Annual Report & Accounts 2007

SOMERO ENTERPRISES, INC

Contents

Aho Mini Screed Pour

SXP Laser Screed Large Line Product

3-D Profiler System Utilised in multi-sloped concrete paving

CopperHead XD 3.0 Utilising laser technology in a walk behind unit

Who We Are

Somero® designs, manufactures and sells equipment that automates the process of spreading and leveling large volumes of concrete for commercial flooring and other horizontal surfaces, such as paved parking lots. Somero's innovative, proprietary products, including the large SXP® Laser Screed®, CopperHead® and new Mini Screed™, employ laser-guided technology to achieve a high level of precision.

Somero's products have been sold primarily to concrete contractors for use in non-residential construction projects in over 50 countries across every time zone around the globe. Laser Screed 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, Lowe's, and Toys 'R' Us.

Somero's headquarters are located in New Hampshire, USA, and are due to relocate to Florida in July 2008. It operates a manufacturing facility in Michigan, USA, and has a sales and service office in Chesterfield, England. Somero has over 150 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. Somero is listed on the Alternative Investment Market of the London Stock Exchange and its trading symbol is SOM.L.


PowerRake Laser-guided Concrete Raking Machine


HoseHog Drags concrete hose


SP 80 Concrete Placer


STS-132 Topping Spreader

At a Glance

Business Highlights

Strong Results Across all Product Lines

+20.1%

Large line equipment sales (including the SXP Large Laser Screed and its predecessors) increased to US$30.5m

+13.8%

Small line equipment sales (including the CopperHead and PowerRake) increased to US$18.1m

+21.9%

Other revenues, including sales of spare parts, refurbished machines, 3D packages, Topping Spreaders and accessories, increased to US$17.8m

Strong Results Across all Geographic Territories

+69.7%

Sales up by 69.7% in EMEA

+73.5%

Sales up by 73.5% in Rest of World

47

Units sold into 47 countries outside North America

-42.0%

Net debt drops by 42.0% to end at US$11.1m[1]

First + new

First time sales into Aruba, Chile, India, Trinidad and Tobago and Tunisia. New independent offices opened in Germany, Spain, Dubai, and China

Sales

Sales Training College launched in August 2007 will relocate to Florida to allow for year round outdoor training as requested by customers

New

New “Mini Screed” (the Company’s first entry into residential) launched in December 2007

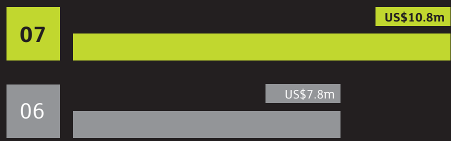
Financial Highlights

Revenue

+18.8%

Adjusted Net Income[3]

Before amortisation and one time debt origination



+38.5%

Pre-tax Income

+30.5%

Net Debt[1]

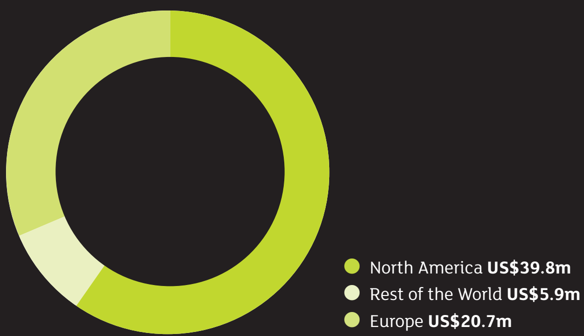
-42.0%

Adjusted EBITDA[2]

After US$0.6m in costs related to opening offices and effect of full year public Company costs of US$1.0m

+12.2%

Sales by Geographic Location



EPS

+11.1%

Dividend

US$0.03 per share

For the period 1 July 2007 to 31 December 2007

Notes

1 Net Debt is defined as cash and cash equivalents less notes payable. This is a non-GAAP measure that management believes is important in evaluating the Company's liquidity and leverage.

2 Adjusted EBITDA is defined as net income plus interest income, interest expense, taxes, depreciation, amortisation, foreign exchange and other expense.

3 References to adjusted net income before amortisation are to Somero's adjusted net income plus amortisation expense of intangibles plus loss on extinguishment of debt.

Adjusted EBITDA and adjusted net income before amortisation are not measurements of the Company's financial performance under 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. Adjusted EBITDA and adjusted 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. Adjusted EBITDA is also used to determine pricing and covenant compliance under the Company's credit facility and as a measurement for calculation of management incentive compensation. The Company understands that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, its calculation of Adjusted EBITDA may not be comparable to other similarly titled measures reported by other companies. See page 13 for a reconciliation of Adjusted EBITDA and Adjusted Net Income before Amortisation to net income.

Chairman's Statement

Stuart Doughty

"2007 was an excellent year for Somero, with growth across all product lines and particularly strong growth in Europe and emerging markets. During the period we significantly reduced our debt and have started to realise the benefits of our investment in resources in those areas of the world where we have identified considerable, long-term growth potential for our business."

Overview

Our continued focus on high-quality engineering, coupled with a commitment to continuous product development and high levels of customer service, has enabled us to deliver a very successful year with financial results at the high end of the market's expectations. Somero's products have helped to revolutionise the concrete placing industry, so much so that they are increasingly recognised by blue chip logistics and retail customers as essential to achieving greater levels of operating efficiency in their own highly competitive markets.

Our policy of providing spares and service back-up, coupled with a comprehensive training programme, and making customers' needs our top priority is helping us maintain our strong market position and clearly differentiates us from any competition.

In line with our strategic ambitions for our business, we began to take real advantage in 2007 of growth in the economies of the Middle East, Far East and the former Eastern Bloc. We employed significantly more resources in sales and marketing in those territories, helping to drive Group revenue which increased 18.8% on the prior year.

Markets

As major retailers and logistics companies refurbish their existing assets and expand globally, they are increasingly recognising that a significant contributing factor to the efficiency of their operations is the standard of the floor surface from which they work. As a result we are enjoying the benefits of being specified by these companies as a "supplier of choice".

The development of markets in this way, and our concentration on the provision of a high-quality service, means that we are very well positioned to gain market penetration at a much greater rate in the years ahead than if we were simply to follow the infrastructure market and contractors alone.

The infrastructure market continues to grow across virtually all economies, including the US. Growth in the commercial and retail construction market also continues. Whilst our core market focus has been and remains the non-residential construction market, we remain of the view that opportunities do exist for us to successfully expand our product offering into the residential arena, despite concerns over the current economic climate. As a consequence, in December 2007 we introduced a new product, the Mini Screed, which addresses this otherwise untapped market.

The Board

On behalf of the Board, I would like to pay particular thanks to Ian Weingarten, the independent, non-executive director representing the Company's previous owner who stepped down from the Board in the second half of 2007.

Nominated Advisor

Hawkpoint Partners will become the Company's NOMAD with effect from 1 April 2008 and Collins Stewart will continue as the Company's sole broker.

People

I continue to be impressed by the considerable strength and depth of the Somero team at all levels of the business. On behalf of the Board I would like to take this opportunity to thank all our employees for their continued hard work, commitment and motivation throughout the past year.

Current Trading and Outlook

Whilst we are seeing some signs of slowing in equipment purchases in the US, the non-residential construction market itself in the US remains strong and sales in the Rest of the World continue to grow in line with our expectations. We remain committed to investing in the development of important new markets, whilst being mindful of the need to regularly review our cost base against prevailing market conditions.

We continue to focus on maximising our cash generation, maintaining high levels of customer support and developing new products to keep Somero at the forefront of this industry.

Stuart Doughty
Non-Executive Chairman

1 USA
New Jersey Devils Stadium

3 UK
Prologis Park Wellingborough

4 Athens
IKEA store

5 Russia
Senernoye Domadedovo

2 USA
A-Lowe's Augusta

6 UAE
Cladtech LLC

7 China
Retail chain

8 Brisbane
IKEA Warehouse

70.5% growth outside North America

President and Chief Executive Officer's Statement

Jack Cooney

"I am very pleased to report today full year results for the 12 months to 31 December 2007. Revenues were US$66.4m, 18.8% above 2006 levels (2006: US$55.9m) and the Company reported adjusted EBITDA for the period of US$16.5m, an increase of 12.2% on the previous year (2006: US$14.7m). Adjusted net income before amortisation stood at US$10.8m, 38.5% higher than 2006. Earnings per share on an adjusted net income before amortisation basis were 24.0% higher than 2006."

1,858 m²

Laid in one day

President and Chief Executive Officer's Statement

These are outstanding results of which we are very proud. To achieve them, we focused during the year on the three main tenets of our business strategy, namely to expand our geographic footprint into new and emerging markets; to enhance and expand our product offering; and to maintain our keen focus on cash generation and cost control.

Performance

Results during the period were strong across all product lines and saw growth in almost all of the geographies in which we operate.

By product line, small line equipment sales stood at US$18.1m for the year, an increase of 13.8% over 2006 (2006: US$15.9m). North America saw a small decline in small line sales to US$10.6m, although the second half recorded an improvement, as expected, over the second half of 2006. Our efforts to add sales and demonstration personnel in Europe along with independent sales representatives helped to deliver a significant increase in European small line sales, up 54.3% to US$5.4m (2006: US$3.5m). Small line sales in the Rest of the World showed equally impressive growth, up by 61.5% to US$2.1m (2006: US$1.3m).

Total large line sales continued to demonstrate strong growth in 2007 with sales up 20.1% to US$30.5m (2006: US$25.4m). European sales were up 87.0% to US$10.1m (2006: US$5.4m), driven by new independent sales representatives in Russia and Eastern Europe and the continuing replacement demand in the UK where the Company has had a presence for some 20 years.

Large line sales in the US and Canada declined slightly with sales of US$17.5m in 2007 compared to US$18.8m in 2006, itself a 44.5% increase on the previous year. This performance was achieved against significant growth a year earlier as a result of continued strong non-residential construction and the replacement cycle. Large line sales in the Rest of the World continued to grow with a sales increase of US$1.6m to US$2.9m.

North America saw stable business during the year as large line sales continued to be driven by replacement demand and small line sales improved in the second half, as planned, as a result of new hires in our small line sales team.

Strategic Expansion

We continued to expand during the year into new geographic markets and to benefit from strong commercial building trends worldwide. In 2007 we added sales representation in Dubai, Germany and Spain. Internationally, during the year we sold units into 47 countries outside North America, with new sales this year into markets as diverse as Aruba, Chile, India, Trinidad & Tobago and Tunisia.

