



Annual Report  
&  
Financial Statements 2008

STRAIGHT PLC COMPANY NUMBER 2923140

**THEART OF  
RECYCLING**





## **Straight plc, the recycling products and services group.**

- **1993** the business is established.
  - **2003** joined the AIM market with a view to fuelling further growth.
  - **2005** acquired Blackwall Limited, becoming the UK's largest supplier of home composters and water butts.
  - **2006** Chief Executive Jonathan Straight awarded Ernst & Young quoted Entrepreneur of the Year title.
  - **2007** Straight plc launched BeGreen®, a new environmentally friendly brand aimed at the retail and distribution sectors.
  - **2009** acquired Harcostar, the premium garden products brand to complement the BeGreen® brand.
  - **2009** Straight plc is the market leader in environmental recycling containers including food waste containers, kerbside recycling boxes, wheeled bins and workplace recycling containers.
- 
- To date we have delivered more than 12 million kerbside recycling boxes and 3.5 million compost bins and water butts.
  - We also continue to heavily invest in new product development to bring innovative and unique waste and recycling products to the market.
  - Through the Straight brand and the environmentally friendly retail brand, evengreener.com, we help local authorities, businesses and individuals to recycle more and to reduce their carbon footprint.

[www.straight.co.uk](http://www.straight.co.uk)

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# Chairman's Statement

I am pleased to report that the Group has strengthened its position during 2008 and has performed particularly well over the past six months. Following a strategic review and subsequent restructuring of the business in the fourth quarter, the Group is now in excellent shape and is rising to the opportunities and challenges presented by the current economic climate.

## Trading performance

Overall, the Group's turnover for the year increased by 8% to £25.4m (2007: £23.6m). The balance sheet remains strong with cash balances at the year end of £1.6m (2007: £1.6m) following record investment in product design and new tooling.

### *Trade Business – Environmental Container Solutions*

The Group's core Trade Business performed strongly during the year. Whilst the Group's sales overall were up 8% at £25.4m (2007: £23.6m), revenues from the core Trade Business increased by 20% to £23.1m (2007: £19.3m), demonstrating the importance of the Trade Business to the Group's growth potential. This was as a result of continuing demand for the Group's newly introduced products, such as food waste collection containers, as well as the benefits of the high level of investment in new tooling to further increase production capacity.

During the year, the Group has continued to develop its overseas sales channels and is now producing and selling water butts in Australia. It has also experienced strong initial sales in North America through its distributor. The latter activity has been buoyed by the weakness of Sterling against the US Dollar.

Gross margins in the Trade Business fell slightly as a result of a high level of lower margin wheeled bins in the sales mix. However, the Group's own proprietary products performed exceptionally well with improved margins.

### *Retail Business – Direct to Consumer Environmental Products*

The Retail Business continued to perform poorly with revenues down 53% to just £2.3m (2007: £4.3m). This was due to poor sales as well as a significant drop in activity on the WRAP fulfillment contract due to the reduction in government funding for this programme.

### *Overall Result*

As a result of the under-performing Retail Business and a slight increase in overheads due to the Group moving into new premises during the year, operating profits (before goodwill impairment and the costs associated with the strategic review) were £0.4m (2007: £1.0m) and the loss before taxation was £1.0m (2007: profit £0.6m).

### *Strategic Review*

In July 2008, the Board announced that it was conducting a strategic review of the Retail Business in an attempt to reduce the substantial losses it was incurring. This review was completed during the third quarter of the year and resulted in a significant rationalisation of the retail division. As a result, product lines, distribution costs and associated overheads have been substantially reduced and only those activities which the Board considers to be of strategic importance have continued into 2009. These actions resulted in the Retail Business reporting significantly reduced losses for the fourth quarter of the year.

The Board also examined the Trade Business with a particular emphasis on reducing overhead costs. As a result of this extensive exercise, the Group's fixed overheads have been considerably reduced. Consequently, operational gearing, employee costs and inventory holding costs will be much lower going forward.

As a result of these actions, the Group has incurred one-off redundancy and stock write-down costs during the year of £0.4m. This will not affect the Group's ability or capacity to meet the requirements of its customers.

# Chairman's Statement

## Earnings per share

Headline earnings per share, which excludes the impact of the strategic review costs and goodwill impairment, were 4.6p (2007: 9.4p). The basic loss per share was 8.9p (2007: earnings 4.8p).

## Dividend

An interim dividend of 1.0p (2007: 1.25p) was paid in December 2008. Despite the reduced level of operating profitability for the year, the Board is still proposing to pay a final dividend of 2.0p (2007: 2.0p). This dividend will be paid on 5 June 2009 to shareholders on the register on 8 May 2009 and is subject to shareholder approval at the Annual General Meeting. This gives a total dividend for the year of 3.0p (2007: 3.25p).

## Business Developments

In January 2009, the Group announced the acquisition of the business and assets of Harcostar Garden Products for a total consideration of £0.4m. Harcostar is a long established premium brand providing water butts, compost bins, watering cans and accessories to the garden trade both in the UK and in Europe. This acquisition is in line with the Group's ambitions of developing its product range, market penetration and brand portfolio.

## Board and Employees

At the Annual General Meeting in June 2008, Roger Green retired as a non-executive director and as Chairman of the Audit Committee. At that time, I stated that it was our intention to seek a replacement. However, in light of the current economic climate, the Board feels that it is well served by its two existing non-executive directors. Colin Glass has become Chairman of the Audit Committee.

I would like to thank my Board colleagues for their continued efforts and support.

## Outlook

Following a strong performance in the fourth quarter of 2008, the Group's Trade Business began 2009 with an order book of £8.4m. Trading performance in the first two months of the year has been ahead of forecast.

The Retail Business has started the year in line with the Board's expectations.

The Board is encouraged by its record order book. This, combined with the cost reductions achieved as a result of the strategic review, has put the business in excellent shape to capitalise on its unique market position.

## James Newman

Chairman

26 March 2009

# Chief Executive's Review

Whilst the overall result for 2008 is disappointing, our core Trade Business continues to grow and the positive actions resulting from the strategic review leave us with a business which is in a fit and lean condition. This is demonstrated by a much improved performance since October 2008.

## Trade Business

### *Municipal Sales*

Established core proprietary products, such as kerbside boxes, have delivered another record performance. Our strong order book continues to be supported by new business which has exceeded our expectations.

As a business, we recognised the emerging market for containers for the collection of food waste from domestic properties. Our strategy to gain first mover advantage with a considerable investment in tooling has resulted in a market-leading share as well as strong margins. The weakness of Sterling has also helped provide an additional barrier to competition as currently most competing products are made in mainland Europe.

The Steelybin® four-wheeled waste and recycling bin has continued to gain market share. Extensive work on the supply chain has further improved margins and has insulated us against the risk of currency fluctuation.

### *Corporate Sales*

With more than 80% of sales coming from the UK municipal sector, the Board believes it is desirable to broaden the Group's customer base. Due to the considerable potential for increased sales of waste and recycling containers in the UK corporate market, a separate team has been formed to focus on this sector. This team will also be responsible for developing further export sales and overseas markets.

During the year, the Group continued to develop its overseas sales channels and is now producing and selling water butts in Australia. It has also experienced strong initial sales in the United States and Canada through its distributor. This activity has been buoyed by the weakness of Sterling against the US Dollar.

Having successfully demonstrated the flexibility of its unique business model in overseas markets, the Group is embarking on a broader programme of international sales development.

### *New Product Development*

Of the capital invested during 2008, £1.3m was spent on tooling. The primary focus was the food waste collection system with new container ranges for kitchen use and several moulds for the market-leading Kerbside Caddy.

The Ecosort™ range of office recycling containers was also introduced. This allows a move from the purchase of factored items to a proprietary product range with the associated margin improvement.

### *Acquisition of Harcostar*

Our association with Harcostar goes back many years and we have been interested in the business and the brand for some time. This brand is at the top end of the garden products spectrum and allows enhanced margin opportunities. The products are distributed to the independent garden centre sector in the UK and to key accounts in Europe. Neither market area has been a focus of the Group before and this acquisition provides distribution possibilities for the Group's core range as well as providing a brand which can be used for a broader range of products in the future.

Despite this acquisition being made very recently, it is already making a positive contribution to profits for 2009.

## Retail Business

A poor gardening season for the second year running led to a further fall in retail sales. As well as low sales levels, the parcel delivery method used proved far more expensive than budgeted and we were unable to replace this with a lower cost solution until the latter part of the year. The previously profitable fulfillment work also reduced as a cut in funding to WRAP by Defra resulted in consumer prices being increased and a subsequent drop in activity levels.

# Chief Executive's Review

As a result, a very detailed review of the Retail Business was conducted during the second half of the year with all options considered including the complete closure of the division. The Board concluded that there was value in the retail business where proprietary products were being sold or where the partner was a utility or a local authority. Consequently, the Retail Business was dramatically rationalised with the cessation of all activities outside of these areas.

A new delivery model was also successfully piloted and has now been rolled out nationwide. This uses specially developed software to give a tight degree of control over the distribution process. It is now possible to deliver large products, such as compost bins and water butts, using a low cost service but with the required degree of control to maintain customer satisfaction.

Since the fourth quarter of 2008, the losses attributable to the Retail Business have been significantly reduced. The smaller, leaner Retail Business has made a good start to 2009.

## *Home composting market*

Another key reason for the decision to maintain a retail capacity was the possibility for growth in local authority business when the WRAP home composting project ended in March 2011. However, WRAP recently announced that it will now exit the English market at the end of September 2009, eighteen months earlier than originally expected. The Group is the leading private sector provider of home composting programmes and it is anticipated that a significant proportion of local authorities will transfer their campaigns to the Group when the WRAP project ends.

