognized, which may be offset by U.S. source capital losses (even though such individual is not considered a resident of the United States).

15.4 U.S. federal estate taxes.

Common Shares owned or treated as owned by an individual who is a Non-U.S. Shareholder at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax, unless an applicable tax treaty provides otherwise. It is possible that an individual may be subject to U.S. federal estate tax but not U.S. federal income tax as a resident, and it is also possible that an individual may be subject to U.S. federal income tax as a resident but not U.S. federal estate tax.

15.5 Information reporting and backup withholding.

Generally, the Company must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld in the case of each Non-U.S. Shareholder. A similar report is sent to the shareholder. Tax treaties or other agreements may require the IRS to make its reports available to tax authorities in the recipient's country of residence.

Payments of dividends or of proceeds on the disposition of stock made to a Non-U.S. Shareholder may be subject to backup withholding (currently at a rate of 28%) unless the Non-U.S. Shareholder establishes an exemption, for example by properly certifying its non-U.S. status on a Form W-8BEN (or successor form) or an appropriate substitute form. Notwithstanding the foregoing, backup withholding may apply if either the Company or its paying agent has actual knowledge, or reason to know, that the shareholder is a U.S. person or that any other condition of exemption is not satisfied.

The payment of the gross proceeds of the sale, exchange or other disposition of Common Shares to or through the U.S. office of any broker, U.S. or foreign, will be subject to information reporting and possible backup withholding unless the Non-U.S. Shareholder, prior to payment, certifies as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption, and provided that the broker does not have actual knowledge, or reason to know, that the purported Non-U.S. Shareholder is actually a U.S. person or that the conditions of any other exemption are not in fact satisfied. The payment of the gross proceeds of the sale, exchange or other disposition of Common Shares to or through a non-U.S. office of a non-U.S. broker will not be subject to information reporting or backup withholding unless the non-U.S. broker has certain types of relationships with the United States (a "U.S.-related person"). In the case of the payment of the gross proceeds of the sale, exchange or other disposition of Common Shares to or through a non-U.S. office of a broker that is either a U.S. person or a U.S.-related person, U.S. Treasury Regulations do not require backup withholding but do require information reporting on the payment unless the broker, prior to payment, (a) has documentary evidence in its files that the owner is a Non-U.S. Shareholder, and (b) has no knowledge, or reason to know, to the contrary.

Backup withholding is not an additional tax. Rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is furnished to the IRS.

The preceding discussion of material U.S. federal income and estate tax consequences is general information only and is not tax advice. Accordingly, each investor should consult its own tax adviser as to the particular tax consequences of purchasing, holding and disposing of Common Shares, including the applicability and effect of any state, local or non-U.S. tax laws and of any changes or proposed changes in applicable law.

16. United Kingdom taxation

The following statements are intended only as a general guide to current United Kingdom tax legislation and to the current practice of the United Kingdom HM Revenue and Customs ("HMRC"), and may not apply to certain classes of shareholders, such as dealers in securities. They relate only to persons who are the absolute beneficial owners of Common Shares, are resident or (if individuals) ordinarily resident and domiciled in the United Kingdom for tax purposes (except where stated otherwise) and who hold Common Shares as investments and not as trading stock. The tax position of any U.K. resident corporate shareholder with direct or indirect control of 10% or more of the voting power in the Company, or a U.K. resident tax exempt entity, or an individual who is not U.K. domiciled, is not dealt with below and specific advice should be sought.

Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately. In particular, all shareholders are advised to consider the potential impact of any relevant double tax agreements on their shareholding.

16.1 Taxation of chargeable gains.

A disposal of Common Shares by any shareholder who is (at any time in the relevant U.K. tax year) resident or, in the case of an individual, resident or ordinarily resident in the U.K. may give rise to a chargeable gain or allowable loss for the purposes of U.K. taxation of chargeable gains (subject to any available exemptions or reliefs, including taper relief or indexation allowance as appropriate). A shareholder who is not resident in the U.K. for tax purposes but who carries on a trade, profession or vocation in the U.K. through a branch or agency or, in the case of a corporate shareholder, permanent establishment, and has used, held or acquired the Common Shares for the purpose of such trade, profession or vocation may also be subject to U.K. taxation on gains on a disposal of those shares (subject to any available exemptions or reliefs). Special rules may apply to tax gains on disposals made by individuals at a time when they are temporarily not resident nor ordinarily resident in the U.K.

Any chargeable gain (or allowable loss) will be calculated by reference to the consideration received for the disposal of the Common Shares less the allowable cost to the shareholder of acquiring such Common Shares.

For a shareholder within the charge to U.K. corporation tax, an indexation allowance on the acquisition cost of the Common Shares may be available to reduce the amount of chargeable gain realised on a subsequent disposal and where the corporate shareholder holds in excess of 10% of the shares in another company the substantial shareholders exemption may apply. For an individual shareholder, taper relief may be available to reduce the proportion of any chargeable gain subject to tax.

16.2 Dividends.

Any shareholder who is resident and domiciled in the U.K. will generally be subject to U.K. income tax or corporation tax in respect of any dividends received on the Common Shares. As such dividends will be foreign income for the purposes of U.K. taxation, they will be subject to a different tax regime from that applying to dividends received from U.K. resident companies. In particular, the dividends would not carry the same tax credit as dividends received from a U.K. resident company.