During the first half of the year, as reported, we experienced a number of changes in our sales force. As a result, and to improve our sales recruitment and training programme more generally, we established the Somero Sales College in the second half of the year. This Sales College will enhance our capabilities as we continue to focus on future growth. To further increase the effectiveness of the Sales College, and to embed it more deeply into the organisational and cultural

Retail store chain

over

100,000 m^2

throughout China

President and Chief Executive Officer's Statement

structure of the Somero business, both the College and Senior Management Group will move in July 2008 to Fort Myers, Florida. This will allow us to conduct outdoor training on a year-round basis. The Group will lease back until September 2008 its current Corporate Headquarters facility in New Hampshire which was sold in January 2008.

We have retained our focus on building capacity for future expansion into the current financial year. Since the year end, we have reorganised our sales management team and hired a sales manager in China to capitalise on emerging market opportunities and the growing importance of China as a logistics hub.

Agents and distributors outside of North America are also being recruited to expand our sales and service presence in other markets. We have had early success in South America and Europe and are optimistic that our new distributors in China and India will be equally successful.

Product Development

Our product development process continues to produce innovative equipment for the concrete industry. The newest of these products, the Mini Screed™, was introduced in December 2007. The Mini Screed is the Company's first product offering directed toward the US residential screeding market which, we believe, is a significant market opportunity for Somero.

Additionally, during the period we continued to focus on our commitment to product enhancement by introducing new, improved versions of our popular Copperhead and PowerRake products.

Competition and Market Drivers

The competitive landscape did not change significantly in 2007. Our field research and experience show that alternative low-technology or manual methods of placing and screeding concrete continue to be our main competition.

An additional driver for the sale of our products is the poor quality of concrete in some of the emerging markets where we are starting to operate. In these markets customers need to use topping hardeners to obtain an acceptable finish and are purchasing Somero Topping Spreaders in partnership with their Laser Screed®. In addition, high oil prices have made the use of concrete more competitive, particularly on parking lots, which has driven increased sales of our 3D systems which allow for the screeding of contoured surfaces. At the same time, there is a significant push on the part of US ready mix suppliers for the use of pervious concrete which is an emerging trend that will increase the sales of large line Laser Screeds. Against this supportive backdrop, continuing replacement demand has allowed the Company to take additional machines on trade as the market for refurbished machines increased substantially in 2007.

Whilst we are aware of current economic reports, the global non-residential construction market is expected to continue to be robust throughout this year and the next. One key driver is the rebuilding and upgrading of logistics space in the global supply chain. The emergence of China as a major supplier of components has caused global supply chain logistics space to be relocated, enlarged and enhanced. We are playing a part in this evolution.

We were encouraged by the strong attendance at the annual industry trade show in January which often acts as a barometer for our sales outlook for the year. International attendance was particularly high and we secured a number of sales leads in new territories. In the first quarter, we also reorganised our US and European sales organisations to develop further sales in China, the Middle East and other emerging markets.

In 2008 we will look to expand our presence in emerging markets with new products and new sales personnel. The Company's attractive fundamentals including strong cash flow, market position and products, together with an experienced management team, provide us with a solid platform on which to continue to grow the business both organically and, where appropriate, through selective acquisitions.

We look forward to delivering further on our strategic goals in the year ahead.

Jack Cooney
President and Chief Executive Officer

Severnoye Domodedovo

Logistics Warehouse

1,000,000 m²

Financial Review

Michael F. Niemela

Summary of Financial Results [1 2 3 4]

	Somero Enterprises Inc. 12 months ended 31 December 2006 US$ 000	**Somero Enterprises Inc. 12 months ended 31 December 2007 US$ 000**
Revenue	55,894	**66,436**
Cost of sales	25,708	**28,828**
Gross profit	30,186	**37,608**
Operating expenses:		
Selling expense	9,066	**11,949**
Engineering expense	1,202	**1,831**
General and administrative expense	8,046	**10,514**
Total operating expenses	18,314	**24,294**
Operating income	11,872	**13,314**
Other income (expense)		
Interest expense	(3,714)	**(1,472)**
Interest income	157	**74**
Foreign exchange gain/(loss)	247	**279**
Other	(325)	**(1,479)**
Income before taxes	8,237	**10,716**
Provision for income taxes	2,856	**3,789**
Net income	5,381	**6,927**
Other data:		
Adjusted EBITDA [1 2 4]	14,696	**16,494**
Adjusted net income before amortisation [1 3 4]	7,764	**10,792**
Depreciation expense	382	**378**
Amortisation of intangibles	2,383	**2,384**
Capital expenditures	398	**491**

Notes:

1 Adjusted EBITDA and Adjusted Net Income Before Amortisation are not measurements of the Company's financial performance under 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. Adjusted EBITDA and Adjusted 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. Adjusted EBITDA is also used to determine pricing and covenant compliance under the Company's credit facility and as a measurement for calculation of management incentive compensation. The Company understands that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, its calculation of Adjusted EBITDA may not be comparable to other similarly titled measures reported by other companies.

2 Adjusted EBITDA is defined as net income plus interest income, interest expense, taxes, depreciation, amortisation, foreign exchange and other expense.

3 Adjusted Net Income Before Amortisation as used herein is a calculation of net income plus amortisation of intangibles plus loss on extinguishment of debt.

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

Net Income to Adjusted EBITDA Reconciliation and Adjusted Net Income Before Amortisation Reconciliation

	Somero Enterprises Inc. 12 months ended 31 December 2006 US$ 000	**Somero Enterprises Inc. 12 months ended 31 December 2007 US$ 000**
Adjusted EBITDA reconciliation		
Net income	5,381	**6,927**
Tax provision	2,856	**3,789**
Interest expense	3,714	**1,472**
Interest income	(157)	**(74)**
Foreign exchange gain	(247)	**(279)**
Other expense	325	**1,479**
Depreciation	382	**378**
Amortisation	2,383	**2,384**
Stock based compensation	59	**418**
Adjusted EBITDA	14,696	**16,494**
Adjusted net income before amortisation reconciliation		
Net income	5,381	**6,927**
Amortisation	2,383	**2,384**
Loss on extinguishment of debt	–	**1,481**
Adjusted net income before amortisation	7,764	**10,792**

Notes:
References to "Adjusted Net Income Before Amortisation" in this document are to Somero's net income plus amortisation of intangibles plus loss on extinguishment of debt. Although Adjusted Net Income Before Amortisation is not a measure of operating income, operating performance or liquidity under US 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. Adjusted Net Income Before Amortisation should not, however, be considered in isolation or as a substitute for operating income as determined by US GAAP, or as an indicator of operating performance, or of cash flows from operating activities as determined in accordance with US GAAP. Since Adjusted Net Income Before Amortisation is not a measure determined in accordance with US GAAP and is thus susceptible to varying calculations, Adjusted Net Income Before Amortisation, as presented, may not be comparable to other similarly titled measures of other companies. A reconciliation of net income to Adjusted EBITDA and Adjusted Net Income Before Amortisation is presented above.

Revenues

Somero's consolidated revenues for the 12 months ended 31 December 2007 were US$66.4m, which represented an 18.8% increase from US$55.9m in revenues for the 12 months ended 31 December 2006. 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, Topping Spreaders, 3D systems and accessories. The overall increase in revenues for the 12 months ended 31 December 2007 as compared to the 12-month period ended 31 December 2006 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 12 months ended 31 December 2006 and 2007:

	12 months ended 31 December 2006 (US$ in millions)	Percentage of net sales	**12 months ended 31 December 2007 (US$ in millions)**	**Percentage of net sales**
Large line sales	25.4	45.4%	**30.5**	**45.9%**
Small line sales	15.9	28.5%	**18.1**	**27.3%**
Other revenues	14.6	26.1%	**17.8**	**26.8%**
Total	55.9	100%	**66.4**	**100%**

Financial Review continued

Large line sales increased from US$25.4m for the 12 months ended 31 December 2006 to US$30.5m for the 12-month period ended 31 December 2007. This increase in revenue was caused by a 13.8% increase in unit volume (from 94 units to 107 units) and increases in average selling prices. The higher unit volume was driven by a 96.4% increase in international sales.

Small line sales increased from US$15.9m for the 12-month period 31 December 2006 to US$18.1m for the 12-month period ended 31 December 2007. This increase was driven entirely by increases in non-US sales. Total small line units increased from 383 in 2006 to 394 in 2007 as the average selling prices also rose. US small line sales declined 4.2% in 2007 as substantial turnover in the sales group required a significant training period for new personnel; however, small line sales in the second half of 2007 exceeded the second half of 2006.

Other revenues, including sales of spare parts, refurbished machines, topping spreaders, 3D systems and accessories, increased from US$14.6m during the 12 months ended 31 December 2006 to US$17.8m during the 12 months ended 31 December 2007. This revenue growth resulted primarily from the sales of topping spreaders used in emerging markets to compensate for poor quality concrete, and increased sales of 3D used for increasingly popular concrete parking lots.

International sales growth has driven the increases in sales revenue. Sales to customers located in North America comprises the majority of Somero's revenue, constituting 59.9% and 72.6% of total revenue for the 12 months ended 31 December 2007 and 2006, respectively, while sales to customers in Europe, South Africa and the Middle East combined contributed 31.2% and 21.8%, 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 US$26.6m during the 12 months ended 31 December 2007, an increase of 70.5% over revenues of US$15.6m during the 12 months ended 31 December 2006. Sales in Europe, South Africa and the Middle East generated US$20.7m during the 12 months ended 31 December 2007, compared with US$12.2m during the 12 months ended 31 December 2006. Sales of the Large Laser Screed and the small line product in these regions increased by 87.0% and 54.3% respectively between these two periods. Sales in Asia, Australia and Central and South America represented US$5.9m during the 12 months ended 31 December 2007, as compared to US$3.4m during the 12 months ended 31 December 2006. This increase was driven by an increase in sales of Large Laser Screed to 12 units during the 12 months ended 31 December 2007, compared with five units during the corresponding period of 2006 and by an increase in small line units to 52 from 34 over the comparable periods.