## **Management and staff**

During the strategic review, the Board recognised the need to reduce fixed costs and streamline the structure of the whole business. As a result, there were a number of redundancies during the year. The Group now has a smaller, close-knit, team which is very focused and committed to the business. There has been no impairment to the level of service offered to customers.

## **Environmental performance**

A programme has been introduced to identify the carbon emissions of the business with the aim of achieving a significant reduction. The move to the new offices has resulted in a saving of nine tonnes of CO<sub>2</sub> per year based on the daily commute of the workforce. Additional work is ongoing and it is intended in due course to offset those emissions that cannot be eliminated.

## **Staff**

Finally I would like to thank my Board colleagues and staff for their support and dedication during the year.

## **Outlook**

The business is in very good shape and is far leaner and fitter than it has been for a number of years. Fixed costs are lower and the previous risks to profitability posed by the Retail Business have been removed whilst maintaining a retail capability with its associated potential. Despite continued investment, the Group's cash position is extremely healthy. The core Trade Business remains strong and there is considerable potential to expand activities outside of the UK.

As a result of the actions we have taken, the business which has emerged from 2008 is reinvigorated and is both profitable and cash generative. The Board is confident that 2009 will prove to be a successful year.

**Jonathan Straight**  
Chief Executive

26 March 2009

# Finance Director's Review

## Revenue and Operating Margins

### *Trade Business*

Revenues grew 20% during 2008 from £19.3m to £23.1m driven by sales of food-waste containers and greater than expected sales of lower margin wheeled bins.

Gross margins were fractionally lower at 18.4% (2007: 18.7%) which is a result of a higher weighting towards low margin wheeled bins during the first half of the year. However, the Group's proprietary products performed exceptionally well throughout the year with margins increasing to 22.4% (2007: 21.7%).

During the final quarter of the year, and further to a strategic review of our Trade Business, a number of redundancies were made and unprofitable product lines were eliminated. There were non-recurring costs of £0.2m, which included redundancy costs and also the costs of writing down the tooling and inventories associated with discontinued product lines. The ability of the business to satisfy demand for strategically important products is not affected by these cost savings.

The operating profit of the Trade Business, excluding non-recurring costs, increased by 27% to £2.2m (2007: £1.7m). The ongoing savings arising as a consequence of the strategic review will help to sustain this progress in 2009.

### *Retail Business*

Revenues fell 53% from £4.3m to £2.3m during 2008. This fall was attributable to a second successive poor season which impacted sales of water butts and a fall of 60% in revenues generated from our WRAP fulfillment work. In addition to the low sales volumes, the business struggled to make retail deliveries at an acceptable cost for most of the year. As a consequence gross margins were a disappointing 4.4%.

Following the strategic review of the Retail Business announced in July and completed in September, distribution costs have been slashed and gross margins are now at an acceptable level. In addition, the number of product lines offered by the Retail Business has been greatly reduced. Finally, the WRAP Customer Service Contract, which did not contribute to profits during the year, was terminated on 31 December 2008.

A number of redundancies were made and slow moving product lines were discontinued. Costs associated with these changes amounted to £0.2m. As the new emergent Retail Business was much smaller than that acquired from Blackwall in 2005, it was decided to reduce the carrying value of the goodwill associated with it. Consequently, a provision of £1.0m was made during the year.

Including the costs associated with the strategic review and the write-down of goodwill, the Retail Business made operating losses of £1.7m during the year. The Retail Business overheads are now controlled and it is in a position to profitably benefit from sales to strategically important clients, not least those councils which the Board is confident will return to the Group as a consequence of WRAP's withdrawal from the home composting market. The potential for large losses has now been curtailed.

### *Central Overheads*

Central overheads increased from £1.1m to £1.3m in the year following the Group's relocation to new premises in January 2008. These overheads will fall in 2009 as the business will no longer be paying for unoccupied properties.

## Operating Cashflow

In spite of the disappointing performance in the Retail Business, the Group was able to increase cash generated from operations from £1.3m to £2.0m in the year. This was through careful control of working capital and a zero-tolerance policy to overdue debt. As a consequence the Group was able to invest £1.6m in capital expenditure, much of which was on tooling for new products. This record investment supported the increases noted above in gross margins and was underwritten by the high demand for food-waste containers which has continued into 2009. Cash balances at the end of 2008 were barely changed from the previous year at £1.6m.

# Finance Director's Review

## **Earnings**

Adjusted earnings per share, which exclude the non-recurring costs borne during the year were 4.6p (2007: 9.4p). Including the costs associated with the strategic reviews of both the Trade and Retail Businesses and the goodwill provision against the Retail Business, the basic loss per share was 8.9p (2007: 4.8p profit).

## **Management of Financial Risk**

The Group has maintained its policy of managing foreign exchange risk by purchasing currency forward when it is notified that a relevant contract bid has been successful.

A rigorously enforced credit control policy once again ensured that no significant bad debts occurred.

The strategic review carried out by the Group has removed large amounts of fixed cost from the business without affecting future sales. As consequence, the Group's breakeven point and operating gearing are now much lower than throughout most of 2008. The Retail Business has been reduced to less than 5% of budgeted Group turnover and its potential to incur large losses has now been arrested.

**James Mellor**  
Finance Director

26 March 2009

# Directors and Advisers

## Current Directors

### James Newman (aged 59)

*Non-Executive Chairman*

James is Chairman of Brulines Group plc and Infoserve Group plc and is a non-executive director of Bglobal plc, Dignity plc and Scott Wilson Group plc as well as a Governor of Sheffield Hallam University. He was formerly Deputy Chief Executive and Group Finance Director of Kelda Group plc and a number of other public companies. He has also been Chairman of Waste Recycling Group plc and a non-executive director of Richmond Foods plc before their respective takeovers in 2003 and 2006. James is a Chartered Accountant and Member of the Association of Corporate Treasurers.

### Jonathan Michael Straight (aged 44)

*Chief Executive*

Jonathan has been involved in the recycling container industry in the UK since the late 1980s. Since then he has pioneered the promotion of container systems for source separated waste, initially as a consultant to CG Paxton Limited, then part of the McKechnie Group plc.

In 1993, he formed Straight Recycling Systems which rapidly grew to be the UK's leading supplier of kerbside recycling boxes. From a one man operation, the Company has grown to having more than 30 employees.

Jonathan was awarded the prestigious national title of Quoted Entrepreneur of the Year in 2006 by Ernst & Young.

He is responsible for the strategic direction of the Company and retains a close involvement with its day-to-day sales and marketing activity. In addition, he is also involved with the development of new products and market opportunities.

### James David Mellor (aged 38)

*Finance Director and Company Secretary*

James joined the business in October 2003, shortly before its flotation on AIM and was appointed to the Board in April 2004.

After qualifying as a chartered accountant with KPMG in Birmingham in 1995, he joined the McKechnie Group plc and worked as Financial Controller at CG Paxton Limited, a major supplier to Straight Recycling Systems. He left Paxton to join the newly formed Straight plc after the sale of Paxton to the LINPAC Group.

James gained a BSc with Honours in Physics from the University of Birmingham in 1991.

### Mark Jeremy Halford (aged 43)

*Operations Director*

Mark has held a variety of senior management positions in the industrial plastics sector since 1990. He was General Manager and Sales and Marketing Director at T&D Plastech, where he developed the Cloudburst garden products business which was purchased by Straight in January 2006.

Prior to joining the Group, Mark was General Manager of Promens hf at Deeside, a major supplier to the Group. Mark joined the Group in July 2006 and was appointed to the Board in January 2007.

Mark was awarded a BA with Honours in German and English at the University of Liverpool in 1987 and completed an MBA at the Open University Business School in 2001.

### Colin Glass (aged 65)

*Non-Executive Director*

Colin is a senior partner in Winburn Glass Norfolk, the accountancy practice which he founded with two colleagues in 1974. He is a founder shareholder and non-executive director of GETECH Group plc, Surgical Innovations Group plc and a number of other companies. He assisted these companies, and Straight, to achieve a listing on AIM. He has also been involved in the launch of several technology start-up companies and in many cases he has been appointed as a director to the companies which he assists.

# Directors and Advisers



Left to right: Mark Halford, James Mellor, Jonathan Straight, James Newman, Colin Glass

## Secretary and Registered Office

James Mellor  
Straight plc  
No 1 Whitehall Riverside  
Leeds LS1 4BN

## Advisers

### *Solicitors*

Walker Morris  
Kings Court  
King Street  
Leeds LS1 2HL

### *Auditors*

Grant Thornton UK LLP  
No 1 Whitehall Riverside  
Leeds LS1 4BN

### *Nominated Adviser and Broker*

Panmure Gordon & Co  
Moorgate Hall  
155 Moorgate  
London EC2M 6XB

### *Registrars*

Capita Registrars  
34 Beckenham Road  
Beckenham BR3 4TU

### *Bankers*

Royal Bank of Scotland plc  
3rd Floor  
2 Whitehall Quay  
Leeds LS1 4HR

### *Public Relations*

Readleaf Communications Limited  
9-13 St Andrew Street  
London EC4A 3AF

# Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2008.

## Principal activities and business review

The Group's principal activities during 2008 comprised its:

- "Trade" business supplying container solutions for source separated waste to local authorities, waste management companies, community sector organisations and private sector businesses;
- "Retail" business supplying end users with a comprehensive range of environmentally friendly home and garden products, including compost bins and water butts, often through partnership with local councils and water companies.

A review of the Group's trading during the year is contained in the Chairman's Statement, Chief Executive's Review and Finance Director's Review on pages 2 to 7.

A review of the principle policies relating to the management of financial risk is included in the Finance Director's review on page 7.