If any dividend has been subject to United States dividend withholding tax, the amount received plus the withholding tax will be included in the assessable income of the U.K. shareholder. In these circumstances, the Shareholder may be entitled to a credit for the foreign tax paid. The credit would be limited to the lesser of the withholding tax due after relief under the U.S./U.K. Double Tax Agreement or the U.K. tax payable on the combined amount of the dividend plus withholding tax. Corporate shareholders may also be entitled to obtain relief for underlying tax suffered in certain circumstances.

16.3 U.K. stamp duty and stamp duty reserve tax.

There is generally no liability to U.K. stamp duty or stamp duty reserve tax on the issue of Common Shares by the Company.

Any instrument effecting or evidencing the transfer of the Common Shares which is executed in the U.K. may not (except in criminal proceedings) be given in evidence or be available for any purpose whatsoever in the United Kingdom unless duly stamped. Any instrument of transfer executed outside the United Kingdom which relates to any matter or thing done, or to be done in the United Kingdom may not (except in criminal proceedings) be given in evidence or be available for any purpose whatsoever in the United Kingdom, unless duly stamped after it has first been received in the United Kingdom. The rate of stamp duty is 0.5% of the value of the consideration for the transfer. Interest on the stamp duty will accrue from 30 days after the date the instrument was executed.

No charge to U.K. stamp duty will arise in relation to the transfer of the Common Shares provided that all instruments effecting or evidencing the transfer (or all matters or things done in relation to the transfer) are executed and retained outside the United Kingdom and no matters or actions are performed in the United Kingdom in relation to the transfer.

No charge to U.K. stamp duty reserve tax will arise in respect of an agreement to transfer Common Shares, provided that the Common Shares are not registered in any register kept in the U.K. by or on behalf of the Company (there are no current proposals for such a register to be kept).

The comments above are intended as a summary only and any person who is in any doubt about his or her tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek his or her own professional advice.

17. Corporate governance

The provisions of the DGCL are applicable to the Company and the Company is in compliance with such provisions. For a further discussion of corporate governance, please refer to the paragraph entitled "Corporate Governance" in Part I of this document.

18. Intellectual property

A summary of the Company's intellectual property is set out in the paragraph entitled "Intellectual Property" in Part I of this document. Save as described in that paragraph, there are no patents or intellectual property rights, licences, or commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

19. Working capital

The Directors are of the opinion, having made due and careful enquiry, taking into account the net proceeds of the Placing receivable by the Company, that the working capital available to Somero and its group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

20. Significant change

There has been no significant change in the financial or trading position of the Group since 30 June 2006.

21. Litigation

In the 12 months preceding the date of this document, the Company has not been involved in or is aware of any pending or threatened governmental, legal or arbitration proceedings involving the Company or any of its subsidiaries which may have or has had a significant effect on the Company's financial position or profitability.

22. Placing Agreement

22.1 Pursuant to an agreement (being the Placing Agreement) dated 26 October 2006 and made between (1) the Directors, (2) the Company, (3) the Selling Shareholder, (4) Jefferies International and (5) Collins Stewart, the Managers have agreed, subject to the fulfilment of certain conditions, to use their reasonable endeavours to procure subscribers or purchasers for the Placing Shares at the Placing Price. Such conditions include Admission taking place not later than 8:00 am on 1 November 2006 (or such later time and/or date, being not later than 30 November 2006, as the Managers and the Company may agree).

- 22.2 Under the Placing, the Placing Shares will be offered and sold in the United Kingdom and elsewhere outside the United States in reliance on Regulation S under the U.S. Securities Act. Under the terms of the Placing Agreement:
- 22.2.1 the Company has agreed to pay the Managers (in equal proportions) a commission of 5% of the aggregate value of the New Common Shares at the Placing Price (plus any applicable value added tax);
 - 22.2.2 the Selling Shareholder has agreed to pay the Managers (in equal proportions) a commission of 5% of the aggregate value of the Existing Common Shares at the Placing Price (plus any applicable value added tax);
 - 22.2.3 the Company has agreed to pay the Managers, whether or not Admission occurs, all other actual, out-of-pocket costs and other expenses of and incidental to the Placing and/or the application for Admission;
 - 22.2.4 certain warranties have been given to the Managers by the Company, Mr. John T. (Jack) Cooney, Mr. Michael F. Niemela and the Selling Shareholder as to the accuracy of the information in this document and as to other matters in relation to the Group and its business and each of the non-executive Directors has given to the Managers certain warranties relating to the accuracy of the information in this document and as to other information relating to himself;
 - 22.2.5 the Company and the Selling Shareholder have given an indemnity to the Managers (and their affiliates) in respect of certain liabilities arising out of or in connection with the carrying out by the Managers of their obligations under the Placing Agreement and/or out of, or in connection with, or by reason of the Placing and Admission; and
 - 22.2.6 the Managers may terminate the Placing Agreement before Admission in certain circumstances, including for breach of the warranties referred to above and if certain force majeure circumstances arise before Admission. Please also refer to “Conditionality of the Placing” in Part III.

23. Material contracts

- 23.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years immediately preceding the date of this document by the Company and are, or may be, material to the Company:

23.1.1 Financing Agreement.

The Company entered into a financing agreement (the “Original Financing Agreement”) on 22 November 2005 with Fortress, as agent, the lenders that from time to time are party to the agreement, and the Selling Shareholder, as guarantor. The following facilities were made available under the Original Financing Agreement:

- (a) a term loan (the “Term Loan”) in a maximum aggregate principal amount of \$32,000,000.
- (b) a revolving credit facility (the “Revolver” and together with the Term Loan, the “Facilities”) in a maximum aggregate principal amount of \$3,000,000.