Despite the sizable improvements internationally, North America (the United States and Canada) experienced nearly flat revenues. Sales to customers in North America were US$39.8m during the 12 months ended 31 December 2007, a 1.5% decrease over North American sales of US$40.3m during the 12 months ended 31 December 2006. The non-residential construction environment has continued strong and is forecast to remain stable over the next two years.

Gross Profit

Somero's gross profit for the 12 months ended 31 December 2007 was US$37.6m, a 24.5% increase over US$30.2m for the 12 months ended 31 December 2006. As a percentage of revenue, gross profit increased to 56.6% for the 12 months ended 31 December 2007, from 54.0% for the 12 months ended 31 December 2006. 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, and the benefit from higher realised prices that came from exchange rate changes, (see operating expenses for discussion of offsetting increases in cost due to exchange rates) and management's strategy of implementing manufacturing cost reduction initiatives.

Operating Expenses

Operating expenses were US$24.3m for the 12 months ended 31 December 2007, a 32.8% increase over US$18.3m for the 12 months ended 31 December 2006. This increase included US$0.6m in expenses related to opening offices in Dubai, China, Germany and Spain. Additionally, the increase in operating expenses (which consists of selling, engineering and general and administrative expenses) resulted primarily from higher selling expenses as the Company aggressively added to its sales and demonstration group to increase the capacity for demonstrating small line products, and an increase in costs as a result of being a public company, with operating expenses equalling 36.6% and 32.8% of revenues for the 12 months ended 31 December 2007 and for the 12 months ended 31 December 2006, respectively.

Selling expense increased by US$2.8m, or 30.8%, to US$11.9m for the 12 months ended 31 December 2007, as compared with US$9.1m for the 12 months ended 31 December 2006. The increase in selling expense was primarily due to increased international sales, which resulted in increased commissions, and the effect of exchange rates as the Company has a significant sale and service presence in the UK and Europe.

Engineering expense increased by US$0.6m, or 50.0%, to US$1.8m for the 12 months ended 31 December 2007 from US$1.2m for the 12 months ended 31 December 2006. The main increase was due to greater focus on identifying opportunities and building prototype products which included the Mini Screed introduced in December 2007.

General and administrative expense increased US$2.5m, or 31.3% to US$10.5m for the 12 months ended 31 December 2007 from US$8.0m for the 12 months ended 31 December 2006. A substantial amount of the increase in general and administrative expense resulted from increased costs from a full year of being a public company which were US$1.0m for the year ended 31 December 2007 (these costs included audit fees and regulatory fees). Additionally, US$0.6m was spent to open additional sales offices in Dubai, China, Germany, and Spain.

Other Income (Expense)
Other expenses included US$2.6m for the 12 months ended 31 December 2007, compared to expenses of US$3.6m for the 12 months ended 31 December 2006. Other expenses consisted of interest income and expenses, foreign exchange gains and losses, gains and losses on disposal of assets, and other expenses consisting primarily of management fees paid to The Gores Group (the previous majority owners of the Company). The decrease in other expenses has resulted primarily from reduced interest expense.

Interest expense was US$1.5m for the 12 months ended 31 December 2007 compared to US$3.7m in the 12 months ended 31 December 2006, resulting primarily from decreased indebtedness following the IPO in November 2006 the continued reductions in debt as excess cash has been used to pay down additional debt, and the Company's refinancing of debt which reduced the interest rate paid from LIBOR plus 3.0 to LIBOR plus 0.9. The new financing resulted in a one time charge of US$1.5m in unamortised loan origination fees being written off in the first half of 2007.

Foreign exchange gain was US$0.3m for the 12 months ended 31 December 2007, compared with a foreign exchange gain of US$0.2m for the 12 months ended 31 December 2006 resulting primarily from sales made to Europe, combined with a weakening US Dollar compared to the Pound Sterling and the euro.

Other expenses included US$1.5m for the 12 months ended 31 December 2007, compared with US$0.3m for the 12 months ended 31 December 2006, primarily resulting from the write off of unamortised loan origination fees when the Company refinanced in March 2007, and the elimination of US$0.3m in management fees that had been paid to the former owner of Somero before the November 2006 IPO.

Provision for Income Taxes
The provision for income taxes increased by US$0.9m, or 31.0%, to US$3.8m in the 12 months ended 31 December 2007, as compared with US$2.9m for the 12 months ended 31 December 2006. Overall, Somero's effective tax rate increased from 34.7% to 35.4% due to an increase in federal income tax due to an increase in support income and a decrease in credits and deductions.

Net Income
Net income increased by US$1.5m, or 27.8%, to US$6.9m in the 12 months ended 31 December 2007 as compared with US$5.4m for the 12 months ended 31 December 2006. The primary cause of the increase in net income was increased sales and gross margin offset by increased operating expenses.

Earnings per Share
Basic earnings per share represents income available to common stockholders divided by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options. Earnings per common share have been computed based on the following:

	2006 US$ 000	**2007 US$ 000**
Net income	5,381	**6,927**
Basic weighted average shares outstanding	30,714	**34,282**
Net dilutive effect of stock options	47	**–**
Diluted weighted average shares outstanding	30,761	**34,282**

The Company had 34,281,968 shares outstanding at 31 December 2007.

Earnings Per Share and Dividend
Earnings per share at 31 December 2007 is as follows:

	US$
Basic earnings per share	0.20
Diluted earnings per share	0.20
Net income before amortisation earnings per share	0.31

The Company's Board of Directors resolved to declare a dividend of US$0.03 per share of common stock payable to shareholders on the register as of 25 April 2008 and payable on 12 May 2008. This dividend relates to the period from 1 July 2007 to the fiscal year end at 31 December 2007.

Board of Directors

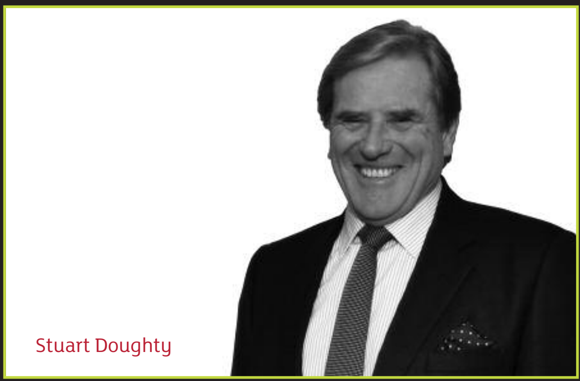
Stuart J. Doughty
CMG Bsc Ceng FICE, FIHE
Non-Executive Chairman of the Board
Mr. Doughty, age 64, whose term of office will expire at the Company's 2008 annual meeting of shareholders. From 2001 to 2005, Mr. Doughty served as chief executive officer of Costain Group Plc. He has over 40 years' experience 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 Plc., 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.

John T. (Jack) Cooney
President, Chief Executive Officer and Director
Mr. Cooney, age 61, 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 US$145m 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.

Michael F. Niemela
Chief Financial Officer, Secretary and Director
Mr. Niemela, age 43, 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 is the Secretary of the Company and joined the Board shortly prior to admission. Mr. Niemela is also a director of Somero Enterprises Limited and Somero Enterprises SRL. In March of 2008 Mr. Niemela also assumed responsibility for the companies newly launched Somero Sales College, global human resources and administration functions.

Thomas M. Anderson
Non-Executive Director
Mr. Anderson, age 56, whose term of office will expire 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 five years as the president of the Concrete Pump Manufacturers Association.

Ronald Maskalunas
Non-Executive Director
Mr. Maskalunas, age 66, whose term of office will expire at the Company's 2010 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.


Stuart Doughty


Jack Cooney


Michael Niemela


Thomas Anderson


Ronald Maskalunas

Directors' Report

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2007.

Activities

The principal activity of the Company is to design, manufacture and sell equipment that automates the process of spreading and leveling large volumes of concrete for flooring and other horizontal surfaces, such as paved parking lots and provide support services for the same to its customers throughout the world. The Company is headquartered in Jaffrey, New Hampshire, USA, with manufacturing facilities located in Houghton, Michigan, USA. It has sales and service operations in the United Kingdom with distributors and direct sales representatives based throughout the world. In December of 2007 the Board directed company management to consolidate the corporate headquarters and the Somero Sales college in a location that would have easy access to a major airport and would have a climate that allows for outdoor training on a year round basis. Fort Myers, Florida was selected as the location and the Company is pleased to announce that the State of Florida has provided over US$70,000 in tax incentives to entice the Company.

Review of Business

A fair review of the Company's progress for the period reported, its future prospects and a description of the principal risks and uncertainties facing the Company are set out in the Chief Executive's Statement on pages 6 to 11, the Financial Review on pages 12 to 15, the Directors' Report on pages 18 to 21 and the Corporate Governance Report on pages 22 to 24.

The Directors' Report is prepared for the members of the Company and should not be relied upon by any other party for any other purpose. The Directors' Report (including the Chief Executive's Statement, the Financial Review and the Corporate Governance Report) contain certain forward-looking information and statements in relation to the Company's operations, economic performance and financial conditions. These statements are made by the directors in good faith based on the information available to them at the time of the approval of this report and, although they believe that the expectations reflected in such forward-looking statements are reasonable, they should be treated with caution due to their inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements or information.

Results and Dividends

The audited results for the year are set out in detail on pages 27 to 42.

The Board paid a dividend of US$2.1m for the period covering 1 January 2007 to 31 December 2007 including a declared dividend of US$1.0m to be paid on 12 May 2008.

Share Capital

	Ordinary shares 1 January 2007	Ordinary shares 31 December 2007
S. J. Doughty	72,000	72,000
J. T. Cooney	128,034	243,034
M. F. Niemela	21,339	47,339
T. M. Anderson	–	–
R. Maskalunas	–	–

Somero stock is traded on the LSE AIM exchange and is therefore quoted in Pounds Sterling. The market price of the shares at 31 December 2006 was 132p. The range during the 2007 period of trading was 83p to 157p and ended the year at 91.5p. The Graph on page 26 shows share movement in the year.

Apart from the shareholdings listed below the Company has not been notified of any shareholdings which are 3% or more of the total issued ordinary shares of the Company.