## Results and dividends

The loss for the year after taxation amounted to £1,024,000 (2007: £556,000 profit). The Company proposed a dividend of 2.0p per share on 26 March 2009 which will be paid on 5 June 2009 to all shareholders on the register of members at 8 May 2009. This is in addition to the interim dividend of 1.0p per share paid on 12 December 2008.

## Directors

The Directors of the Company, together with their beneficial interests in the shares of the Company, are set out below.

	Number of Shares owned on 31 Dec 2008	Number of Shares owned on 1 Jan 2008 or date of appointment	
Jonathan Straight	4,525,500	4,525,500	Served throughout the year
James Mellor	7,053	7,053	Served throughout the year
James Newman	43,250	43,250	Served throughout the year
Colin Glass	72,500	62,500	Served throughout the year
Mark Halford	2,000	2,000	Served throughout the year

Roger Green resigned from the Board on 30 June 2008.

No director had an interest in any material contract of the Company except as detailed in note 20.

Details of directors' share options are given on page 15.

# Directors' Report

## Substantial shareholdings

In addition to the shareholdings listed above, the Company has been notified of the following holdings of more than 3% of the Company's issued share capital at 26 March 2009.

	Number of Ordinary Shares	Percentage of Issued Share Capital
Hansa Trust PLC	1,076,000	9.4%
Rathbone Unit Trust Management	500,000	4.4%
F&C Asset Management – The AIM VCT Trust plc	500,000	4.4%
BWD Rensburg Investment Management	475,000	4.1%
Calculus Capital Limited	441,250	3.8%
UBS Laing & Cruickshank	360,000	3.1%

## Corporate governance

As an AIM listed group, Straight plc is not required to comply with the Combined Code 2006. However, the Group applies those principles of good governance it believes appropriate to a group of this size.

## Board committees

### *The Board of Directors*

The directors support the idea of an effective Board. The Board is responsible for approving Group policy and strategy. It meets monthly and has an agenda of matters specifically reserved to it for decision. Management supplies the Board with appropriate and timely information and the directors are entitled to seek any further information they consider necessary.

The Board consists of three executive directors, who hold the key operational positions in the Group, and two non-executive directors, who are independent of management. This provides a balance whereby the Board's decision making is not dominated by any individual.

### *Audit and Remuneration Committees*

The Audit and Remuneration Committees, chaired by Colin Glass and James Newman respectively, are an important part of the Group's implementation of the principles of good corporate governance. The Audit Committee comprises the non-executive directors. The executive directors are not members of the Audit Committee but may be requested to attend its meetings. The Audit Committee meets at least twice each year. The external auditors attend the meetings and have direct access to the non-executive directors for independent discussions without the presence of the executive directors.

The Audit Committee may examine any matters relating to the financial affairs and risk issues affecting the Group. This includes reviews of the annual accounts and announcements, internal control procedures, accounting policies, compliance with accounting standards, the appointment of external auditors and other such functions as the Board may require.

The Remuneration Committee determines the annual remuneration and incentive awards of the executive directors and the framework for the remuneration of other senior management.

## Going concern

The directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future based upon its current forecast and committed bank facilities. For this reason they continue to adopt the going concern basis in preparing the financial statements.

# Directors' Report

## **Internal control**

The Board is responsible for maintaining an adequate system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The Group's system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material loss or mis-statement.

The Board considers that the size of the Group does not justify an internal audit function, but continues to keep the need for an internal audit function under review.

## **Relations with shareholders**

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. It plans to continue to hold regular meetings with major shareholders to keep them informed of its objectives and strategy. In addition, investor information is available on the Group's website, [www.straight.co.uk](http://www.straight.co.uk).

## **Share options and employee share ownership**

Employee involvement in the overall performance of the Group has been encouraged by employee share option schemes. An Inland Revenue approved scheme "approved options" and an unapproved scheme "unapproved options" were established during the process of floating the Company. Under each of the schemes, directors and employees of the Group may be offered options to acquire ordinary shares.

During the year 18,946 approved options and 56,054 unapproved options were granted to employees including 10,000 approved options to employees who were not directors. At 31 December 2008, the total of approved options held by non-directors was 224,533. Details of approved options issued to directors are detailed in the Report on Remuneration.

## **Employees**

Straight continues to value clear communication with employees. The business has established two second tier management groups, which oversee the activities within the bulk container solutions "Trade" business and the direct to end users "Retail" business, which meet monthly and are chaired by Mark Halford and Jonathan Straight respectively. In addition the executive directors meet monthly. These forums are responsible for day to day decision making and for cascading information and policy down to all staff. In addition, the Group operates a number of sub-committees which are responsible for areas such as quality, health and safety, resource planning, new product development and market segment development.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of an employee becoming disabled, every effort will be made to retrain them in order that their employment with the Group may continue.

## **Supplier payment policy**

The Group's policy is to comply with the terms of payment agreed with suppliers when terms of business are established. At 31 December 2008, the Company's trade creditors represented 77 days' purchases (2007: 61 days).

## **Post balance sheet events**

Details of these are included in note 22 to the Financial Statements.

# Directors' Report

## Directors' responsibilities for the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing these 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 International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Group financial statements;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditors

Grant Thornton LLP has been the Group's auditor for the last six years. Following a review of the Group's external audit provision, the directors propose to appoint Ernst & Young LLP as auditor and a resolution to this effect will be proposed at the Annual General Meeting.

On behalf of the Board

**James Mellor**  
Finance Director

26 March 2009

# Report on Remuneration

## Composition and function of the Remuneration Committee

The Remuneration Committee comprises the non-executive directors, James Newman and Colin Glass. It determines all aspects of the executive directors' remuneration.

The remuneration of non-executive directors is determined by the Board, following recommendations by the executive directors.

## Policy on executive directors' remuneration

Executive remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to maintain the Group's position as a growing and ambitious business and to reward them for enhancing shareholder value and return. The performance measurement and the determination of their annual remuneration is undertaken by the Remuneration Committee.

There are three main elements in the executive directors' remuneration package:

- basic annual salary to reflect executive responsibility for the daily operations of the Group;
- annual bonus payments to reflect annual performance against targets;
- share option incentives to ensure share performance is sustainable over a period of time.

Each executive director's basic salary is reviewed annually by the Committee. In deciding appropriate levels of remuneration, the Committee considers the pay rates for similar roles in comparable businesses. Executive directors' remuneration was last reviewed in January 2009. It is intended that the above policy will continue to apply in future years.

The Committee establishes the objectives which must be met for a cash bonus to be paid. The consequent cash bonus which can be earned by each director is 40% of their basic annual salary, paid in addition to basic salary. The Committee sets objectives which are allied to the interests of shareholders. These are currently based on internal budgets (a maximum of 30% of basic annual salary is payable) and individual performance measures set by the Committee (a maximum of 10% of basic annual salary is payable). Additionally, the directors share in a bonus pool available to all staff if the Group's profits exceed the maximum target level.

## Pension arrangements

The Group has continued to operate its defined contribution pension scheme into which it matches contributions made by employees up to a maximum of between 5% and 10% of basic salary. The scheme is open to all permanent employees and executive directors. Employees who are members of the scheme are entitled to life insurance cover of a minimum of 3 times annual basic salary. In addition to this life insurance cover, all permanent employees, including those who are not members of the pension scheme, are entitled to an additional lower level flat rate of life insurance cover.

## Share options

The Board believes that share ownership strengthens the links between employees, directors and shareholders.

The Remuneration Committee is responsible for supervising the Company's Inland Revenue approved share option scheme and its unapproved executive share option scheme. Details of the share options granted to directors to date are set out overleaf.

# Report on Remuneration

## Directors share options

	Option price/ date of grant	Earliest exercise date	Latest exercise date	Options held at 1 January 2008	Options granted during the year	Options held at 31 Dec 2008
<b>Approved scheme</b>						
Mark Halford	265p/26.9.06	26.9.09	26.9.16	30,000	–	30,000
	222p/3.5.07	3.5.10	3.5.17	9,234	–	9,234
James Mellor	124.5p/5.5.04	5.5.07	5.5.14	24,496	–	24,496
	190p/18.4.05	18.4.08	18.4.15	21,599	–	21,599
	222p/3.5.07	3.5.10	3.5.17	9,009	–	9,009
	94p/19.5.08	19.5.11	19.5.17	–	8,946	8,946
<b>Unapproved scheme</b>						
Mark Halford	222p/3.5.07	3.5.10	3.5.17	8,766	–	8,766
	123.5p/6.11.07	6.11.10	6.11.17	20,000	–	20,000
	94p/19.5.08	19.5.11	19.5.17	–	25,000	25,000
James Mellor	190p/18.4.05	18.4.08	18.4.15	3,401	–	3,401
	226.5p/6.4.06	6.4.09	6.4.16	10,000	–	10,000
	222p/3.5.07	3.5.10	3.5.17	8,991	–	8,991
	94p/19.5.08	19.5.11	19.5.17	–	6,054	6,054
Jonathan Straight	80p	7.11.06	7.11.13	125,000	–	125,000
	190p/18.4.05	18.4.08	18.4.15	25,000	–	25,000
	226.5p/6.4.06	6.4.09	6.4.16	10,000	–	10,000
	222p/3.5.07	3.5.10	3.5.17	40,000	–	40,000
	94p/19.5.08	19.5.11	19.5.17	–	15,000	15,000
James Newman	80p	7.11.06	7.11.13	31,250	–	31,250
	190p/18.4.05	18.4.08	18.4.15	10,000	–	10,000
	226.5p/6.4.06	6.4.09	6.4.16	5,000	–	5,000
	222p/3.5.07	3.5.10	3.5.17	7,000	–	7,000
	94p/19.5.08	19.5.11	19.5.17	–	5,000	5,000
Colin Glass	80p	7.11.06	7.11.13	31,250	–	31,250
	190p/18.4.05	18.4.08	18.4.15	10,000	–	10,000
	226.5p/6.4.06	6.4.09	6.4.16	5,000	–	5,000
	222p/3.5.07	3.5.10	3.5.17	5,000	–	5,000
	94p/19.5.08	19.5.11	19.5.17	–	5,000	5,000

None of the directors paid for the award of options. There are no performance conditions relating to the vesting of either the approved or unapproved options. No options were exercised during the year.