The proceeds of the Facilities were initially made available to the Company, among other things, to repay existing bridge financing owed to affiliates of Gores, and for working capital and other general corporate purposes.

In connection with the Placing, the Company has entered into an amendment (the "Amendment") of the Original Financing Agreement (as amended, "the Financing Agreement"), which Amendment will become effective upon Admission.

Among other things, the Amendment eliminates the requirement under the Original Financing Agreement that the Company, on an annual basis, repay amounts outstanding under the Term Loan in an amount equal to 50% of the "excess cash flow" of the Company. In addition, the Amendment revises the repayment schedule so that the outstanding principal amount of the Term Loan is required to be repaid in 16 consecutive quarterly payments consisting of \$600,000 each, provided that the last such payment must be in the amount necessary to repay in full the unpaid principal amount of the Term Loan. Interest on the outstanding principal balance of the Term Loan is payable monthly in arrears on the first day of each calendar month.

The ability to draw down funds under the Revolver depends upon the satisfaction of a number of conditions precedent, including the continuing accuracy of representations and warranties in the Financing Agreement and the non-occurrence of certain events of default and will be subject to certain specified limitations on availability. Each lender under the Revolver ("Revolving Lender") agrees to make available its pro rata share of advances under the Revolver ("Revolving Advances") to the Company under the Revolver from time to time during the term of the Financing Agreement; provided, that (i) the pro rata share of the Revolving Advances of any Revolving Lender shall not at any time exceed its separate commitment under the Revolver, and (ii) the aggregate amount of all Revolving Advances at any time outstanding under the Revolver shall not exceed the maximum aggregate principal amount.

The principal of any advances made under the Revolver is required to be repaid on 22 November 2010. Interest on advances made under the Revolver is payable monthly in arrears on the first day of each calendar month.

The Term Loan and Revolving Advances each bear interest at the Company's option of either (i) the greater of the prime rate and 5.0% (the "Reference Rate") plus a spread (the "Applicable Margin") or (ii) the LIBOR rate plus the Applicable Margin. With respect to the Term Loan, the Applicable Margin will vary depending on the Company's leverage ratio (from 0.50% per annum to 2.75% per annum if the Term Loan bears interest at the Reference Rate and from 3.25% per annum to 5.50% per annum if the Term Loan bears interest at the LIBOR rate. As of 1 October 2006, the Applicable Margin was at 2.25% per annum (if the Term Loan bears interest at the Reference Rate) and 5.0% per annum (if the Term Loan bears interest at the LIBOR Rate). These rates do not reflect the reduction in the Company's leverage ratio that management anticipates will occur as a result of the expected \$9.5 million repayment following Admission, using net proceeds from the Placing and available cash on hand. With respect to Revolving Advances that bear interest at the Reference Rate, the Applicable Margin is always 0.75% per annum. With respect to Revolving Advances that bear interest at the LIBOR rate, the Applicable Margin is always 3.50% per annum.

Covenants

The Financing Agreement contains customary covenants for facilities of this type that restrict the Company's business, including, among others:

- limitations on capital expenditures;
- limitations on the incurrence of additional indebtedness. Certain indebtedness is permitted, including, among others, indebtedness consisting of capitalised lease obligations not to exceed \$900,000;
- limitations on the creation of liens. Certain liens are permitted, including, among others, liens imposed by law for taxes, assessments or governmental charges and other liens imposed by law or that arise by law in the ordinary course of business;
- limitations on asset sales and other fundamental changes, including, among others, liquidation, dissolution, merger or consolidation with another person, and disposition of all or any part of the Company's business, property or assets;

- limitations on investments by the Company and its subsidiaries;
- limitations on the payment of dividends;
- limitations on the redemption or repurchase of outstanding capital stock;
- maintenance of minimum ratios of net debt to consolidated EBITDA; and
- maintenance of minimum consolidated EBITDA.

Events of Default

The Financing Agreement contains customary events of default for facilities of its type. Following certain events of default, the Term Loan and Revolver will automatically terminate, and following other events of default, the agent may elect to terminate, accelerate or reduce all or any portion of the loans. In addition, a default interest rate of the interest rate then in effect plus 2% will be payable in respect of loans then outstanding under the Financing Agreement. Events of default under the Financing Agreement include, among others:

- interest and payment defaults;
- breach of representations and warranties;
- breach of covenants;
- changes of control;
- insolvency or liquidation, whether voluntary or involuntary; and
- criminal indictment, commencement of criminal or civil proceedings or threatened indictment or commencement of proceedings where the available remedies include forfeiture of a material portion of property.

Security

As part of the security arrangements relating to the Financing Agreement, the Company has executed security assignments with Fortress pursuant to which security interests were granted over their all the Company's properties and assets to secure its obligations under the Financing Agreement.

23.1.2 Placing Agreement.

A summary of the Placing Agreement is set out in paragraph 22 of this Part VII.

23.1.3 Nominated Adviser and Broker Agreement.

On 26 October 2006 the Company entered into a Nominated Adviser and Broker Agreement with Jefferies International pursuant to which the Company has appointed Jefferies International to act as nominated adviser and broker to the Company for the purposes of the AIM Rules commencing with effect from Admission and continuing thereafter. The agreement has an initial term of 12 months and may be terminated by either party upon giving to the other not less than one month's written notice following expiry of the first 11 month period following the date of the agreement. The Company has agreed to pay Jefferies International a fee of £60,000 per annum payable half-yearly in advance in respect of its services as broker and nominated adviser to the Company.