Shareholders who hold more than 3%	Amount	Percentage of Holding
Polar Capital European Forager Fund Ltd	5,250,000	15.32%
Royal Mail Pension Trustees (Dup)	4,911,130	14.33%
The Gores Group	4,213,417	12.29%
BT Pension Scheme (Dup)	2,713,387	7.92%
Artemis UK Smaller Companies	1,719,830	5.02%
Ennismore Fund Mgmt	1,210,000	3.53%

	Number of options					
	1 January 2007	Awarded (exercised)	**31 December 2007**	Exercise price US$	Earliest date from which exerciseable	Expiry date
S. J. Doughty	154,268		**154,268**	$2.34	1 Nov 2007	1 Nov 2016
J. T. Cooney	874,190		**874,190**	$2.34	1 Nov 2007	1 Nov 2016
M. F. Niemela	205,691		**205,691**	$2.34	1 Nov 2007	1 Nov 2016
T. M. Anderson	85,704		**85,704**	$2.34	1 Nov 2007	1 Nov 2016
R. Maskalunas	85,704		**85,704**	$2.34	1 Nov 2007	1 Nov 2016

Risks and Uncertainties

The key risks and uncertainties facing the Company are considered as part of the Company's established process for identifying, evaluating and managing risk. Impacts of significant risks and their mitigation are monitored at Board meetings throughout the year and are subject to annual review by the Audit Committee. The key risks facing the business and the processes in place to manage those risks are:

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 continues to fluctuate in response to overall economic conditions and 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. In 2007 the markets continued to provide growth outside North America and were flat for US large line products, while small line suffered from sales force turnover rather than lack of demand. Additional industry conditions likely to impact company results include the trend toward materials that have fewer negative impacts on the environment, in particular pervious concrete. The Company recently introduced a new attachment for its large line products that allows for accurate placement of pervious concrete.

New Product Innovation Somero's financial performance is also dependent upon the introduction of new products. 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. Both small line products were released in new enhanced versions again in 2007. Somero has also recently introduced the Mini Screed in December 2007. The Mini Screed is the Company's first product designed for the residential market. The residential market in the US has experienced a downturn in the last year, but remains a large opportunity for the Company to provide a productivity and quality enhancing line of products. 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 3D Profiler System, which is a hardware and software accessory for the Large Laser Screed.

Product Replacement Demand Somero's financial performance is also dependent on 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 continue developing enhanced models that encourage customers to replace older machines. In 2007, replacement continued strong for the Large Laser Screed. While no trend has appeared, Somero management believes replacement demand will eventually develop for the small line products as they age and new versions are introduced.

Geographic Expansion Somero's financial performance is also dependent upon its ability to successfully enter and penetrate geographic markets outside the US. Currently, Europe and Canada represent Somero's primary markets outside the US, and Somero is focusing expansion efforts on Asia, Eastern Europe, Australia, the Middle East, Africa and South and Central America. As non-US sales have increased, Somero's financial performance has become more heavily influenced by fluctuations in currency exchange rates. A weakening US 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 US dollar. Somero has not entered into currency hedging arrangements in 2006 and 2007.

Interest Rates

Somero's financial performance is also linked to prevailing interest rates. See "Liquidity and Capital Resources" below. The Prime Rate has risen from 7.0% on 22 November 2005, the date of the initial drawdown under the Fortress Financing Agreement, to 8.25% as of 31 December 2006 – resulting in an overall rate of 10.0% for the Company. On 16 March 2007, Somero entered into a new financing agreement with Citizens Bank which reduced the rates to 6.55% (fixed for five years) for US$10.0m of the debt, LIBOR plus 1.40% for a revolving portion, and allows for reductions of loan principal with excess cash on a revolving basis. As at the year end the margin of LIBOR reduced from 1.4% to 0.9% as the Company's debt to EBITDA ratio is less than 1.0 times. The new financing resulted in US$1.3m in unamortised loan origination fees from the Fortress loan being written off in the first half of 2007 and in other costs of US$0.2m.

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 Citizen's Bank of up to US$8.0m. Operations are primarily funded through excess cash or draw-downs under the Citizen's revolving line of credit.

At 31 December 2007 the Company had US$3.8m in cash and cash equivalents compared to US$1.9m at 31 December 2006. Cash provided by operating activities in 2007 was US$10.3m compared to US$7.4m in 2006.

Cash used in financing activities was US$8.0m in 2007 compared to US$7.6m provided in financing activities in 2006. This change is primarily due to additional debt repayments the Company made in 2007. Net cash flows used in investing activities was US$0.4m in 2007 compared to US$0.3m in 2006. The increase in net cash flows used in investing activities in 2007 is primarily related to purchases of property and equipment for business operations.

Directors' Report continued

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 31 December 2007, the Company had US$8.9m in aggregate principal amount outstanding in term loans under its Citizens Bank Financing Agreement, and US$6.0m drawn under the revolving portion of its Citizens Bank Financing Agreement. The Company's financing agreement with Citizens Bank 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 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. The Company was in compliance with all debt covenants at the end of 2006 and 2007.

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 12 months. The directors also expect that existing cash and available funds from under the financing agreement with Citizens Bank and funds generated from operations will be sufficient to meet anticipated operating requirements and to fund planned capital expenditures for the remainder of 2008 and for the 2009 calendar year. Somero had capital expenditures of US$0.5m in 2007 and US$0.4 for the 12 months ended 31 December 2006. This capital was primarily focused on the acquisition of trailers for salespeople to enhance their productivity and the selective acquisition of high performance tools to enhance manufacturing productivity. 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

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 exchange rate fluctuations, but has hedged the majority of its interest rate exposure related to amounts owed to Citizens Bank. A summary of the Company's primary market risk exposures follows.

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 US dollars to pound sterling and US dollars to euro exchange rates both decreased by 10% for the entirety of the 12 months ended 31 December 2007, Somero's overall revenues would have been lower by approximately US$2.1m, 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 converted to US 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 US 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 US dollars.

The Company incurs and pays some expenses in currencies other than the US dollar. Such expenses are primarily paid in pounds sterling. For the 12 months ended 31 December 2007, Somero incurred US$5.0m in expenses that were denominated and paid in pounds sterling. If the US dollar to pound sterling exchange increased by 10% during the entirety of this period, these expenses would have been US$0.5m higher, when converted to US 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 US and incurs increasing expenses related to sales denominated in those other currencies.

Payments to Creditors

The Company's policy is to fix payment terms when agreeing the terms of each transaction. It is the Company's general policy to pay suppliers according to the agreed terms and conditions, provided that the supplier has complied with those terms.

Corporate Social Responsibility

Somero Enterprises believes, as a good corporate citizen, it must care about the communities it is involved in, keep the environment healthy, provide a safe and rewarding place to work and behave ethically in all its business dealings.

Donations

During the year the Company made no political donations. Charitable donations were made in amounts of US$17,000 primarily to local charities in New Hampshire and Michigan.

Employment Policies

The Company supports equal opportunities in employment and advancement and opposes all forms of unlawful or unfair discrimination on the grounds of colour, race, religion, age, nationality, gender or marital status. Full and fair consideration is given to applications for employment from disabled people.

As an equal opportunities employer all our benefits are accessible to every staff member and we encourage and support personal and professional development. Demonstrating this philosophy we conducted a survey of our employees in 2007. This is the third such survey since 1999, and resulted in the highest ratings since the surveys began. As part of the process the Company identifies concerns and allows a team of representatives to make recommendations for improvement directly to the Company's executive management. The survey action team has been selected and will continue its work through 2008.

The Company has well established structures to communicate with employees at every level and to encourage their involvement regarding the Company's performance and future activities. As an organisation Somero Enterprises, Inc. (the "Company") prides itself on its honesty, integrity and high professional standards in everything it does to deliver its services to its customers and in dealing with its staff and the public. The Company demands the maintenance of these high standards in everything that it does. To this end, the Company has devised this policy and procedure in order to give encouragement and support to employees in coming forward and reporting certain types of conduct or activities that will fall short of these high standards.

Under the Public Interest Disclosure Act 1998, employees who report wrongdoing of certain kinds have specific protection. The Company aims to ensure that by adherence to this policy and through proper use of the procedure, as far as possible, any such report shall be made internally in the first instance by making it possible for all employees to approach an appropriate person within the Company in order to draw their concerns to the attention of someone who has authority to act. This policy and procedure is aimed at ensuring that any employee who wishes to voice a concern regarding potential or actual wrongdoing on the part of the Company or anyone with whom the Company is associated feels sufficiently comfortable to do so.

Director Training

The Board received AIM compliance training from our auditors, Deloitte & Touche, in August 2007.

Health and Safety

The Board considers health and safety a key priority and believes it essential to conduct business to ensure the health, safety and welfare of all our employees and all other persons who may be affected by our activities. This includes members of the public, customers and trade contractors we may employ. Our internal Safety Committee monitors these issues and reports to senior management monthly. We maintain ISO 9000 certification for quality.

Environment

It is our intention to take all reasonable measures to conduct our business activities so that damage to the environment and pollution is minimised. The Company has an excellent track record of environmental performance supported by our ISO 14000 certification.

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of the report claims that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provision of section 234ZA of the Companies Act 1985.

Auditors

A resolution to reappoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming AGM. The notice of the AGM is included on page 44 in the Annual Report. Approved by the Board of Directors and signed on behalf of the Board.

Michael F. Niemela
Company Secretary
4 April 2008

Corporate Governance

While the Company is not required to comply with the provisions of the Combined Code, it is the intention of the directors that the Company will indeed comply with the code. With the exception of the following matters the Company is in compliance with 2003 FRC Combined Code on Corporate Governance.

Allowing for the size of the Company, there is currently no internal audit function as suggested by the Combined Code. Also as suggested by the Combined Code, as of the end of 2007, the Board had taken no particular steps beyond the road show presentations in developing relationships with major shareholders that would give them insight as to their views of the Company.

Auditor's remuneration for 2007 was US$261,000. Auditor's remuneration has only been provided for 2007 as the Company was admitted on AIM Exchange in 2006 and the information provided would not be useful for purposes of comparison.

Board of Directors

The Company is controlled through the Board of Directors which is comprised of five members, three of whom are 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 judgement and accordingly considers each of them to be an independent director for the purposes of the Combined Code. The names and biographical details of the directors is located on page 16 of this report.