All options issued at 80p were issued on 6 November 2003 at the flotation price on that date. All other options were issued at the mid-market price on the date shown.

The market price of ordinary shares on 26 March 2009 was 42.50p.

## Service contracts

Jonathan Straight has a service contract, which is terminable by the Company at 12 months' notice. James Mellor and Mark Halford both have service contracts which are terminable by the Company at six months' notice. No compensation is payable to any director on leaving office.

Neither of the non-executive directors have service contracts.

# Report on Remuneration

## Details of directors' remuneration subject to audit

The emoluments of the executive and the non-executive directors for the year were as set out below.

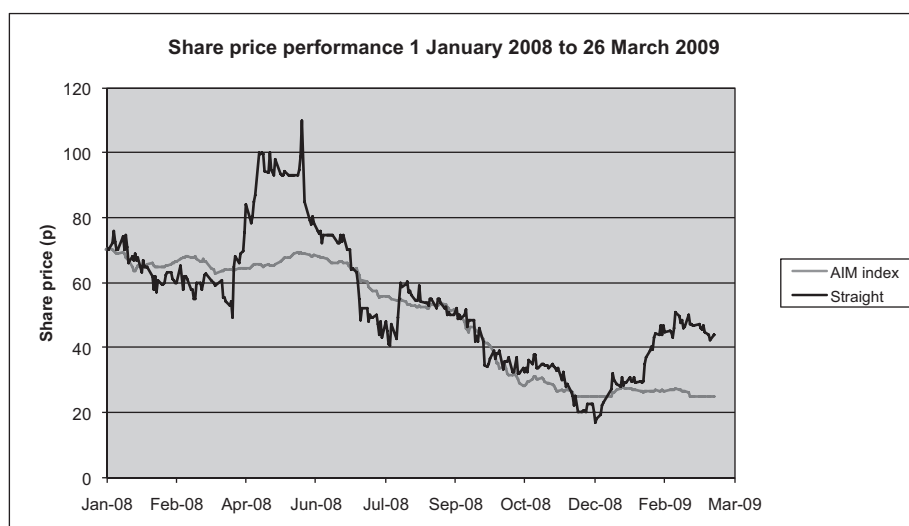
	Emoluments £	Pension £	<b>Total 2008 £</b>	Total 2007 £
<b>Executive</b>				
Jonathan Straight	187,013	–	<b>187,013</b>	195,295
James Mellor	84,542	–	<b>84,542</b>	83,800
Mark Halford	82,364	5,119	<b>87,483</b>	78,750
<b>Non-executive</b>				
James Newman*	37,000	–	<b>37,000</b>	36,000
Roger Green	11,000	–	<b>11,000</b>	22,000
Colin Glass*	22,000	–	<b>22,000</b>	22,000
	<u>423,919</u>	<u>5,119</u>	<u><b>429,038</b></u>	<u>437,845</u>

Fees paid to James Newman were paid to West Wood on Derwent Limited. Fees paid to Colin Glass were paid to Winburn Glass Norfolk, Chartered Accountants.

Roger Green resigned from the board on 30 June 2008.

## Share Price Performance Graph

A share price performance graph is shown below. The AIM price index has been chosen as the Company's shares are traded on AIM.



On behalf of the Board

**James Newman**

Chairman of the Remuneration Committee

26 March 2009

# Report of the Independent Auditor to the Members of Straight plc

We have audited the Group Financial Statements of Straight plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 24. These Group Financial Statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company Financial Statements of Straight plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group Financial Statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group Financial Statements give a true and fair view and whether the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Finance Director's Review, the Directors and Advisers, the Directors' Report and the Report on Remuneration. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group Financial Statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group Financial Statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group Financial Statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group Financial Statements.

## Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

## Grant Thornton UK LLP

Registered Auditors  
Chartered Accountants  
Leeds

26 March 2009

- The maintenance and integrity of the Straight plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

# Consolidated Income Statement

For the year ended 31 December 2008

	Note	Headline 2008 £'000	Non- recurring costs 2008 £'000	Total 2008 £'000	Headline 2007 £'000	Non- recurring costs 2007 £'000	Total 2007 £,000
<b>Revenue</b>	3	<b>25,437</b>	–	<b>25,437</b>	23,592	–	23,592
Cost of sales		<b>(21,075)</b>	–	<b>(21,075)</b>	(18,694)	–	(18,694)
<b>Gross profit</b>		<b>4,362</b>	–	<b>4,362</b>	4,898	–	4,898
Operating costs	5	<b>(3,949)</b>	<b>(1,422)</b>	<b>(5,371)</b>	(3,900)	(476)	(4,376)
<b>Operating (loss)/profit</b>	3	<b>413</b>	<b>(1,422)</b>	<b>(1,009)</b>	998	(476)	522
Investment income	7			<b>37</b>			67
<b>(Loss)/profit before taxation</b>	4			<b>(972)</b>			589
Income tax expense	8			<b>(52)</b>			(33)
<b>(Loss)/profit for the year attributable to the equity holders of the Company</b>				<b>(1,024)</b>			556
<b>Earnings per share (continuing and total) for profit attributable to the equity holders of the Company during the year</b>							
Adjusted	9			<b>4.6p</b>			9.4p
Diluted adjusted	9			<b>4.6p</b>			9.3p
Basic	9			<b>(8.9p)</b>			4.8p
Diluted basic	9			<b>(8.9p)</b>			4.8p

All operations are continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

# Consolidated Balance Sheet

At 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	10	2,776	1,513
Intangible assets	11	4,741	5,932
Investments	12	35	35
		<u>7,552</u>	<u>7,480</u>
<b>Current assets</b>			
Inventories	13	1,533	1,686
Trade and other receivables	14	3,675	3,553
Cash and cash equivalents		1,580	1,604
		<u>6,788</u>	<u>6,843</u>
<b>Total assets</b>		<u>14,340</u>	<u>14,323</u>
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Deferred taxation	16	(120)	(45)
<b>Current liabilities</b>			
Trade and other payables	15	(5,302)	(3,941)
Income tax payable		–	(125)
		<u>(5,302)</u>	<u>(4,066)</u>
<b>Total liabilities</b>		<u>(5,422)</u>	<u>(4,111)</u>
<b>Net assets</b>		<u>8,918</u>	<u>10,212</u>
<b>Equity attributable to equity holders of parent</b>			
Issued share capital	17	115	115
Share premium		5,970	5,970
Merger reserve		744	744
Share option reserve		234	159
Profit and loss account		1,855	3,224
<b>Total equity</b>		<u>8,918</u>	<u>10,212</u>

These financial statements were approved by the Board of Directors on 26 March 2009 and were signed on its behalf by

**Jonathan Straight**

**James Mellor**

The accompanying accounting policies and notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Share Option Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 January 2007	115	5,953	744	87	3,121	10,020
Profit and total income and expenses for the period	–	–	–	–	556	556
Issue of shares	–	17	–	–	–	17
Arising on grant of share options	–	–	–	72	–	72
Dividends	–	–	–	–	(453)	(453)
At 1 January 2008	115	5,970	744	159	3,224	10,212
Loss and total income and expenses for the period	–	–	–	–	(1,024)	(1,024)
Arising on grant of share options	–	–	–	75	–	75
Dividends	–	–	–	–	(345)	(345)
<b>At 31 December 2008</b>	<b>115</b>	<b>5,970</b>	<b>744</b>	<b>234</b>	<b>1,855</b>	<b>8,918</b>

# Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 £'000	2007 £'000
<b>Cash flows from operating activities</b>		
(Loss)/profit after taxation:	(1,024)	556
Adjustment for:		
Depreciation	350	306
Profit on sale of property, plant and equipment	(7)	(3)
Goodwill impairment	1,040	17
Other intangibles amortisation	167	72
Investment income	(37)	(67)
Taxation expense recognised in income statement	52	33
Share option costs recognised in income statement	75	72
Decrease/(increase) in inventories	153	(505)
(Increase)/decrease in trade and other receivables	(99)	1,504
Increase/(decrease) in trade payables	1,361	(665)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	2,031	1,320
Income tax paid	(125)	(507)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	1,906	813
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of investments	-	(35)
Purchase of intangibles	(16)	(302)
Purchase of property, plant and equipment	(1,613)	(639)
Proceeds from sale of equipment	7	10
Interest received	37	67
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(1,585)	(899)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	17
Dividends paid	(345)	(453)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	(345)	(436)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	(24)	(522)
	<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of period</b>	1,604	2,126
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	1,580	1,604
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Consolidated Financial Statements

## 1. General information

Straight plc “the Group” supplies container solutions for source separated waste, mostly within the UK. The Company is registered in England under company registration number 2923140 and its registered office is No 1 Whitehall Riverside, Leeds, LS1 4BN. As a consequence of its AIM listing, the Group has prepared these statutory financial statements which comply with International Financial Reporting Standards as adopted by the European Union “EU”.

## 2. Principal accounting policies

### *Basis of preparation*

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU.

The financial statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below.