23.1.4 Asset and Share Purchase Agreement.

Pursuant to an Asset and Share Purchase Agreement dated 10 August 2005 (the "Purchase Agreement"), the Company (then known as GTG Portfolio Holdings, Inc.), which was wholly-owned by various affiliates of Gores, acquired substantially all of the assets relating to or used in, and assumed certain liabilities relating to, the Somero business from affiliates of Dover for a purchase price of \$46,375,000. The Agreement contained standard indemnification provisions. Indemnification claims against Dover are capped at the purchase price with respect to claims relating to certain matters, and are capped at

\$9,400,000 with respect to other claims. Under the Purchase Agreement, until 10 August 2007 Dover is subject to covenants limiting its ability to compete with the Company, or solicit the employment of the Company's employees. In connection with the Purchase Agreement, Dover agreed to provide certain transitional services to the Company pursuant to a transition services agreement, and the Company was required to reimburse certain of Dover's expenses in connection with these services. The obligation to provide services under this agreement expired on 10 May 2006.

23.1.5 Management Agreement

On 10 August 2005, Gores entered into a management agreement with the Company. Under the terms of the agreement, Gores agreed to provide various services to Somero, in return for a monthly management fee of \$33,333.34. Gores and the Company have agreed that the agreement will terminate on Admission.

23.1.6 Lease for Jaffrey, New Hampshire USA Facility

The Company maintains its corporate headquarters and marketing, administrative and internal accounting functions in Jaffrey, New Hampshire (approximately 75 miles northwest of Boston, Massachusetts). The approximately 16,000 square foot building is being leased by the Company. The Company's current lease agreement expires in December 2006, at which time Somero is required to purchase the property for \$657,500. Annual rent under this lease is currently \$84,810.

23.1.7 Representative Agreement

Somero entered into a representative agreement with ANCON Beton Pty Ltd ("ANCON") on 1 April 2004, under which ANCON agreed to act as Somero's exclusive representative for promoting and selling its products in Australia and New Zealand. ANCON earns a 25% commission on its sales of the CopperHead and a 15% commission on its sales of other Somero products. The representative agreement may be terminated by either party with ninety (90) days' prior written notice. Under the terms of the representative agreement, ANCON is subject to covenants limiting its ability to compete with Somero during the term of the agreement and limiting its ability to market products that compete with Somero's products for two years following termination.

23.1.8 Customer Consignment Agreement

Somero entered into a customer consignment agreement with Motion Industries, Inc. on 29 May 2003, which was amended on 10 July 2005. Under the agreement, Motion Industries agrees to provide various hydraulic supplies, such as hoses, fittings and pumps, to Somero on a consignment basis. If Somero fails to purchase at least six (6) instalments of items per year, it must pay a 1% carrying charge per month on those items not meeting certain quantity requirements. The agreement has an indefinite term, and may be terminated by either party with sixty (60) days prior written notice.

23.1.9 Agreement Regarding Sharing of Expenses

Pursuant to a letter agreement with Somero, Gores has agreed that it will reimburse Somero for up to \$1.7 million of expenses incurred by Somero in connection with the Placing.

24. General

24.1 The total amount of gross proceeds being raised by the Company through the sale of New Common Shares in the Placing is approximately £5.35 million (\$10.03 million), and the total amount of gross proceeds being raised by the Selling Shareholder through the sale of Existing Common Shares in the Placing is approximately £21.41 million (\$40.13 million). The total costs and expenses of, or incidental to, the Placing and Admission payable by the Company are estimated to be approximately £3.11 million (\$5.83 million), of which the Selling Shareholder has agreed to reimburse the Company up to \$1.7 million (approximately £0.91 million). The expected net proceeds receivable by the Company from the Placing, after deduction of such costs and expenses and assuming the Selling Shareholder reimburses the Company for \$1.7 million (approximately £0.91 million) of these expenses, are approximately £3.15 million (\$5.90 million). No expenses of the Placing are being specifically charged to subscribers or purchasers under the Placing.

- 24.2 Jefferies International, which is authorised and regulated in the United Kingdom by the Financial Services Authority for the conduct of designated investment business, is registered in England and Wales under number 01978621 and whose registered office is at Bracken House, Floor 4, 1 Friday Street, London EC4M 9JA has acted as nominated adviser, broker and lead manager in respect of the Placing and Admission.
- 24.3 Collins Stewart, which is authorised and regulated in the United Kingdom by the Financial Services Authority for the conduct of designated investment business and registered in England and Wales under number 01774003 and whose registered office is at 9th Floor, 88 Wood Street, London EC2V 7QR has acted as co-lead manager in respect of the Placing and Admission.
- 24.4 The Company has made statements in Part I of this document regarding the Company's competitive position on the basis of the Directors' own knowledge and assessment of the markets in which the Company operates.
- 24.5 Where information contained in this document has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware and are able to ascertain from the information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 24.6 There are no specified dates on which entitlements to dividends payable by the Company arise.
- 24.7 The Company's accounting reference date is 31 December.
- 24.8 Save as otherwise disclosed in Part II of this document, there are no known environmental issues which may affect Somero's utilisation of its tangible fixed assets.
- 24.9 Deloitte & Touche LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports set out in Part V and the references thereto and to its name in the form and context in which it appears.
- 24.10 The Company's auditors are Deloitte & Touche LLP, 200 Berkeley Street, Boston, Massachusetts 02116, USA. Deloitte & Touche LLP is a member of the American Institute of Certified Public Accountants.
- 24.11 Save in connection with the application for Admission, none of the Common Shares have been admitted to dealing on any recognised investment exchange nor has any application for admission been made to any such exchange nor is there intended to be any other arrangements for dealings in the Common Shares.
- 24.12 In order to permit U.S. persons holding Common Shares to effect resales under Rule 144A under the U.S. Securities Act, the Company has agreed that, so long as any of the Common Shares are "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, the Company will, during any period in which the Company is not subject to Section 13 or 15(d) of the U.S. Exchange Act, as amended, furnish, upon written request, to any U.S. person holding Common Shares offered hereby, or any prospective purchaser designated by such holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.
- 24.13 Copies of this Admission Document will be available free of charge during normal business hours on any weekday (except public holidays) at the offices of Jefferies International Limited, Bracken House, Floor 4, 1 Friday Street, London EC4M 9JA, from the date of this Admission Document and for a period of one month from admission to AIM. Following such admission, the Company will be required under the AIM Rules to announce to the public (through a London Stock Exchange approved regulatory information service) certain information required by the AIM Rules concerning its business, results and dealings in its securities.