The Company holds monthly Board meetings and more frequently as required. There is a separation of roles and responsibilities of the Chairman and the Chief Executive. As the Non-Executive Chairman, Mr. Doughty is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda; ensuring that the directors receive accurate, timely and clear information, and appropriate induction and training; ensuring effective communication with shareholders; and facilitating the effective contribution of non-executive directors in particular, and ensuring constructive relations between the executive and non-executive directors. Non-executive directors are responsible for constructively challenging and helping to develop proposals on strategy; scrutinising the performance of management in meeting agreed goals and objectives, and monitoring the reporting of performance; satisfying themselves on the integrity of financial information, and that financial controls and systems of risk management are robust and defensible; and responsibility for determining appropriate levels of remuneration of executive directors, and having a prime role in appointing, and where necessary removing, executive directors, and in succession planning. The directors are provided with regular and timely information on the financial performance of the Company together with other reports from functional areas within the Company as requested.

During the year there were 12 monthly Board meetings, three Audit Committee meetings and one Remuneration Committee meeting. All directors attended every meeting as applicable to their roles.

The Board is responsible for overall Company strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks, considers environmental and employee issues and key appointments. It ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. A budget is established for this purpose. All directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

The Board has three committees, the Audit Committee, the Remuneration Committee and the Nominations Committee with formally delegated rules and responsibilities. Each of these committees meets regularly, at least twice each year.

The Audit Committee is comprised of Messrs Maskalunas, Anderson and Doughty, and is chaired by Mr. Maskalunas. The Audit Committee determines and examines 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 receives and reviews 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 ensures that the financial performance, position and prospects of the Company are properly monitored and reported on. The Audit Committee has unrestricted access to the Company's auditors.

The Remuneration Committee is comprised of Messrs Anderson, Maskalunas and Doughty, and is chaired by Mr. Anderson. The Remuneration Committee measures the performance of the executive directors and key members of senior management as a prelude to recommending their annual remuneration, bonus awards, and awards of share options to the Board for final determination. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

The Nominations Committee is comprised of Messrs Doughty, Anderson and Maskalunas and is chaired by Mr. Doughty. The Nominations Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and makes recommendations to the Board with regard to any changes; gives full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future; and is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Company 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.

Relations with Shareholders

The directors are committed to maintaining good communications with the shareholders and quickly respond to all queries received. All shareholders have at least 20 working days' notice of the AGM at which all directors and committee chairs are introduced and available for questions. Institutional investors and analysts are invited to briefings by the Company immediately after the announcement of the Company's full year results and all shareholders are encouraged to participate in the Company's AGM.

In September, selected large shareholders were invited to a demonstration of Somero equipment on a large jobsite in Wellingborough, UK, as a means of educating them on how the products work.

Accountability and Audit

Financial Reporting A review of the performance and financial position of the Company is included in the financial review. The Board uses this, together with the Chairman's Statement, the Chief Executive's Statement and the Directors' Report to present a balanced and understandable assessment of the Company's position and prospects. The statement of directors' responsibilities for the financial statements is described on page 21.

Internal Control An ongoing process for identifying, evaluating and managing the significant risks faced by the Company has been established and that process is regularly reviewed by the Board and accords with the Internal Control Guidance to directors on the Combined code. Steps continue to be taken to embed internal control and risk management further into the operations of the business and deal with areas of improvement coming to management and Board attention. The Board implemented a review of 18 key risk areas starting in 2007 where one of the risks areas was reviewed with results reported to the entire Board. In 2008 there will be a review of four additional risks areas with a report of the results to the Board.

The reporting systems include formal consideration of all significant business risks at the monthly Board meetings and are still subject to continuous review by the Board throughout the year. The monthly management information includes some key risk indicators with the emphasis on early warning systems. Risk management principles are embedded within all significant projects.

The directors are responsible for the system of internal control and reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

The key risk management activities are described under the following headings:

- Strategic control – The Board reviews the Company's strategic plans each year. On a regular basis, the Company's significant risks are updated and appropriate control strategies and accountabilities are agreed.

- Allocation of responsibilities and control environment – The Board has set clear terms of reference for each of its committees and the Company has an organisational structure with clearly defined and documented delegation of authority to executive management and reporting systems for financial results, risk exposure and control assessment.

- Financial control – The Company has a comprehensive system for reporting financial results to the Board.

- Quality and integrity of personnel – The Company is committed to competence and integrity of management and staff at all levels, through its values statement, comprehensive recruitment, training and appraisal programmes.

- IT Systems – The Company has established controls and procedures over the security of data held on computer systems and has put in place suitable disaster recovery arrangements.

- Controls over central functions – A number of the Company's key functions, including treasury and taxation, are dealt with centrally. The Chief Financial Officer reports on an as needed basis to keep the Board updated.

- Internal audit – There is no dedicated resource for internal audit functions which is considered sufficient for the Company due to its size.

- Role of the Executive Committee – Day-to-day management of the Company's activities is delegated to senior management which is considered sufficient for the Company.

- Risk management reporting and Board review – The Board has overall responsibility for identifying, evaluating and managing major business risks facing the Company. It annually reviews all operating unit assessments of business risk exposure and control, including compliance assessments, and determines appropriate action, taking into account the recommendations of senior management.

An ongoing review of the effectiveness of the system of internal control for the year ended 31 December 2007 has been maintained and has taken account of any material developments since the year end.

Corporate Governance continued

Audit Committee

A summary of the process the Board (where applicable, through its committees) has applied in reviewing the effectiveness of the system of internal control is set out as follows:

During the year, the Audit Committee of the Board, comprising three non-executive directors;

a meets regularly with the external auditors and executive directors attending by invitation;

b receives and considers reports relating to the monitoring of the adequacy of the Company's internal controls, the suitability of its accounting policies and financial reporting and matters arising from the external auditors work;

c monitors the nature and extent of non-audit work undertaken by the external auditors; and

d makes recommendations to the Board on these matters. In forming their opinion of the independence and objectivity of the external auditors, the Audit Committee takes into account the safeguards operating within the external auditors and that the level of auditor fee is sufficient to enable them to fulfil their obligations in accordance with the audit Letter of Engagement.

The Chairman of the Audit Committee makes a report to the Board following each committee meeting and the Board receives the minutes of all Audit Committee meetings.

	2007
Audit	US$261,000
Tax	US$139,000
Other	US$1,250,000
	US$1,650,000

Audit service fees included Company audit fees and statutory audit fees for various foreign entities. Tax service fees included fees for the preparation of federal, state, local and foreign tax returns and FIN 48 analysis. Other service fees included US$386,000 for legal expenses, US$336,000 for investor relations, US$334,000 for recruitment expenses, US$14,000 for computer consulting fees, US$112,000 in foreign company registration fees and US$68,000 in other fees.

Going Concern Basis After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Compliance Statement Although not required to, the Board reports on compliance with the 48 code provisions throughout the accounting period. Save for the exceptions outlined below, the Company has complied throughout the accounting period ended 31 December 2007 with the provisions set out in Section 1 of the Code. The exceptions to the Code were as follows:

A.6 The Board has not undertaken a formal evaluation of its own performance and that of its committees and individual directors.

D.1 The Board did not conduct a survey of shareholders in 2007.

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the Company in accordance with US Generally Accepted Accounting Principles ("US GAAP").

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with US GAAP of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period and comply with US GAAP. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Remuneration Report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and has been approved by the Board and adopted for submission to the shareholders. This report is unaudited.

Remuneration Committee

The members of the Remuneration Committee during the year were Tom Anderson (Chairman), Ron Maskalunas and Stuart Doughty. The Remuneration Committee makes recommendations to the Board, within existing terms of reference, on remuneration policy and determines, on behalf of the Board, specific remuneration packages for each of the executive directors.

Director	Salary 2007	Options
Stuart Doughty	£50,000 per annum	154,268
Ron Maskalunas	US$57,000 per annum	85,704
Tom Anderson	US$57,000 per annum	85,704
Jack Cooney	US$300,000 per annum	874,190
Michael Niemela	US$150,000 per annum	205,691

Remuneration Policy

The Company's policy is to provide executive remuneration packages which are designed to attract, motivate and retain directors of the high calibre required and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Remuneration Committee consisting solely of non-executive directors. The remuneration of the non-executive directors is determined by the full Board.

In framing remuneration policy the Remuneration Committee has given full consideration to the requirements of the Combined Code appended to the Listing Rules of the London Stock Exchange.

Components of Remuneration

The components of remuneration are;

a basic salary and benefits determined by the Remuneration Committee and reviewed annually;

b performance related bonuses having regard to profitability of the Company; and

c share option incentives.

Basic Salary

An executive director's basic salary is determined by the Remuneration Committee at the beginning of each year and when an individual changes position or responsibility.

Bonus Payments

In the year ended 31 December 2007, the executive directors received bonuses as shown in the table which reflected an amount relating to the financial performance of the year ended 31 December 2007. Bonus awards are discretionary amounts based upon Company performance and other criteria, after consideration by the Remuneration Committee. It should be noted the Company was floated in November 2006. Prior to this there was not a Remuneration Committee and salary compensation was set by the full Board.

Director	Salary 2007	Bonus
Jack Cooney	US$300,000 per annum	US$203,918
Michael Niemela	US$150,000 per annum	US$92,690

Directors' Contracts

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 non-compete and non-disclosure provisions as well as providing for defined severance payments in the event of termination or change in control. If any existing contract of employment is breached by the Company in the event of termination, the Company would be liable to pay, as damages, an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period. The Remuneration Committee will seek to ensure that the director fulfils his obligation to mitigate his losses and will also give consideration to phased payments where appropriate.

Details of the service contracts of the executive directors are show in the table below:

Director	Salary 2007	Bonus	Options
Jack Cooney	US$300,000 per annum	50-100% of salary	874,190
Michael Niemela	US$150,000 per annum	40-80% of salary	205,691

With the approval of the Remuneration Committee, executive directors are entitled, under their service agreements to perform duties outside the Company and to receive fees for those duties.