### *Judgements by management*

The carrying value of goodwill arising on the acquisition of Blackwall Limited of £4,472,000 assumes that the business acquired will continue to trade in line with the model agreed by the Board following its strategic review carried out in September 2008. During the year this carrying value was reduced by £1,026,000 following a review of the Group’s direct to consumer “Retail” business. Details supporting this reduced relevant carrying value and the associated charge in the Income Statement are outlined in note 11.

The Board believes that the depreciation rates applied during the year accurately reflect the useful lives of the assets being depreciated.

### *Business combinations*

These financial statements consolidate the accounts of the Company and its subsidiaries for the year to 31 December 2008.

The acquisition of subsidiaries (entities over which the Group has the power to govern the financial and operating policies) is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and originally measured at cost, being the excess of the cost of the business combination over the Group’s interest in the fair net value of the identifiable assets, liabilities and contingent liabilities recognised.

Provided fair value can be measured reliably, intangible assets acquired in a business combination are recognised separately from goodwill at fair value at the date of acquisition. Intangible assets are amortised on a straight line basis over their estimated useful lives.

### *Goodwill*

Goodwill representing the excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the income statement.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

# Notes to the Consolidated Financial Statements

## 2. Principal accounting policies (continued)

### *Revenue*

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied, excluding VAT and trade discounts. Revenue is recognised upon the transfer of risk to the customer of the goods supplied.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### *Dividends*

Dividends are recognised when the shareholders right to receive payment is established.

### *Trademarks and computer software*

Trademarks are included at cost. Cost less estimated residual amount is amortised on a straight line basis over trademarks' expected useful economic lives and is included within operating costs.

Investments in computer software are amortised over 3 to 5 years on a straight line basis.

### *Property, plant and equipment*

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction.

### *Depreciation*

Depreciation is calculated to write down the cost less estimated residual value of property, plant and equipment by equal annual instalments. The periods generally applicable are:

Plant and machinery	5 to 10 years;
Fixtures fittings and office equipment	3 to 5 years;
Motor vehicles	3 years.

Material residual value estimates and useful lives are updated as required, but at least annually.

### *Non-recurring costs*

Non-recurring costs are defined as costs which have been incurred on a one-off basis in order to execute a specific strategic objective or step-change within the business and which do not relate to normal trading transactions.

### *Impairment testing of goodwill, other intangible assets and property, plant and equipment*

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying value of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market

# Notes to the Consolidated Financial Statements

## 2. Principal accounting policies (continued)

### *Impairment testing of goodwill, other intangible assets and property, plant and equipment (continued)*

conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro-rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently re-assessed for indications that an impairment loss previously recognised may no longer exist.

### *Inventories*

Inventories are valued at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. Inventories are valued on latest cost basis after making an appropriate allowance for slow moving or obsolete items. There is no material difference between this basis and a first in first out basis of valuation.

### *Taxation*

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits.

### *Equity*

Equity is broken down into the elements listed below.

- “Share capital” represents the nominal value of equity shares.
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Merger reserve” represents the excess over nominal value of the fair value consideration attributed to equity shares issued in part settlement for subsidiary company shares acquired.
- “Share option reserve” represents equity-settled share-based employee remuneration until such share options are exercised.
- “Profit and loss reserve” represents retained profits.

### *Leasing commitments*

The Group has no finance leases. All other leases are regarded as operating leases. Payments made under them are charged to the income statement on a straight line basis over the lease term.

# Notes to the Consolidated Financial Statements

## 2. Principal accounting policies (continued)

### *Pensions*

The Group operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

### *Foreign exchange*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

### *Financial instruments*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of a group or company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited direct to equity.

### *Financial assets*

Financial assets are divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

# Notes to the Consolidated Financial Statements

## 2. Principal accounting policies (continued)

### *Financial assets (continued)*

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

### *Financial liabilities*

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

### *Share-based payments*

All share-based payment arrangements granted after 7 November 2002 that had not vested by 1 January 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to share option reserves.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

### *Standards not yet effective*

The following Standards and Interpretations which are not yet mandatory, have not been applied in these financial statements.

IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)

IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)

# Notes to the Consolidated Financial Statements

## 2. Principal accounting policies (continued)

*Standards not yet effective (continued)*

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)

Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)

IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)

IFRS 8 Operating Segments (effective 1 January 2009)

IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)

It is anticipated that the adoption of these standards will not have a significant impact on the financial statements of the Group except for additional disclosure and presentation requirements.

## 3. Segmental reporting

The operating results are attributable to the principal activities as set out on page 10.

	Trade 2008 £'000	Retail 2008 £'000	Central overhead 2008 £'000	Total 2008 £'000	Trade 2007 £'000	Retail 2007 £'000	Central overhead 2007 £'000	Total 2007 £'000
<b>Revenue</b>	<b>23,158</b>	<b>2,279</b>	<b>–</b>	<b>25,437</b>	19,304	4,288	–	23,592
Cost of sales	(18,897)	(2,178)	–	(21,075)	(15,702)	(2,992)	–	(18,694)
<b>Gross profit</b>	<b>4,261</b>	<b>101</b>	<b>–</b>	<b>4,362</b>	3,602	1,296	–	4,898
Operating costs excluding non-recurring costs	(2,072)	(609)	(1,268)	(3,949)	(1,874)	(963)	(1,063)	(3,900)
<b>Operating profit excluding non-recurring costs</b>	<b>2,189</b>	<b>(508)</b>	<b>(1,268)</b>	<b>413</b>	1,728	333	(1,063)	998
Strategic review of the business	(246)	(150)	–	(396)	–	–	–	–
Goodwill impairment	–	(1,026)	–	(1,026)	–	–	–	–
Costs associated with changes to Retail distribution model	–	–	–	–	–	(476)	–	(476)
Non-recurring operating costs	(246)	(1,176)	–	(1,422)	–	(476)	–	(476)
Total operating costs	(2,318)	(1,785)	(1,268)	(5,371)	(1,874)	(1,439)	(1,063)	(4,376)
<b>Operating (loss)/profit</b>	<b>1,943</b>	<b>(1,684)</b>	<b>(1,268)</b>	<b>(1,009)</b>	1,728	(143)	(1,063)	522

It is not possible to split central overheads (which includes the amortisation of purchased goodwill and trademarks) between the operating segments of the business as the resources to which they relate are common to both segments.

Depreciation of £280,000 (2007: £245,000) and amortisation of computer software of £133,000 (2007: £58,000) has been included within the operating costs of the Trade Business. Depreciation of £70,000 (2007: £61,000) and amortisation of computer software of £33,000 (2007: £14,000) has been included within the operating costs of the Retail Business.

All assets other than trade receivables are used in both segments of the business. The amount carried in trade receivables which relates to the Retail Business is £8,000 (2007: £134,000).

# Notes to the Consolidated Financial Statements

## 4. Loss before tax

Loss before tax is stated after the costs below.

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Depreciation	<b>350</b>	306
Goodwill impairment	<b>1,040</b>	17
Other intangibles non-current assets amortisation	<b>167</b>	72
Operating lease rentals – land and buildings	<b>172</b>	97
Auditors' remuneration – audit services	<b>26</b>	24
Auditors' remuneration – review of interim financial statements	<b>3</b>	6
Share-based payments	<b>75</b>	72

## 5. Operating costs

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Distribution costs	<b>1,842</b>	2,143
Administrative expenses	<b>2,107</b>	1,757
<b>Operating costs excluding non-recurring costs</b>	<b>3,949</b>	3,900
Non-recurring costs (see note 3)	<b>1,422</b>	476
<b>Operating costs</b>	<b>5,371</b>	4,376

## 6. Employees

Staff costs during the year were as follows

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Wages and salaries	<b>1,677</b>	1,637
Social security costs	<b>168</b>	176
Pension costs	<b>21</b>	21
	<b>1,866</b>	1,834

The average number of employees in the Group including executive directors during the year was 48 (2007: 70).

# Notes to the Consolidated Financial Statements

## 6. Employees (continued)

The emoluments of the executive and the non-executive directors are set out in the Report on Remuneration. Details of share options held, granted and exercised during the year for employees (including directors) are shown below.

Option price/determined by	Earliest exercise date	Latest exercise date	Options held at 1 January 2008	Options granted during that year	Options forfeited during the year	Options held at 31 December 2008
<b>Approved scheme</b>						
124.5p/5.5.04	5.5.07	5.5.14	36,283	–	(3,948)	32,335
190p/18.4.05	18.4.08	18.4.15	173,599	–	(73,000)	100,599
226.5p/6.4.06	6.4.09	6.4.16	24,283	–	(17,783)	6,500
265p/26.9.06	26.9.09	26.9.16	30,000	–	–	30,000
220p/3.5.07	3.5.10	3.5.13	185,243	–	(62,000)	123,243
123.5p/6.11.07	6.11.10	6.11.13	16,194	–	–	16,194
94p/19.5.08	19.5.11	19.5.18	–	18,946	–	18,946
<b>Unapproved scheme</b>						
80p/6.11.03	7.11.06	7.11.13	187,500	–	–	187,500
190p/18.4.05	18.4.08	18.4.15	75,401	–	(10,000)	65,401
226.5p/6.4.06	6.4.09	6.4.16	46,717	–	(15,717)	31,000
220p/3.5.07	3.5.10	3.5.13	74,757	–	(5,000)	69,757
123.5p/6.11.07	6.11.10	6.11.13	20,000	–	–	20,000
94p/19.5.08	19.5.11	19.5.18	–	56,054	–	56,054

All options issued at 80p were issued on 6 November 2003 at the flotation price on that date. All other options were issued at the mid-market price on the date shown.

The amounts charged to profit using the Black-Scholes model in respect of options issued in 2008 were based upon an assumed share price volatility of 35% (2007: 36%) based on the average Straight plc share price over the three years to 31 December 2008 and risk free interest rates of 5.00% (2007: 5.25% – 5.75%).