Dated 27 October 2006

PART VIII IMPORTANT INFORMATION FOR U.S. INVESTORS

Book-Entry Issuance, Depository Procedures and Settlement of U.S. Common Shares

The following description of the operations and procedures of The Depository Trust Company (“DTC”), New York, New York, is provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to change by DTC. Neither the Managers nor the Company take responsibility for the accuracy of this description.

DTC will act as securities depository for the U.S. Common Shares. The U.S. Common Shares will be issued in the form of one or more global certificates registered in the name of Cede & Co. (DTC’s partnership nominee) or such other names as may be requested by an authorised representative of DTC and will be deposited with, or on behalf of, DTC. So long as Cede & Co. is the registered holder of any global certificate, Cede & Co. for all purposes will be considered the sole owner of such global certificates and, except as otherwise provided herein, beneficial owners of U.S. Common Shares will not have any rights as owners of the U.S. Common Shares under the Company’s certificate of incorporation or by-laws.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, banks and trust companies, clearing corporations and other organisations (each a “DTC Participant”). Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Purchasers of U.S. Common Shares may only hold beneficial interests in the global certificates through DTC if they are participants in the DTC system. Purchasers may also hold beneficial interests through a securities intermediary, bank, brokerage house and other institution that maintains securities accounts for customers that have an account with DTC or its nominee. DTC will maintain accounts showing the security holdings of its participants, and these participants will in turn maintain accounts showing the security holdings of their customers. Some of these customers may themselves be securities intermediaries holding securities for their customers. Thus, each beneficial owner of a U.S. Common Share will hold that U.S. Common Share indirectly through a hierarchy of intermediaries, with DTC at the “top” and the beneficial owner’s own securities intermediary at the “bottom”.

Dividend or other payments in respect of the U.S. Common Shares will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC’s practice is to credit DTC Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Company or its agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by DTC Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such DTC Participant and not of DTC, the Company or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time.

The U.S. Common Shares held by each beneficial owner will be evidenced solely by entries on the books of the beneficial owner’s securities intermediary. The actual purchaser of U.S. Common Shares will generally not be entitled to have the shares represented by the global certificates registered in its name. Beneficial owners will not receive written confirmation from DTC of their purchase but are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant through which the purchaser entered into the transaction. In most cases, a beneficial owner will also not be able to obtain a paper certificate evidencing the holder’s ownership of U.S. Common Shares. The book-entry system for holding securities eliminates the need for physical movement of certificates and is the system through which most publicly traded stock is held in the United States. However, the laws of some jurisdictions require some purchasers of securities to take physical delivery of their securities in definitive form. These laws may impair the ability of a beneficial owner to transfer book-entry U.S. Common Shares.

Purchasers of U.S. Common Shares who wish to sell such shares on AIM in reliance on Rule 903 or 904 of Regulation S will need to instruct DTC (directly or through the DTC participant who holds their U.S. Common Shares) to instruct the Company’s registrars to reduce the amount of the U.S. global certificate by the amount of U.S. Common Shares to be sold. The Company’s registrars will then so reduce the U.S. global

certificate and, upon receiving the necessary Regulation S certifications from the buyer of such U.S. Common Shares, issue a definitive certificate, bearing the same legend as the Common Shares sold in reliance on Rule 903 of Regulation S in this offering, in the name of the buyer of such U.S. Common Shares. If the buyer of the U.S. Common Shares fails to return a correctly completed Regulation S certification, the Company's registrars will refuse to complete the transfer.

A beneficial owner of book-entry U.S. Common Shares represented by a global certificate may exchange the shares for definitive (paper) U.S. Common Shares only if:

- DTC is unwilling or unable to continue as depository for that global certificate and the Company does not appoint a qualified replacement for DTC within 90 days;
- DTC ceases to be a clearing agency under the U.S. Exchange Act; or
- The Company, in its sole discretion, decides to allow some or all U.S. Common Shares represented by the global certificate to be exchangeable for definitive U.S. Common Shares in registered form.

Any global certificate that is so exchanged will be exchanged in whole for definitive U.S. Common Shares in registered form, with the same terms. Definitive U.S. Common Shares will be registered in the name or names of the person or persons specified by DTC in a written instruction to the transfer agent of the U.S. Common Shares. DTC may base its written instruction upon directions that it receives from its DTC Participants.