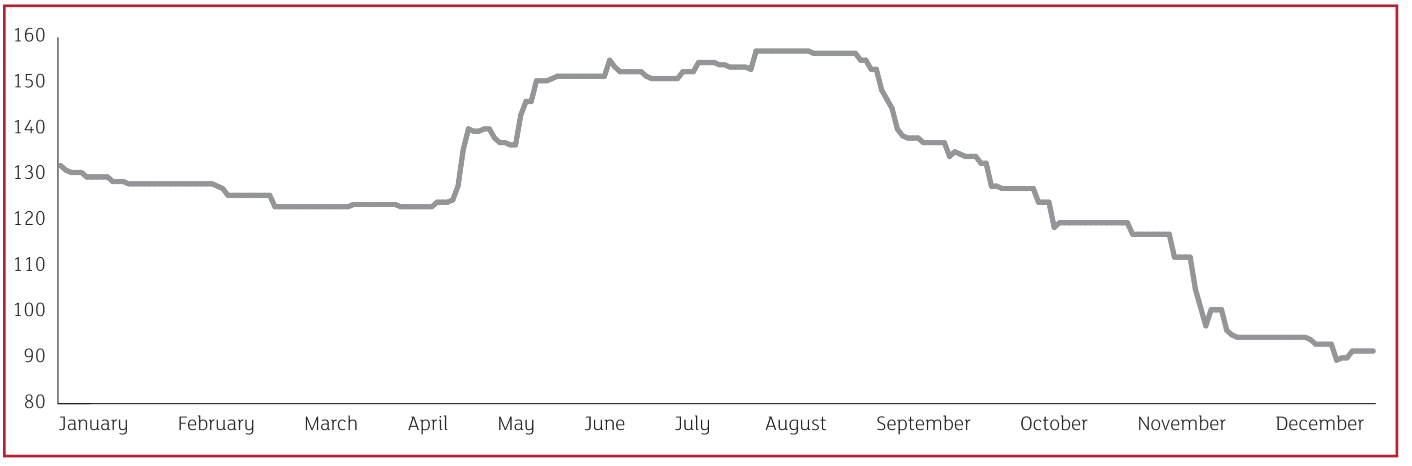
Directors' Remuneration Report continued

Share Options

The Remuneration Committee approves the grant of options to executive directors under the Company's discretionary share option schemes. Other than as disclosed above, the share options issued to executive directors do not have any performance criteria attached as at the time they were first issued it was not felt that performance criteria were appropriate.

Performance Graph

The Company flotation on 1 November 2006 was at 125p and rose to 132p on 31 December 2006. For the 12 months of 2007 the stock traded at a high of 157p and a low of 84p and ended trading 31 December 2007 at 91.5p which represented a 44.3% decrease over the 31 December 2006 price.



Non-Executive Directors

The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association, and is based upon independent surveys of fees paid to non executive directors of similar companies. The remuneration paid to each non-executive director in the year to 31 December 2007 was subject to Board approval. The letters of appointment and terms are listed in the chart below.

Director	Date of appointment	Termination date
Stuart Doughty	1 November 2006	2008 AGM
Ron Maskalunas	1 November 2006	2010 AGM
Tom Anderson	1 November 2006	2008 AGM

Approved by the Board of Directors and signed on behalf of the Board.

Tom Anderson
Chairman of Remuneration Committee

Independent Auditor's 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 2006 and 2007, and the related consolidated statements of income, stockholder's equity and cash flows for the years then ended 31 December 2006 and 2007. 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 audits provide 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 2006 and 2007, and the results of its operations and its cash flows for the years then ended 31 December 2006 and 2007, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
28 March 2008
Boston, Massachusetts

Consolidated Balance Sheets

As of 31 December 2006 and 2007

	2006 US$ 000	**2007** **US$ 000**
Assets		
Current assets:		
Cash and cash equivalents	1,895	**3,842**
Accounts receivable – net	4,101	**4,279**
Inventories – net	4,912	**6,948**
Prepaid expenses and other assets	584	**860**
Income tax receivable	211	**–**
Deferred tax asset	152	**594**
Assets held for sale	–	**618**
Total current assets	11,855	**17,141**
Property, plant and equipment – net	4,712	**4,103**
Intangible assets – net	21,616	**19,236**
Goodwill	16,400	**16,400**
Deferred financing costs	1,349	**94**
Other assets	113	**135**
Total assets	56,045	**57,109**
Liabilities and stockholders' equity		
Current liabilities:		
Notes Payable – current portion	2,400	**1,429**
Accounts payable	2,842	**4,051**
Accrued expenses	3,125	**2,453**
Income taxes payable	–	**374**
Obligations under capital leases – current portion	657	**–**
Other liabilities	0	**152**
Total current liabilities	9,024	**8,459**
Notes payable, net of current portion	18,600	**13,500**
Deferred income taxes	146	**467**
Other liabilities, net of current portion	–	**455**
Total liabilities	27,770	**22,881**
Commitments and contingencies	–	**–**
Stockholders' equity		
Preferred stock, US$.001 par value, 50,000,000 shares authorised, no shares issued and outstanding	–	**–**
Common stock, US$.001 par value, 80,000,000 shares authorised, 34,281,968 shares issued and outstanding at 31 December 2007	4	**4**
Additional paid in capital	21,926	**22,344**
Retained earnings	6,343	**12,128**
Other comprehensive income (loss)	2	**(248)**
Total stockholders' equity	28,275	**34,228**
Total liabilities and stockholders' equity	56,045	**57,109**

See notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended 31 December 2006 and 2007

	Year ended 31 December 2006 US$ 000	**Year ended 31 December 2007 US$ 000**
Revenue	55,894	**66,436**
Cost of sales	25,708	**28,828**
Gross profit	30,186	**37,608**
Operating expenses		
Selling expenses	9,066	**11,949**
Engineering expenses	1,202	**1,831**
General and administrative expenses	8,046	**10,514**
Total operating expenses	18,314	**24,294**
Operating income	11,872	**13,314**
Other income (expense)		
Interest expense	(3,714)	**(1,472)**
Interest income	157	**74**
Foreign exchange gain	247	**279**
Other	(325)	**(1,479)**
Income before income taxes	8,237	**10,716**
Provision for income taxes	2,856	**3,789**
Net income	5,381	**6,927**
Earnings per common share		
Basic	0.18	**0.20**
Diluted	0.17	**0.20**
Weighted average number of common shares outstanding		
Basic	30,714	**34,282**
Diluted	30,761	**34,282**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended 31 December 2006 and 2007

	Common Stock – Series A		Common Stock – Series B		Common Stock						
	Shares Number	Amount US$ 000	Shares Number	Amount US$ 000	Shares Number	Amount US$ 000	Additional paid in capital US$ 000	Retained earnings US$ 000	Other compre-hensive income (loss) US$ 000	Total stock-holders' equity US$ 000	Compre-hensive income US$ 000
Balance – 31 December 2005	1,000	–	94,000	–	–	–	17,783	962	(3)	18,742	959
Amended and restated certificate of incorporation (10/05/06)	(1,000)	–	(94,000)	–	30,000,000	–	–	–	–	–	–
Issuance of common stock (11/01/06) net of issuance costs					4,281,968	4	5,874	–	–	5,878	–
Cumulative translation adjustment	–	–	–	–	–	–	–	–	5	5	5
Net income	–	–	–	–	–	–	–	5,381	–	5,381	5,381
Share based compensation							59			59	
Dividends paid	–	–	–	–	–	–	(1,790)	–	–	(1,790)	–
Balance – 31 December 2006	–	–	–	–	34,281,968	4	21,926	6,343	2	28,275	5,386
Cumulative translation adjustment									(5)	(5)	(5)
Change in fair value of derivative instruments									(245)	(245)	(245)
Net income								6,927		6,927	6,927
Share based compensation							418			418	
Dividends paid								(1,142)		(1,142)	
Balance – 31 December 2007	**–**	**–**	**–**	**–**	**34,281,968**	**4**	**22,344**	**12,128**	**(248)**	**34,228**	**6,677**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended 31 December 2006 and 2007

	Year ended 31 December 2006 US$ 000	**Year ended 31 December 2007 US$ 000**
Cash flows from operating activities:		
Net income	5,381	**6,927**
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	26	**91**
Depreciation and amortisation	2,765	**2,762**
Amortisation of deferred financing costs	477	**1,380**
Gain on sale of assets	(15)	**(5)**
Share based compensation	59	**418**
Working capital changes:		
Accounts receivable	(1,457)	**(178)**
Inventories	(394)	**(2,036)**
Prepaid expenses and other assets	(7)	**(276)**
Income taxes receivable	(211)	**–**
Other assets	(68)	**(22)**
Accounts payable and other liabilities	1,210	**686**
Income taxes payable	(374)	**587**
Net cash provided by operating activities	7,392	**10,334**
Cash flows from investing activities:		
Proceeds from sale of property and equipment	132	**25**
Property and equipment disposals	–	**78**
Property and equipment purchases	(398)	**(491)**
Net cash used in investing activities	(266)	**(388)**
Cash flows from financing activities:		
Borrowings from additional financing	–	**22,254**
Payment for financing costs	(5)	**(125)**
Repayment of notes payable	(11,000)	**(28,325)**
Payment of capital lease	–	**(657)**
Repayment of working capital advance from parent	(710)	**–**
Payment of dividends	(1,790)	**(1,142)**
Contribution from parent	1,700	**–**
Proceeds from initial public offering of common stock, net of costs	4,178	**–**
Net cash used in financing activities	(7,627)	**(7,995)**
Effect of exchange rates on cash and cash equivalents	5	**(4)**
Net increase (decrease) in cash and cash equivalents	(496)	**1,947**
Cash and cash equivalents:		
Beginning of period	2,391	**1,895**
End of period	1,895	**3,842**

See notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

As of 31 December 2006 and 2007

1 Organisation and Description of Business

Nature of Business Somero Enterprises, Inc. (the "Company" or "Somero") 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, a European distribution office in the United Kingdom, and sales offices in Canada and Germany.

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 2006 and 2007, the allowance for doubtful accounts was approximately US$97,000 and US$191,000, 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. These financing costs are being amortised using the effective interest method.

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 12 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.

The Company evaluates the carrying value of long-lived assets, excluding goodwill, whenever events and circumstances indicate the carrying amount of an asset may not be recoverable. For the years ended 31 December 2006 and 2007, 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.

Revenue Recognition The Company 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.

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, based on specific identification of issues and historical experience.

2 Summary of Significant Accounting Policies continued

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 two to five years for machinery and equipment.

Assets Held For Sale Assets held for sale are recorded at the lower of their book value or net realisable value. Depreciation is not recorded on these assets once they are classified as held for sale. In November 2007, the Company received an offer for the sale of its Corporate Office in Jaffrey, New Hampshire which it eventually accepted. The sale was completed in January 2008 and a gain of US$5,000 was recorded.