The movement in the weighted average price of outstanding share options during the year is set out below.

	Exercise Price (p)
At 1 January 2008	175.3
Options granted during the year	(6.5)
Options forfeited during the year	(8.5)
<b>At 31 December 2008</b>	<b>160.3</b>

# Notes to the Consolidated Financial Statements

## 7. Investment income

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Interest on bank deposits	37	67

## 8. Taxation

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Corporation tax at an average rate of 23.7% (2007: 25%)	<b>(21)</b>	125
Over provision in prior years	<b>(2)</b>	(102)
Current tax	<b>(23)</b>	23
Deferred tax	<b>75</b>	10
<b>Income tax expense</b>	<b>52</b>	33
<i>Analysis of total tax charge</i>		
(Loss)/profit before tax	<b>(972)</b>	589
(Loss)/profit multiplied by average standard rate in the year of		
Corporation tax in the UK (28.5%) (2007: 30%)	<b>(277)</b>	177
Expenses not deductible for tax purposes	<b>295</b>	2
Losses carried back to earlier periods	<b>(18)</b>	–
Marginal relief	–	(27)
Deferred tax impact of reduction in Company's share price	<b>60</b>	–
Other	<b>(6)</b>	(17)
Over provision in respect of prior periods	<b>(2)</b>	(102)
	<b>52</b>	33

# Notes to the Consolidated Financial Statements

## 9. Earnings per share

### *Basic earnings per share*

Basic earnings per share are calculated on the basis of profit for the financial year after tax divided by the weighted average number of shares in issue for the year.

Diluted earnings per share are calculated on the basis of profit for the year after tax divided by the weighted average number of shares in issue in the year plus the weighted average number of shares which would be issued if all the options granted were exercised.

All options were anti-dilutive at 31 December 2008.

	Earnings £'000	2008 Weighted average number of shares	Per share pence	Earnings £'000	2007 Weighted average number of shares	Per share pence
<b>Basic earnings attributable to ordinary shareholders</b>	<b>(1,024)</b>	<b>11,499,294</b>	<b>(8.9)</b>	556	11,493,382	4.8
Dilutive effect of share options	-	-	-	-	130,655	-
<b>Diluted earnings per share</b>	<b>(1,024)</b>	<b>11,499,294</b>	<b>(8.9)</b>	556	11,624,037	4.8

### *Adjusted earnings per share*

Adjusted earnings per share is calculated on the basis of adjusted profit for the year after tax (see below), defined as profits attributable to the equity holders of the Company excluding non-recurring costs, share scheme charges and the deferred tax movements associated with these charges, divided by the weighted average number of shares in issue in the year. The comparative is calculated by reference to the weighted average number of shares in issue in 2007.

	Earnings £'000	2008 Weighted average number of shares	Per share pence	Earnings £'000	2007 Weighted average number of shares	Per share pence
<b>Adjusted earnings attributable to ordinary shareholders</b>	<b>533</b>	<b>11,499,294</b>	<b>4.6</b>	1,082	11,493,382	9.4
Dilutive effect of share options	-	-	-	-	130,655	(0.1)
<b>Diluted earnings per share</b>	<b>533</b>	<b>11,499,294</b>	<b>4.6</b>	1,082	11,624,037	9.3

	2008 £'000	2007 £'000
<b>(Loss)/profit for the year attributable to the equity holders of the Company</b>	<b>(1,024)</b>	556
Non-recurring costs	<b>1,422</b>	476
Share scheme charges	<b>75</b>	75
Deferred tax movement	<b>60</b>	(25)
<b>Adjusted earnings attributable to ordinary shareholders</b>	<b>533</b>	1,082

# Notes to the Consolidated Financial Statements

## 10. Property, plant and equipment

	Plant and machinery £'000	Fixtures fittings and office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2007	1,881	441	84	2,406
Additions	611	28	–	639
Disposals	–	–	(33)	(33)
At 31 December 2007	2,492	469	51	3,012
Additions	1,395	174	44	1,613
Disposals	–	–	(24)	(24)
<b>At 31 December 2008</b>	<b>3,887</b>	<b>643</b>	<b>71</b>	<b>4,601</b>
<b>Depreciation</b>				
At 1 January 2007	865	306	55	1,226
Charge for year	212	69	25	306
Disposals	–	–	(33)	(33)
At 31 December 2007	1,077	375	47	1,499
Charge for year	272	60	18	350
Disposals	–	–	(24)	(24)
<b>At 31 December 2008</b>	<b>1,349</b>	<b>435</b>	<b>41</b>	<b>1,825</b>
<b>Net book amount</b>				
<b>At 31 December 2008</b>	<b>2,538</b>	<b>208</b>	<b>30</b>	<b>2,776</b>
<b>At 31 December 2007</b>	<b>1,415</b>	<b>94</b>	<b>4</b>	<b>1,513</b>
<b>At 31 December 2006</b>	<b>1,016</b>	<b>135</b>	<b>29</b>	<b>1,180</b>

# Notes to the Consolidated Financial Statements

## 11. Intangible assets

	Goodwill arising on consolidation £'000	Purchased goodwill £'000	Trademarks £'000	Computer software £'000	Total £'000
<b>Cost</b>					
At 1 January 2007	5,787	77	8	225	6,097
Additions	–	–	–	302	302
At 31 December 2007	5,787	77	8	527	6,399
Additions	–	–	1	15	16
<b>At 31 December 2008</b>	<b>5,787</b>	<b>77</b>	<b>9</b>	<b>542</b>	<b>6,415</b>
<b>Amortisation/impairment</b>					
At 1 January 2007	289	15	2	72	378
Charge for the year	–	16	1	72	89
At 31 December 2007	289	31	3	144	467
Charge for the year	1,026	14	1	166	1,207
<b>At 31 December 2008</b>	<b>1,315</b>	<b>45</b>	<b>4</b>	<b>310</b>	<b>1,674</b>
<b>Net book amount</b>					
<b>At 31 December 2008</b>	<b>4,472</b>	<b>32</b>	<b>5</b>	<b>232</b>	<b>4,741</b>
<b>At 31 December 2007</b>	<b>5,498</b>	<b>46</b>	<b>5</b>	<b>383</b>	<b>5,932</b>
<b>At 31 December 2006</b>	<b>5,498</b>	<b>62</b>	<b>6</b>	<b>153</b>	<b>5,719</b>

### *Goodwill Arising on Consolidation*

The goodwill arising on consolidation relates to the acquisition of Blackwall Limited in January 2005. Blackwall consisted at that time of 2 cash generating business units, an Environmental Container Solutions "Trade" business and a Direct to Consumer Environmental Products "Retail" business.

The goodwill of £5,498,000 arising on consolidation and following the acquisition was apportioned to Blackwall's trade and retail businesses according to their relative levels of cash contribution in the year leading up to the acquisition.

Following the acquisition, Blackwall's trade business, including its operating systems and staff, was integrated into Straight's trade business. Straight's retail business, including its operating systems and staff, was integrated into Blackwall's retail business.

During 2008, the Group's retail business continued to incur mounting losses and during September 2008 a full review of this business including the profitability of its various income segments and distribution channels was completed. This review concluded that certain revenue streams were losing money and that the business would be better off without them. It was decided that other revenue streams could be made profitable if certain costs which materially impacted margins could be significantly reduced. Whilst in the immediate future, the marginal impact on earnings of retaining these latter revenue streams was modest, it was decided that they offered real strategic long term value and differentiated the business from its competitors.

The goodwill which had originally been attributed to the Retail business was £2,026,000. An impairment review was carried out in the Retail business and a lower recoverable amount determined based on value in use calculations.

The key assumptions used were:

- that sales would be reduced in line with the focus solely on strategically important customers;
- a discount rate of 9%; and
- much reduced delivery costs in line with the model adopted after the strategic review.

On this basis it was decided that the carrying value of this goodwill should be reduced by £1,026,000 to £1,000,000.

# Notes to the Consolidated Financial Statements

## 11. Intangible assets (continued)

### *Trade Business goodwill*

The goodwill which had been originally attributed to the trade business was £3,472,000. The trade business made operating profits excluding non-recurring costs of £2,189,000 in 2008 and the Board anticipates steady growth in this business for the foreseeable future. As the trade business acquired from Blackwall was roughly equal in size to Straight's own trade business, the Board considers that approximately half of the £2,189,000 above relates to Blackwall's trade business. On this basis the Board considers that the goodwill attributed to Blackwall's trade business remains unimpaired.

Management's key assumptions for this business include stable profit margins which have been based on past experience in its markets. These are the best available input for forecasting future markets. Apart from the considerations described above, management is unaware of any probable changes that would necessitate changes in these key estimates.

### *Purchased goodwill*

The purchased goodwill relates to the acquisition of the trade and assets of the Cloudburst product range and business in January 2006. The recoverable amounts for this cash generating unit was based on value-in-use calculations at a discount rate of 9% covering the Group's budget for 2009.

## 12. Investments

	£'000
At 1 January 2008	35
Additions	—
	<hr/>
<b>At 31 December 2008</b>	<b>35</b>
	<hr/> <hr/>

On 27 February 2007 the Group acquired 30% of the share capital of Tapmagic Limited. This investment has been stated at cost and has been accounted for as a trade investment as the difference between accounting for the investment as an associate and accounting for the investment as a trade investment is not considered material.

## 13. Inventories

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Merchandise	<b>1,587</b>	1,708
Write down on merchandise	<b>(54)</b>	(22)
	<hr/>	<hr/>
	<b>1,533</b>	1,686
	<hr/> <hr/>	<hr/> <hr/>

No reversal of previous write downs was recognised as a reduction of expense in 2007 or 2008. In 2008 £18,093,000 (2007: £15,197,000) was included in the income statement as an expense. None of the inventories are pledged as securities for liabilities.