In this Admission Document, references to actions taken by holders of U.S. Common Shares will mean actions taken by DTC upon instructions from its DTC Participants, and references to notices, dividends and other payments to holders of U.S. Common Shares will mean notices, dividends and other payments to DTC as the registered holder of the U.S. Common Shares for distribution to DTC Participants in accordance with DTC's procedures.

DTC is a limited purpose trust company organised under New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under section 17A of the U.S. Exchange Act. The rules applicable to DTC and DTC Participants are on file with the SEC.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the U.S. Common Shares unless authorised by a DTC Participant in accordance with DTC's procedures.

Neither the Managers nor the Company will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the book-entry securities or for maintaining, supervising or reviewing any records relating to beneficial ownership interests.

DTC may discontinue providing its services as securities depository at any time by giving reasonable notice. Under those circumstances, in the event that a successor securities depository is not appointed, securities certificates are required to be printed and delivered. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC or any successor depository with respect to the U.S. Common Shares. In that event, certificates for the shares will be printed and delivered.

PART IX
U.S. RESTRICTIONS ON TRANSFERS OF COMMON SHARES

NOTICE TO PURCHASERS OF COMMON SHARES

This document does not constitute an offer of, or a solicitation of an offer to buy, any shares by or on behalf of the Company or the Selling Shareholder or the Managers, in any jurisdiction or in any circumstances where it is not authorised or lawful to make such an offer or solicitation.

The Common Shares have not been, and will not be, registered under the U.S. Securities Act or under the securities laws of any state of the United States, and are “restricted securities” as defined in Rule 144 under the U.S. Securities Act. For so long as the Common Shares are “restricted securities” as defined in Rule 144 under the U.S. Securities Act, a purchaser of Common Shares may not re-offer, re-sell, pledge or otherwise transfer Common Shares except (i) pursuant to an effective registration statement under the U.S. Securities Act, (ii) pursuant to a transaction meeting the requirements of Rules 901 through 905 (including the Preliminary Notes) of Regulation S under the U.S. Securities Act (“Regulation S”), (iii) to a “qualified institutional buyer” as defined in, and in reliance on, Rule 144A under the Securities Act; or (iv) pursuant to an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144 thereunder (if available), provided that, in the case of a transfer pursuant to (iv) the transferor must deliver an opinion of counsel in form and substance reasonably satisfactory to the Company as to the availability of such exemption. Pursuant to the Company’s Organisational Documents, the Company is required to refuse to register any transfer of its securities not made in accordance with the provisions of Regulation S or the registration requirements under the U.S. Securities Act or an available exemption therefrom.

The Placing Agreement provides that the Managers may, directly or through affiliates, arrange for the offer and sale of the Common Shares within the United States only to institutions who are “qualified institutional buyers,” as defined in Rule 144A under the U.S. Securities Act (“QIBs”) and in compliance with applicable state securities laws.

Rule 144A Investment Letter

Each person who acquires Common Shares in the Placing in a transaction exempt from the registration requirements of the U.S. Securities Act pursuant to Rule 144A thereunder will be required to execute and deliver an investment letter in which it represents, acknowledges and agrees that:

1. It certifies that it is a QIB and, if it is acquiring the Common Shares as a fiduciary or agent for one or more accounts: (a) each such account is a QIB, (b) it has investment discretion with respect to each account, and (c) it has full power and authority to make the representations, warranties and agreements in this letter on behalf of each account.
2. It is acquiring the Common Shares for investment for its own account or the account of a QIB as to which it has full investment discretion, and not with a view to, or for offer or sale in connection with, any distribution of the Common Shares (within the meaning of the U.S. Securities Act) that would be in violation of the securities laws of the United States or any state thereof.
3. It understands and agrees that: (a) the offer and sale of the Common Shares are being made only to QIBs in reliance on Rule 144A, (b) the Common Shares have not been and will not be registered under the U.S. Securities Act, (c) the Common Shares will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, and (d) the Common Shares may not be re-offered, re-sold, pledged or otherwise transferred except in accordance with the transfer restrictions set forth herein.
4. It has received a copy of the admission document of the Company relating to the offering of the Common Shares described therein. It acknowledges and agrees that such admission document speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date.
5. It became aware of the offering of the Common Shares, and the Common Shares were offered to it: (a) solely by means of the admission document, (b) by direct contact between it and the Company or (c) by direct contact between it and one or more Managers. It did not become aware of nor were the Common Shares offered to it by any other means, including by any form of “general solicitation” or “general advertising” (each within the meaning of Regulation D under the

U.S. Securities Act). In making the decision to acquire the Common Shares, it: (a) relied solely on the information set forth in the admission document, (b) has not relied on any investigation that the Managers or any person acting on their behalf may have conducted with respect to the Common Shares or the Company, (c) has had access to such information as it deems necessary or appropriate in connection with its investment in the Common Shares, and (d) has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated, independently the merits and risks of an investment in the Common Shares.