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.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FIN 48, *Accounting for Uncertainty in Income Taxes* – an interpretation of FASB Statement No. 109, *Accounting for Income Taxes* ("FIN 48"), effective for fiscal years beginning after 15 December 2006. This interpretation clarifies the accounting for uncertainty in income taxes recognised in financial statement in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under FIN 48, the Company may recognise the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognised in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realised upon ultimate settlement. FIN 48 also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and accounting for income taxes in interim periods, and requires increased disclosures. FIN 48, as amended, had a US$170,000 impact in the year ended 31 December 2007.

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.

Accounting Pronouncements to be Adopted

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritises the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157 is effective for fiscal years beginning after November 2007, with early adoption permitted. Somero is currently in the process of evaluating any potential impact of SFAS 157.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective fiscal years beginning after 15 November 2007. Somero did not make a fair value election for any financial asset or liability as of 1 January 2008.

Stock Based Compensation The Company accounts for its stock option issuance under SFAS No. 123R, *Share-Based Payment* ("SFAS 123R"). SFAS 123R required recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). SFAS 123R also requires measurement of the cost of employee services in exchange for an award based on the grant-date fair value of the award.

Notes to the Consolidated Financial Statements continued

As of 31 December 2006 and 2007

2 Summary of Significant Accounting Policies continued

Transactions in and Translation of Foreign Currency The functional currency for the Company's subsidiaries outside the United States is the applicable local currency. Balance sheet amounts are translated at 31 December 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 also exposed to market risks related to fluctuations in foreign exchange rates because some sales transactions, and some assets and liabilities of its foreign subsidiaries, are denominated in foreign currencies other than the designated functional currency. Gains and losses from transactions are included in the Company's net income as foreign exchange gain (loss) in the accompanying consolidated statements of income.

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 gains (losses) for the years ending 31 December 2006 and 2007. Total comprehensive income for the years was approximately US$5,386,000 and US$6,677,000, respectively.

Earnings Per Share Basic earnings per share represents income available to common stockholders divided by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options. 84,210 shares have been excluded from the calculation because they are anti-dilutive. Earnings per common share have been computed based on the following:

	2006 US$ 000	**2007 US$ 000**
Net income	5,381	**6,927**
Basic weighted average shares outstanding	30,714	**34,282**
Net dilutive effect of stock options	47	**–**
Diluted weighted average shares outstanding	30,761	**34,282**

The Company had 95,000 shares outstanding at 31 December 2005 and issued a stock split of 315.79:1 in 2006, prior to its initial public offering. Share and per share amounts have been adjusted to reflect the stock split for the periods ended 31 December 2006 and 2007.

3 Inventories

Inventories consisted of the following at 31 December:

	2006 US$ 000	**2007 US$ 000**
Raw materials	2,422	**3,358**
Finished goods and work in process	2,679	**3,725**
	5,101	**7,083**
Less: reserve for excess and obsolete inventory	(189)	**(135)**
Total	4,912	**6,948**

4 Goodwill and Intangible Assets

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

	Weighted average amortisation period	2006 US$ 000	**2007 US$ 000**
Capitalised cost			
Customer relationships	8 years	6,300	**6,300**
Patents	12 years	18,538	**18,538**
Other intangibles	3 years	155	**159**
		24,993	**24,997**
Accumulated amortisation			
Customer relationships	8 years	1,116	**1,903**
Patents	12 years	2,189	**3,735**
Other intangibles	3 years	72	**123**
		3,377	**5,761**
Net carrying costs			
Customer relationships	8 years	5,184	**4,397**
Patents	12 years	16,349	**14,803**
Other intangibles	3 years	83	**36**
		21,616	**19,236**

Amortisation expense associated with the intangible assets for the years ended 31 December 2006 and 2007 was approximately US$2,376,000 and US$2,384,000, respectively. Future amortisation on intangible assets is as follows at:

	31 December US$ 000
2008	2,362
2009	2,332
2010	2,332
2011	2,332
Thereafter	9,878
	19,236

Notes to the Consolidated Financial Statements continued

As of 31 December 2006 and 2007

5 Property, Plant and Equipment

Property, plant and equipment consists of the following at 31 December:

	2006 US$ 000	**2007** **US$ 000**
Land	207	**207**
Buildings and improvements	3,432	**3,574**
Machinery and equipment	732	**975**
Property and equipment held under capital leases (see Note 7)	657	**–**
Equipment sold under recourse contracts	178	**178**
	5,206	**4,934**
Less: accumulated depreciation and amortisation	(494)	**(831)**
	4,712	**4,103**

Depreciation expense for the years ended 31 December 2006 and 2007, was approximately US$382,000 and US$378,000, respectively.

The Company previously offered a facility to customers whereby the Company guaranteed the financing on the sale of equipment. Equipment previously sold under recourse contracts continues to be included in Property, Plant and Equipment at a net book value at 31 December 2006 and 2007 of approximately US$78,000 and US$21,000, respectively. Revenue under these arrangements has been deferred and recognised over the life of the financing arrangement, approximately five years. Deferred revenue of approximately US$84,000 and US$20,000 related to these transactions was included in accrued expenses at 31 December 2006 and 2007, respectively. The Company has made no further sales under recourse arrangements since.

6 Debt Obligations

Summary The Company executed a credit facility with a financial institution in March 2007 (see section entitled "Credit Facility" below). The proceeds of the new term loan and the revolving line of credit were used to pay off in full existing debt balances. The Company incurred a loss in the early extinguishment of debt of approximately US$1,481,000 which included deferred financing cost of approximately US$1,245,000. The Company's debt obligations consisted of the following at 31 December:

	2006 US$ 000	**2007 US$ 000**
Bank debt:		
Term loans	21,000	
Five year secured term loan		**8,929**
Five year secured reducing revolving line of credit		**6,000**
Less debt obligations due within one year	(2,400)	**(1,429)**
Obligations due after one year	18,600	**13,500**

Credit Facility The Company has a credit facility with a financial institution dated 16 March 2007 composed of the following at 31 December 2007:

- US$14,000,000 five year secured reducing revolving line of credit
- US$10,000,000 five year secured reducing term loan

The Company has fixed the interest rate for the term loan and the revolving facility through a series of interest rate swaps. These swaps have been desegregated as cash flow hedges. The revolver loan's interest rate swaps initial notional amount is US$6,000,000, pays a fixed 5.20%, and had a 31 December 2007 fair market value of approximately (US$96,000) which will amortise down by approximately US$53,000 in the next 12 months. The term loan's interest rate swap's initial notional amount is US$10,000,000, pays a fixed 5.15%, and had a 31 December 2007 fair market value of approximately (US$286,000) which will amortise down by approximately US$88,000 in the next 12 months. The interest rate swaps are designated as cash flow hedges. The revolver and term loan interest rates are Libor (fixed by the interest rate swaps) plus an amount determined by the ratio of "funded debt/last 12 months EBITDA," as defined in the loan agreement. The effective interest rate at 31 December 2007 for the revolving line of credit was 6.05% and for the term loan 6.10%. The credit facilities are secured by substantially all of the Company's assets and contain a number of restrictive covenants that among other things limit the ability of the Company to incur debt, issue capital stock, change ownership and dispose of certain assets. The revolving line of credit available reduces over the five year term and as of 31 December 2007 the borrowed balance is below the credit line available.

Future Payments The future payments by year under the Company's debt obligations are as follows:

	31 December US$ 000
2008	1,429
2009	1,429
2010	1,429
2011	1,429
Thereafter	9,213
Total payments	**14,929**

Interest Interest expense on the credit facility for the years ended 31 December 2006 and 2007 was approximately US$3,618,000 and US$1,392,000, respectively, related to the debt obligation. Interest expense paid by the Company's UK subsidiary was approximately US$13,000 and US$73,000 for the years ending 31 December 2006 and 2007, respectively.

Notes to the Consolidated Financial Statements continued

As of 31 December 2006 and 2007

7 Capital Lease Obligations

Summary The Company previously leased a building in Jaffrey, New Hampshire which was owned by a former co-owner of the Somero Business and accounted for as a capital lease. During 2007, the Company purchased the building. At 31 December 2006 and 2007, the gross amount of property and related accumulated depreciation recorded under the capital lease were as follows:

	2006 US$ 000	**2007 US$ 000**
Building	657	–
Less: accumulated depreciation	(23)	
	634	–

Interest Interest paid during the year 31 December 2006 was approximately US$83,000 related to the capital lease obligation.

8 Retirement Programme

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 75% of the employee's contribution, up to the first 4% of the employee's salary, for the year ended 31 December 2006 and matches 75% of the employee's contribution, up to the first 6% for the year ended 31 December 2007. The Company match vests after one year of service with the Company. The Company contributed approximately US$133,000 and US$178,000 to the savings and retirement plan during the years ended 31 December 2006 and 2007, respectively.

9 Operating Leases

The Company leases property, vehicles and office equipment under leases accounted for as operating leases. Future minimum payments by year under non-cancellable operating leases with initial terms in excess of one year were as follows:

	31 December US$ 000
2008	292
2009	162
2010	62
2011	–
After 2011	–
Total	516

Total rent expense under operating leases was approximately US$172,000 and US$238,000 for the years ended 31 December 2006 and 2007, respectively.

10 Supplemental Cash Flow Disclosures

	2006 US$ 000	**2007** **US$ 000**
Cash paid for interest	3,710	**1,294**
Cash paid for taxes	3,573	**3,061**

11 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 2006 and 2007, the Company had receivables from two customers which represented approximately 16% and 22% of total accounts receivable, respectively.

12 Commitments and Contingencies

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 non-compete and non-disclosure provisions as well as providing for defined severance payments in the event of termination or change in control.

The Company has entered into a five year or minimum purchase obligation of US$625,000 with a supplier as of 31 December 2007. There is a related contingent liability of US$55,000 to cancel the contract as of 31 December 2007 which declines over five years on a pro-rated basis.

The Company is subject to various unresolved legal actions which arise in the normal course of its business. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible losses, the Company believes these unresolved legal actions will not have a material effect on its financial statements.