The Group's inventories are comprised of products which are not generally subject to rapid obsolescence on account of technological changes, deterioration in condition or market trends. Consequently management considers that there is little risk of significant adjustments to the Group's inventory assets within the next financial year.

# Notes to the Consolidated Financial Statements

## 14. Trade and other receivables

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade receivables	<b>3,344</b>	3,090
Prepayments and accrued income	<b>308</b>	463
Corporation tax recoverable	<b>23</b>	–
	<b>3,675</b>	3,553

All amounts are short term. The carrying value of trade receivables is considered a reasonable approximation to fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £5,000 (2007: £39,000) was recorded accordingly.

In addition some of the unimpaired trade receivables were past due at the reporting date. The age of financial assets not impaired is as shown below.

	<b>Debts not due 2008 £'000</b>	<b>Debts past due 2008 £'000</b>	<b>Total 2008 £'000</b>	Debts not due 2007 £'000	Debts past due 2007 £'000	Total 2007 £'000
Not more than 3 months	<b>3,099</b>	<b>124</b>	<b>3,223</b>	1,570	949	2,519
More than 3 months but not more than 6 months	<b>20</b>	<b>58</b>	<b>78</b>	17	486	503
More than 6 months but not more than 1 year	–	<b>19</b>	<b>19</b>	44	–	44
More than 1 year	<b>19</b>	<b>5</b>	<b>24</b>	24	–	24
	<b>3,138</b>	<b>206</b>	<b>3,344</b>	1,655	1,435	3,090

## 15. Financial instruments

The Group is exposed to market risk through its use of financial instruments. The Group's risk management is co-ordinated by the directors who focus actively on securing the Group's short to medium term cash flows through regular review of all the operating activities of the business. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

### *Foreign currency sensitivity*

Exposures to currency exchange rates arise from the Group's overseas purchases, most of which are denominated in Euros, US Dollars and Australian Dollars.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currency are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, where the Group enters into a large contract where the product being sold is sourced in foreign currency, the requisite amount of foreign currency is purchased forward.

# Notes to the Consolidated Financial Statements

## 15. Financial instruments (continued)

### Foreign currency sensitivity (continued)

Foreign currency denominated financial assets and liabilities are set out below.

	<b>2008</b>	2007	<b>2008</b>	2007	<b>2008</b>	2007
	<b>EUR'000</b>	EUR'000	<b>USD'000</b>	USD'000	<b>AUD'000</b>	AUD'000
Financial assets	70	55	<b>105</b>	–	<b>62</b>	–
Financial liabilities	(50)	(123)	<b>(7)</b>	–	<b>(49)</b>	–
Short term exposure	<u>20</u>	<u>(68)</u>	<u><b>98</b></u>	<u>–</u>	<u><b>13</b></u>	<u>–</u>

The Group has no long term foreign exchange exposure. The Group does not expect to source a material proportion of its product requirement in foreign currency in 2009. However, management reviews likely foreign currency requirements on a quarterly basis and where it is envisaged that there will be significant net receipts or net consumption of a foreign currency, hedging possibilities are considered accordingly.

At the beginning and end of the year, the Group had no unexpired forward foreign exchange contracts.

### Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date and which are set out below.

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Cash and cash equivalents	<b>1,580</b>	1,604
Trade and other receivables	<b>3,675</b>	3,553
	<u><b>5,255</b></u>	<u>5,157</u>

The Group continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. The Group takes up trade references on all new customers and its policy is to deal only with credit worthy companies.

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with a high quality external credit rating. Any new counterparties with whom liquid funds are deposited are assessed by the Board prior to transfer of funds.

### Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring all scheduled cash outflows. Liquidity needs are monitored in various time bands, on a day-to-day and week to week basis, as well as on the basis of a rolling 4 week projection. Longer term needs are monitored as part of the Group's regular rolling monthly re-forecasting process.

The Group maintains cash to meet its liquidity requirements for up to 30 day periods. Funding for long-term liquidity is additionally secured by an adequate amount of committed credit facilities. The Group has an overdraft facility of £0.75 million which it has never utilised.

The Group's liabilities have contractual maturities which are summarised below. All liabilities mature within 6 months of the date shown.

# Notes to the Consolidated Financial Statements

## 15. Financial instruments (continued)

### *Liquidity risk analysis (continued)*

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade payables	<b>4,552</b>	3,032
Other short term financial liabilities	<b>750</b>	909
	<b>5,302</b>	3,941

### *Summary of financial assets and liabilities by category*

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Non-current assets</b>		
Available for sale financial assets	<b>35</b>	35
<b>Loans and receivables</b>		
Trade and other receivables	<b>3,675</b>	3,553
Cash	<b>1,580</b>	1,604
	<b>5,255</b>	5,157
<b>Current liabilities</b>		
Trade payables: financial liabilities measured at amortised cost	<b>4,552</b>	3,032
Other short term financial liabilities	<b>750</b>	909
	<b>5,302</b>	3,941
Net financial assets and liabilities	<b>(47)</b>	1,216

The carrying value of the above assets and liabilities is equal to their fair value.

### *Capital management policies and procedures*

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting periods under review is set out below.

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Total equity	<b>8,918</b>	10,212
Less cash and cash equivalents	<b>(1,580)</b>	(1,604)
Capital	<b>7,338</b>	8,608

As the Group has no borrowings, its overall financing is equal to its equity.

Capital-to-overall financing ratio	<b>0.82</b>	0.84
------------------------------------	-------------	------

# Notes to the Consolidated Financial Statements

## 16. Deferred taxation

Provisions for liabilities comprises deferred taxation (all relating to accelerated capital allowances) as follows.

	£'000
At 1 January 2007	35
Charged to income statement	10
	<hr/>
At 1 January 2008	45
Charged to income statement	75
	<hr/>
<b>At 31 December 2008</b>	<b>120</b>
	<hr/> <hr/>

## 17. Issued share capital

	<b>2008</b> <b>No of</b> <b>1p</b> <b>Shares</b>	<b>2008</b> <b>Nominal</b> <b>value</b> <b>£'000</b>	2007 No of 1p shares	2007 Nominal value £'000
<b>Authorised</b>	<b>15,000,000</b>	<b>150</b>	15,000,000	150
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Issued and fully paid</b>				
At 1 January	<b>11,499,294</b>	<b>115</b>	11,485,577	115
Issued on exercise of share options	-	-	13,717	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December</b>	<b>11,499,294</b>	<b>115</b>	11,499,294	115
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 18. Dividends

	<b>2008</b> <b>£'000</b>	2007 £'000
Dividend paid 30 May 2008 of 2p per share (2007: 2.7p)	<b>230</b>	310
Dividend paid 12 December 2008 of 1p per share (2007: 1.25p)	<b>115</b>	143
	<hr/>	<hr/>
	<b>345</b>	453
	<hr/> <hr/>	<hr/> <hr/>

A dividend of 2p per share has been proposed and, subject to shareholder approval, will be paid on 5 June 2009.

# Notes to the Consolidated Financial Statements

## 19. Operating lease commitments

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as shown below.

Payments to be made within	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000
<b>31 December 2008</b>	<b>158</b>	<b>627</b>	<b>470</b>	<b>1,255</b>
31 December 2007	172	627	627	1,426

The Group has no other operating leases. All leases are on land and buildings. Operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal of purchase options or escalation clauses of any restrictions regarding dividends, further leasing or additional debt.

## 20. Related party transactions

The Group was committed to monthly payments of £1,250 under a rolling 3 month licence for its former Head Office premises. The landlord was Straight Investments, a business owned by Jonathan Straight. This arrangement was terminated on 31 January 2009. Straight Investments was paid £15,000 during the year (2007: £15,000).

The Company's financial statements at 31 December 2008 include amounts owing to Straight Investments of £2,802 (2007: £21).

During the year the Company paid Winburn Glass Norfolk, Chartered Accountants, of which Colin Glass is a partner, £4,000 for tax compliance services, assistance in compliance with IFRS and pensions advice.

## 21. Contingent liabilities

The Group had no contingent liabilities at the beginning or end of the year.

## 22. Post balance sheet events

On 26 March 2009, the Company proposed a dividend of 2p per share. Subject to shareholder approval, this will be paid on 5 June 2009 to all shareholders on the register at 8 May 2009.

## 23. Pensions

The Group continues to operate a money purchase pension scheme, into which it contributes for and on behalf of the employees of the Group.

## 24. Capital commitments

At 31 December 2008, the Group had capital commitments to purchase tooling and computer equipment of £33,000 (2007: £310,000).

# Report of the Independent Auditor to the Members of Straight plc

We have audited the Parent Company Financial Statements of Straight plc for the year ended 31 December 2008 which comprise the balance sheet and notes 1 to 16. These Parent Company Financial Statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group Financial Statements of Straight plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Parent Company Financial Statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Parent Company Financial Statements give a true and fair view and whether the Parent Company Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company Financial Statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Finance Director's Review, the Directors and Advisers, the Directors' Report and the Report on Remuneration. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company Financial Statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Parent Company Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company Financial Statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

## Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

## Grant Thornton UK LLP

Registered Auditors Chartered Accountants

Leeds

26 March 2009

# Company Balance Sheet

At 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible assets	2	3,008	1,896
Intangible assets	3	85	85
Investments	4	5,920	6,946
		<u>9,013</u>	<u>8,927</u>
<b>Current assets</b>			
Stocks	5	1,533	1,686
Debtors	6	3,675	3,553
Cash at bank and in hand		1,580	1,604
		<u>6,788</u>	<u>6,843</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(7,228)</u>	<u>(5,993)</u>
<b>Net current assets</b>		<b>(440)</b>	850
<b>Total assets less current liabilities</b>		<b>8,573</b>	9,777
Provisions for liabilities	9	(120)	(45)
<b>Net assets</b>		<u><b>8,453</b></u>	<u>9,732</u>
<b>Capital and reserves</b>			
Called up share capital	10	115	115
Share premium	11	5,970	5,970
Merger reserve	11	744	744
Share option reserve	11	234	159
Profit and loss account	11	1,390	2,744
<b>Total equity</b>		<u><b>8,453</b></u>	<u>9,732</u>

These balance sheets were approved by the Board of Directors on 26 March 2009 and were signed on its behalf by

**Jonathan Straight**

**James Mellor**

The accompanying accounting policies and notes form an integral part of the financial statements.