6. It agrees that, for so long as the Common Shares are “restricted securities” as defined in Rule 144 under the U.S. Securities Act, it will not re-offer, re-sell, pledge or otherwise transfer the Common Shares, except: (i) pursuant to an effective registration statement under the U.S. Securities Act, (ii) pursuant to a transaction meeting the requirements of Rules 901 through 905 (including the Preliminary Notes) of Regulation S, (iii) to a QIB in reliance on, Rule 144A under the Securities Act; or (iv) pursuant to an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144 thereunder (if available), provided that, in the case of a transfer pursuant to (iv) the transferor must deliver an opinion of counsel in form and substance reasonably satisfactory to the Company as to the availability of such exemption. Each of the foregoing restrictions is subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its control and subject to compliance with any applicable state securities laws. It understands that any certificates representing Common Shares acquired by it will bear a legend to the following effect:

“THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR UNDER THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. UNTIL SUCH DATE AS THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE ARE NO LONGER “RESTRICTED SECURITIES” AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT, THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE MAY NOT BE RE-OFFERED, RE-SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT IF SUCH TRANSFER IS EFFECTED (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (2) PURSUANT TO A TRANSACTION MEETING THE REQUIREMENTS OF RULES 901 THROUGH 905 (INCLUDING THE PRELIMINARY NOTES) OF REGULATION S UNDER THE SECURITIES ACT, (3) TO A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN, AND IN RELIANCE ON, RULE 144A UNDER THE SECURITIES ACT; OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), PROVIDED THAT, IN THE CASE OF A TRANSFER PURSUANT TO (4) THE TRANSFEROR MUST DELIVER AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY AS TO THE AVAILABILITY OF SUCH EXEMPTION, AND IN EACH SUCH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES. HEDGING TRANSACTIONS INVOLVING THE COMMON STOCK OF THE COMPANY MAY NOT BE CONDUCTED, DIRECTLY OR INDIRECTLY, UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS, AND THAT IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR REALES OF THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE.”

7. It agrees that, prior to transferring its Common Shares or any interest therein pursuant to a transaction meeting the requirements of Rules 901 through 905 (including the Preliminary Notes) of Regulation S, the transferee of the Common Shares may be required to provide certifications and other documentation relating to the non-U.S. person status of such transferee.
8. It acknowledges that the Company is required to refuse to register any transfer of the Common Shares that is not: (a) pursuant to an effective registration statement under the U.S. Securities Act, (b) pursuant to a transaction meeting the requirements of Rules 901 through 905 (including the

Preliminary Notes) of Regulation S, (c) to a QIB in reliance on, Rule 144A under the Securities Act; or (d) pursuant to an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144 thereunder (if available), provided that, in the case of a transfer pursuant to (d) the transferor must deliver an opinion of counsel in form reasonably satisfactory to the Company as to the availability of such exemption.

9. It agrees that it will not engage in hedging transactions with regard to the Common Shares unless in compliance with the U.S. Securities Act.
10. It understands that there is currently no established trading market for the Common Shares in the United States and that an active or liquid trading market may not develop for the Common Shares in the United States. The Common Shares are eligible for trading by QIBs in The PORTAL Market of NASDAQ. The Company has not filed, and does not intend to file, a registration statement under the U.S. Securities Act in respect of the Common Shares and accordingly has not applied, and does not intend to apply, for the listing of the Common Shares on any securities exchange in the United States.
11. It acknowledges that by its investment in the Common Shares it is assuming and is capable of bearing the risk of loss of its entire investment in the Common Shares.
12. It acknowledges that each Manager has acted as an agent of the Company in connection with the offer and sale of the Common Shares. It consents to the actions of each Manager in this regard and hereby waives any and all claims, actions, liabilities, damages or demands it may have against either Manager in connection with or arising from the offer and sale of the Common Shares by such Manager to it.
13. It acknowledges and agrees that each of the Managers, the Company, the Selling Shareholder and their respective affiliates and others will rely upon truth and accuracy of its representations, warranties and agreements contained in this letter as a basis for exemption of the sale of the Common Shares under the U.S. Securities Act, the securities laws of all applicable states of the United States and for other purposes. It will promptly notify the Managers and the Company if any of the representations, warranties and agreements set forth herein are no longer accurate, or it reasonably believes its representations, warranties and agreements may no longer be accurate.
14. It irrevocably authorises each of the Managers, the Company, the Selling Shareholder and their respective affiliates to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.
15. It understands and acknowledges that no regulatory authority of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Common Shares.

Regulation S Investment Letter

Each person who acquires Common Shares in the Placing in a transaction meeting the requirements of Rules 901 through 905 (including the Preliminary Notes) of Regulation S will be required to execute and deliver an investment letter in which it represents, acknowledges and agrees that:

1. It certifies that it is not a "U.S. person" as defined in Rule 902(k) of Regulation S ("Regulation S") under the U.S. Securities Act and, if it is acquiring the Common Shares as a fiduciary or agent for one or more accounts or persons: (a) it is not acquiring the Common Shares for the account or benefit of any U.S. person, and (b) it has full power and authority to make the representations, warranties and agreements in this letter on behalf of each such account or person.
2. It understands and agrees that: (a) the offer and sale of the Common Shares are being made in accordance with Rule 901 through Rule 905 (including the Preliminary Notes) of Regulation S in a transaction not involving any public offering in the United States, (b) the Common Shares have not been and will not be registered under the U.S. Securities Act, (c) the Common Shares will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, and (d) the Common Shares may not be re-offered, re-sold, pledged or otherwise transferred except in accordance with the transfer restrictions set forth herein.