Notes to the Consolidated Financial Statements continued

As of 31 December 2006 and 2007

13 Income Taxes

The FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109, which the Company adopted as of January 1, 2007. The Interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, the Company may recognise the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognised in the financial statements should be measured based on the largest benefit that has a greater than 50% likelihood of being realised upon ultimate settlement. FIN 48 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The impact of the Company's reassessment of its tax positions in accordance with the requirements of FIN 48 has resulted in a charge of US$170,000. 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 31 December 2007, and has not recognised a valuation allowance against the total net deferred tax asset.

At the end of the year, the Company had a gross unrecognised tax benefit (including interest and penalties) of US$128,000. Of this total, US$76,000 represents the amount of unrecognised tax benefits (net of the federal benefit on state issues) that, if recognised, would favourably affect the effective income tax rate in a future period.

As part of its continuing practice, the Company has accrued interest related to unrecognised tax benefits in interest expense. Total accrued interest for unrecognised tax benefits at the end of the year was US$6,000.

The Company elected to include accrued penalties related to unrecognised tax benefits in other expense. Total accrued penalties related to unrecognised tax benefits at the end of the year were US$35,000.

The Company is subject to US federal income tax as well as income tax of multiple state jurisdictions. The Company began business in 2005 and therefore all federal, foreign and state income tax returns for tax years from 2005 forward are still open. The Company has no Federal, foreign or state income tax returns currently under examination.

A reconciliation of the beginning and ending amounts of the Company's gross unrecognised tax benefits is as follows:

Balance at 1 January 2007	US$	–
Additions related to tax positions of prior years	US$	81,000
Additions related to tax positions of the current year	US$	47,000
Adjustments due to settlements	US$	–
Reductions due to lapse of statute of limitations	US$	–
Balance at 31 December 2007	US$	128,000

Included in the balance at 31 December 2007 are US$125,211 of tax positions which will decrease within the next 12 months. The Company will be filing amended returns for the years ended 31 December 2005 and 2006 to eliminate the tax exposure related to these items.

The provision for income taxes at 31 December 2006 and 2007 includes the following:

	2006 US$ 000	**2007 US$ 000**
Current income tax		
Federal	2,314	**3,021**
State	193	**315**
Foreign	323	**362**
Total current income tax expense	2,830	**3,698**
Deferred tax expense		
Federal	23	**88**
State	3	**3**
Foreign	–	**–**
Total deferred tax expense	26	**91**
Total tax expense	2,856	**3,789**

13 Income Taxes continued

The components of the net deferred income tax asset at 31 December were as follows:

	2006 US$ 000	2007 US$ 000
Deferred tax asset (liability)		
Depreciation	28	**(24)**
Intangibles	(195)	**(345)**
Share based compensation	21	**173**
Interest rate swap	–	**159**
Other	152	**164**
Net deferred tax asset	6	**127**
Current	152	**164**
Non-current	(146)	**(37)**
	6	**127**

The statutory federal income tax rate was 34% for the years ended 31 December 2006 and 2007. 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:

	2006 US$ 000	2007 US$ 000
Consolidated income before tax	8,237	**10,716**
Statutory rate	34%	**34%**
Statutory tax expense	2,801	**3,644**
State taxes	164	**210**
IRC Section 199 deduction	(74)	**(197)**
Meals and entertainment	53	**60**
Other	(88)	**72**
Actual tax expense	2,856	**3,789**

The Company expenses research and development costs as incurred. Total research and development expense for the research and development tax credit was approximately US$752,000 and US$866,000 for the years ended 31 December 2006 and 2007, respectively.

14 Sales by Geographic Region

The Company sells its product to customers throughout the world. The breakdown by location is as follows:

	2006 US$ 000	2007 US$ 000
United States and US possessions	38,354	**38,395**
Canada	2,262	**1,449**
Rest of World	15,278	**26,592**
Total	55,894	**66,436**

Notes to the Consolidated Financial Statements continued

As of 31 December 2006 and 2007

15 Stock Based Compensation

The Company has one share-based compensation plan, which is described below. The compensation cost that has been charged against income for the plan was approximately US$59,000 and US$418,000 for the years ended 31 December 2006 and 2007, respectively. The income tax benefit recognised for share-based compensation arrangements was approximately US$21,000 and US$152,000 for the years ended 31 December 2006 and 2007, respectively.

In October 2006, the Company implemented the 2006 Stock Incentive Plan (the "Plan"). The Plan authorises the Board of Directors to grant incentive and nonqualified stock options to employees, officers, service providers and directors of the Company for up to 3,400,000 shares of its common stock. Options granted under the Plan have a term of up to ten years and generally vest over a three-year period beginning on the date of the grant. Options under the Plan must be granted at a price not less than the fair market value at the date of grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The risk-free interest rate is based on the US Treasury rate for the expected life at the time of grant, volatility is based on the average long-term implied volatilities of peer companies as our Company has limited trading history and the expected life is based on the average of the life of the options of ten years and an average vesting period of three years. The following table illustrates the assumptions for the Black-Scholes model used in determining the fair value of options granted to employees for the years ended 31 December 2006 and 2007.

	2006	**2007**
Dividend yield	2.96%	**4.37%**
Risk-free interest rate	4.52%	**2.93%**
Volatility	25.10%	**25.00%**
Expected life (in years)	4.4	**3.0**

A summary of option activity under the stock option plans as of 31 December 2007, and changes during the year then ended is presented below:

Options	Shares	Weighted-average exercise price	Weighted-average remaining contractual term (yrs)	Aggregate intrinsic value
Outstanding at 1 January 2007	2,656,832	2.34	–	–
Granted	101,484	1.97		
Exercised		–	–	
Forfeited	(92,270)	2.39		
Outstanding at 31 December 2007	**2,666,046**	**2.32**	**8.87**	**4,898,904**
Exercisable at 31 December 2007	**862,757**	**2.34**	**8.84**	**1,585,330**

The weighted-average grant-date fair value of options granted was US$.48 and US$.24 for the years ended December 31, 2006 and 2007 respectively.

A summary of the status of the Company's non-vested shares as of 31 December 2007, and changes during the year then ended is presented below:

	Shares	Weighted average grant-date fair value
Non-vested shares as of 31 December 2006	2,656,832	1,284,000
Granted	101,484	24,356
Vested	(862,757)	(414,123)
Forfeited	(92,270)	(44,290)
Non-vested shares as of 31 December 2007	**1,803,289**	**849,943**

As of 31 December 2007, there was US$789,000 of total unrecognised compensation cost related to non-vested share-based compensation arrangements granted under the Company's stock option plan. That cost is expected to be recognised over a period of three years.

Advisers and Corporate Information

Directors

Stuart J. Doughty	Chairman and Non-Executive Director
John T. Cooney	President and Chief Executive Officer
Michael F. Niemela	Chief Financial Officer and Secretary
Thomas M. Anderson	Non-Executive Director
Ronald Maskalunas	Non-Executive Director

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Notice of Annual General Meeting of Stockholders

SOMERO ENTERPRISES, INC. (the "Company")
(incorporated in the State of Delaware, USA under the Delaware General Corporation Law (the "DGCL") with registered number 3589295)

Notice is given that the Annual General Meeting of Stockholders (the "AGM") of the Company will be held at the offices of Collings Stewart, 9th Floor, 88 Wood Street, London EC2V 7QR on 5 June 2008 at 11.00 am local time for the following purposes:

To consider and, if thought fit, to pass the following resolutions:

1 To ratify the Directors' Report and the Annual Report and the Company audited financial statements for the year ended 31 December 2007.

2 To ratify the Directors' Remuneration Report for the year ended 31 December 2007.

3 To re-elect Stuart Doughty as a Class II Director.

4 To re-elect Tom Anderson as a Class II Director.

5 To ratify the reappointment of Deloitte & Touche LLP as the auditors of the Company for the fiscal year ending 31 December 2008.

6 To consider and act upon any matters incidental to the foregoing purposes and any other matters which may properly come before the AGM or any adjourned session thereof.

Please refer to the Annual Report and form of proxy, which forms a part of this Notice and is incorporated in this Notice by reference, for further information with respect to the business to be transacted at the AGM.

Stockholders of record at the close of business on 24 April 2008 are entitled to receive notice of, and vote at, the AGM or any adjournment or postponement of the AGM.

Whether or not you expect to attend the AGM, please complete, date and return the enclosed proxy as promptly as possible in order to ensure your representation at the AGM. To be effective, proxies must be sent to or deposited at the office of the Company's registrars (Computershare Investor Services (Channel Islands) Limited, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW, Channel Islands) so as to be received not later than 48 hours before the time for the AGM. Even if you have given your proxy, you may still vote in person if you attend the AGM.

You may inspect a complete list of the stockholders eligible to vote at the AGM during normal business hours at our offices located at 82 Fitzgerald Drive, Jaffrey, New Hampshire 03452, USA, during the ten days prior to the date of the AGM and also at the location indicated above during the AGM.

The Board of Directors unanimously recommends a vote "FOR" each of the proposed resolutions.

All stockholders are cordially invited to attend the AGM.

By order of the Board of Directors

Michael Niemela, Secretary

2 May 2008

Notes:
1 The Company's Board of Directors has approved the Annual Report (including the Director's Report and the Directors' Remuneration Report contained therein) and the Company's audited financial statements for the year ended 31 December 2007. Stockholder ratification of the Annual Report (including the Director's Report and the Directors' Remuneration Report contained therein) and the Company's audited financial statements for the year ended 31 December 2007 is not mandatory under Delaware law. However, the Board is submitting the Annual Report (including the Director's Report and the Directors' Remuneration Report contained therein) and the Company's audited financial statements for the year ended 31 December 2007 to the stockholders for ratification as a matter of good corporate practice. If ratification is not approved a majority of the shares of common stock voting at the AGM in person or by proxy, the Board will reconsider its approval thereof.
2 The Company's Board of Directors has selected Deloitte & Touche LLP to continue as the Company's auditors until the next Annual AGM of Stockholders. Stockholder ratification of the selection of Deloitte & Touche LLP as the Company's auditors is not mandatory under Delaware law. However, the Board is submitting the selection of Deloitte & Touche LLP to the stockholders for ratification as a matter of good corporate practice. If ratification is not approved a majority of the shares of common stock voting at the AGM in person or by proxy, the Board will reconsider its selection of auditors.
3 In accordance with the Company's Bylaws, the holders of one-third in voting power of all issued and outstanding stock entitled to vote at the AGM, present in person or presented by proxy, shall constitute a quorum for the transaction of business.

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