3. It has received a copy of the admission document of the Company relating to the offering of the Common Shares described therein. It acknowledges and agrees that such admission document speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date.
4. It became aware of the offering of the Common Shares, and the Common Shares were offered to it: (a) solely by means of this document, (b) by direct contact between it and the Company or (c) by direct contact between it and one or more Managers. It did not become aware of nor were the Common Shares offered to it by any other means, including by any form of “general solicitation” or “general advertising” (each within the meaning of Regulation D under the U.S. Securities Act). In making the decision to acquire the Common Shares, it: (a) relied solely on the information set forth in this document, (b) has not relied on any investigation that the Managers or any person acting on their behalf may have conducted with respect to the Common Shares or the Company, (c) has had access to such information as it deems necessary or appropriate in connection with its investment in the Common Shares, and (d) has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated, independently the merits and risks of an investment in the Common Shares.
5. It agrees that, for so long as the Common Shares are “restricted securities” as defined in Rule 144 under the U.S. Securities Act, it will not re-offer, re-sell, pledge or otherwise transfer the Common Shares, except: (i) pursuant to an effective registration statement under the U.S. Securities Act, (ii) pursuant to a transaction meeting the requirements of Rules 901 through 905 (including the Preliminary Notes) of Regulation S; (iii) to a QIB in reliance on, Rule 144A under the Securities Act; or (iv) pursuant to an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144 thereunder (if available), provided that, in the case of a transfer pursuant to (iv) the transferor must deliver an opinion of counsel in form and substance reasonably satisfactory to the Company as to the availability of such exemption. Each of the foregoing restrictions is subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its control and subject to compliance with any applicable state securities laws. It understands that any certificates representing Common Shares acquired by it will bear a legend to the following effect:

“THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR UNDER THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. UNTIL SUCH DATE AS THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE ARE NO LONGER “RESTRICTED SECURITIES” AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT, THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE MAY NOT BE RE-OFFERED, RE-SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT IF SUCH TRANSFER IS EFFECTED (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, (2) PURSUANT TO A TRANSACTION MEETING THE REQUIREMENTS OF RULES 901 THROUGH 905 (INCLUDING THE PRELIMINARY NOTES) OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) TO A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN, AND IN RELIANCE ON, RULE 144A UNDER THE SECURITIES ACT; OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), PROVIDED THAT, IN THE CASE OF A TRANSFER PURSUANT TO (4) THE TRANSFEROR MUST DELIVER AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY AS TO THE AVAILABILITY OF SUCH EXEMPTION, AND IN EACH SUCH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES. HEDGING TRANSACTIONS INVOLVING THE COMMON STOCK OF THE COMPANY MAY NOT BE CONDUCTED, DIRECTLY OR INDIRECTLY, UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS, AND THAT IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR REALES OF THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE. ”

6. It agrees that, prior to transferring its Common Shares or any interest therein pursuant to a transaction meeting the requirements of Rules 901 through 905 (including the Preliminary Notes) of Regulation S, the transferee of the Common Shares may be required to provide certifications and other documentation relating to the non-U.S. person status of such transferee.
7. It acknowledges that the Company is required to refuse to register any transfer of the Common Shares that is not: (a) pursuant to an effective registration statement under the U.S. Securities Act, (b) pursuant to a transaction meeting the requirements of Rules 901 through 905 (including the Preliminary Notes) of Regulation S, (c) to a QIB in reliance on Rule 144A under the Securities Act; or (d) pursuant to an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144 thereunder (if available), provided that, in the case of a transfer pursuant to (d) the transferor must deliver an opinion of counsel in form reasonably satisfactory to the Company as to the availability of such exemption.
8. It agrees that it will not engage in hedging transactions with regard to the Common Shares unless in compliance with the U.S. Securities Act.
9. It acknowledges that each Manager has acted as an agent of the Company in connection with the offer and sale of the Common Shares. It consents to the actions of each Manager in this regard and hereby waives any and all claims, actions, liabilities, damages or demands it may have against either Manager in connection with or arising from the offer and sale of the Common Shares by such Manager to it.
10. It acknowledges and agrees that each of the Managers, the Company and their respective affiliates and others will rely upon truth and accuracy of its representations, warranties and agreements contained in this letter as a basis for exemption of the sale of the Common Shares under the U.S. Securities Act, the securities laws of all applicable states of the United States and for other purposes. It will promptly notify the Managers and the Company if any of the representations, warranties and agreements set forth herein are no longer accurate, or it reasonably believes its representations, warranties and agreements may no longer be accurate.
11. If it is in the United Kingdom, it understands and acknowledges that the offer to subscribe for the Common Shares has only been communicated to persons who have professional experience, knowledge and expertise in matters relating to investments and are “investment professionals” for the purposes of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and “qualified investors” for the purposes of section 86(7) of FSMA (all such persons being referred to as “relevant persons”). It further understands and acknowledges that the offer to subscribe for the Common Shares is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any subscription for Common Shares is available only to relevant persons and will be engaged in only with relevant persons. It confirms and represents that it is a relevant person for the purposes of the offer to subscribe for the Common Shares.
12. It acknowledges that the distribution of this document and the offer to subscribe for Common Shares may be restricted by law. It confirms and represents that it has informed itself about, and has observed, any applicable restrictions and legal and regulatory requirements in relation to the distribution of this document and its participation in the offer to subscribe for Common Shares. It confirms and represents that its participation in the offer to subscribe for the Common Shares will not otherwise be in violation of applicable securities law.
13. It irrevocably authorises each of the Managers, the Company and their respective affiliates to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters covered hereby.
14. It understands and acknowledges that no regulatory authority of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Common Shares.