# Notes to the Company Balance Sheet

## 1. Principal accounting policies

### *Basis of preparation*

This balance sheet has been prepared under the historic cost convention and in accordance with UK Generally Accepted Accounting Practice.

The principal accounting policies of the Company are set out below and have remained unchanged from the previous year.

### *Intangible fixed assets*

These comprise purchased goodwill and trademarks.

The value of purchased goodwill and trademarks is subject to annual review. Where in the opinion of the directors the carrying value of the purchased goodwill and trademarks is less than their fair value to the Company, an appropriate impairment is reflected in the financial statements. No impairment was necessary in 2008 as the expected future cashflows associated with these assets is greater than their carrying value.

### *Tangible fixed assets and depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its useful economic life on a straight line basis as follows:

- Motor vehicles – 3 years;
- Plant and machinery – 5 to 10 years;
- Fixtures, fittings and office equipment – 3 to 5 years.

### *Investments*

Investments in subsidiary undertakings are stated at cost.

During 2005, the entire trade and assets of Blackwall Limited were transferred to Straight plc at their book value. No adjustment was made to the carrying value of the Company's investment in Blackwall Limited. This represented a departure from accounting principles, which require assets to be written down at the lower of cost and net realisable value. If an adjustment had been made, it would have required a write-off of £4,985,000 in relation to Blackwall Limited through the Company profit and loss account. As there was no overall loss to the Company because the trade and assets were retained, the directors considered that this policy was necessary in order that the financial statements may give a true and fair view.

During the year the carrying value of this investment was written down to fair value following a review of the Company's direct to consumer "Retail" business. Details supporting this reduced carrying value and the associated charge to the profit and loss account are outlined in note 4.

### *Stocks*

Stocks are valued at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. Stock is valued on a latest cost basis after making an appropriate allowance for slow moving or obsolete items. There is no material difference between this basis and a first in first out basis of valuation.

### *Deferred taxation*

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

# Notes to the Company Balance Sheet

## 1. Principal accounting policies (continued)

### *Leasing commitments*

The Company has no finance leases. All other leases are regarded as operating leases. Payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

### *Pensions*

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

### *Foreign exchange*

The Company manages foreign exchange risk by purchasing forward the requisite amount of currency to fulfil a contract immediately after notice has been given that the contract tender has been successful. Foreign currency denominated balances have been translated at the contracted rate. All balances which have not been hedged are translated on the ruling rate of exchange at the balance sheet date.

### *Financial instruments*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited direct to equity.

### *Share-based payments*

All share-based payment arrangements granted after 7 November 2002 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to share option reserves.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

# Notes to the Company Balance Sheet

## 2. Tangible fixed assets

	Plant and machinery £'000	Fixtures fittings and office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2008	2,492	996	51	3,539
Additions	1,395	189	44	1,628
Disposals	–	–	(24)	(24)
<b>At 31 December 2008</b>	<b>3,887</b>	<b>1,185</b>	<b>71</b>	<b>5,143</b>
<b>Depreciation</b>				
At 1 January 2008	1,077	519	47	1,643
Charge for year	272	226	18	516
Disposals	–	–	(24)	(24)
<b>At 31 December 2008</b>	<b>1,349</b>	<b>745</b>	<b>41</b>	<b>2,135</b>
<b>Net book amount</b>				
<b>At 31 December 2008</b>	<b>2,538</b>	<b>440</b>	<b>30</b>	<b>3,008</b>
<b>At 31 December 2007</b>	<b>1,415</b>	<b>477</b>	<b>4</b>	<b>1,896</b>

## 3. Intangible fixed assets

	Purchased Goodwill £'000	Trademarks £'000	Total £'000
Cost and net book amount at 1 January and 31 December 2008	77	8	85

## 4. Investments

	Cost £'000	Adjustments to carrying value £'000	Total £'000
At 1 January 2008	6,946	–	6,946
Adjustment to carrying value of investment in Blackwall Ltd	–	(1,026)	(1,026)
<b>At 31 December 2008</b>	<b>6,946</b>	<b>(1,026)</b>	<b>5,920</b>

At 31 December 2008, the Company held 100% of the share capital of Blackwall Limited and 98% of the share capital of Wasteweb Limited. Both companies are registered in England and Wales and were dormant throughout the year.

During 2005, the entire trade and assets of Blackwall Limited were transferred to Straight plc at their book value. No adjustment was made to the carrying value of the Company's investment in Blackwall Limited. This represented a departure from accounting principles, which required assets to be written down at the lower of cost and net realisable value. If an adjustment had been made, it required a write-off of £4,985,000 in relation to Blackwall Limited through the Company profit and loss account. As there had been no overall loss to the Company because the trade and assets are retained, the directors considered that this policy was necessary in order that the financial statements may give a true and fair view.

# Notes to the Company Balance Sheet

## 4. Investments (continued)

Following the acquisition, Blackwall's Trade business, including its operating systems and staff, was integrated into Straight's Trade business. Straight's Retail business, including its operating systems and staff, was integrated into Blackwall's Retail business.

During 2008, the Group's Retail business continued to incur mounting losses and during September 2008 a full review of this business including the profitability of its various income segments and distribution channels was completed. This review concluded that certain revenue streams were losing money and that the business would be better off without them. It was decided that other revenue streams could be made profitable if certain costs which materially impacted margins could be significantly reduced. Whilst in the immediate future, the marginal impact on earnings of retaining these latter revenue streams was modest, it was decided that they offered real strategic long term value and differentiated the business from its competitors.

The goodwill which had originally been attributed to the Retail business was £2,026,000. The Board estimated that the smaller Retail business which emerged following its review should be able to deliver earnings of at least £100,000 per year in the long term. On this basis it was decided that the carrying value of the goodwill should be reduced by £1,026,000 to £1,000,000. Consequently the carrying value of the investment in Blackwall Limited was reduced by £1,026,000.

## 5. Stocks

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Goods held for resale	<b>1,533</b>	1,686

## 6. Debtors

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade debtors	<b>3,344</b>	3,090
Prepayments and accrued income	<b>308</b>	463
Corporation Tax recoverable	<b>23</b>	-
	<b>3,675</b>	3,553

## 7. Creditors: amounts falling due within one year

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade Creditors	<b>4,552</b>	3,032
Corporation Tax	-	125
Other taxes and social security	<b>169</b>	102
Accruals	<b>565</b>	791
Amounts owed to group companies	<b>1,926</b>	1,926
Other creditors	<b>16</b>	17
	<b>7,228</b>	5,993

# Notes to the Company Balance Sheet

## 8. Financial instruments

The Company uses financial instruments comprising cash, trade debtors and trade creditors which arise directly from its operations. These financial instruments are used for operational purposes. The fair value of these financial instruments is not materially different from their balance sheet carrying value.

Surplus cash is placed on deposit so that the maximum return can be obtained which is consistent with the Company's need to access the cash. Cash held on bank deposit at 31 December 2008 was benefiting from a variable interest rate of 0.75% (2007: 5.25%). All bank accounts accrue interest at floating rates which vary in line with bank base rates.

At the beginning and end of the year, the Company had no unexpired forward foreign exchange contracts.

At the end of the year the Company's foreign currency denominated assets and liabilities were as detailed below.

	<b>2008</b>	2007	<b>2008</b>	2007	<b>2008</b>	2007
	<b>EUR'000</b>	EUR'000	<b>USD'000</b>	USD'000	<b>AUD'000</b>	AUD'000
Trade debtors	<b>70</b>	55	<b>105</b>	–	<b>62</b>	–
Trade creditors	<b>(50)</b>	(123)	<b>(7)</b>	–	<b>(49)</b>	–
	<u><b>20</b></u>	<u>(68)</u>	<u><b>98</b></u>	<u>–</u>	<u><b>13</b></u>	<u>–</u>

## 9. Deferred tax liabilities

Provisions for liabilities comprises deferred taxation (all relating to accelerated capital allowances) as follows.

	£'000
At 1 January 2008	45
Charge to profit and loss account	75
	<u>–</u>
<b>At 31 December 2008</b>	<u><b>120</b></u>

## 10 Called up share capital

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Authorised</b>		
15,000,000 ordinary 1p shares	<u><b>150</b></u>	<u>150</u>
<b>Issued and fully paid</b>		
11,499,294 ordinary 1p shares	<u><b>115</b></u>	<u>115</u>

# Notes to the Company Balance Sheet

## 11. Share premium account and reserves

	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Profit and loss account £'000
At 1 January 2008	5,970	744	159	2,744
Arising on grant of share options	–	–	75	–
Loss for the financial year	–	–	–	(1,009)
Dividends paid	–	–	–	(345)
<b>At 31 December 2008</b>	<b>5,970</b>	<b>744</b>	<b>234</b>	<b>1,390</b>

## 12. Reconciliation of movement in equity shareholders' funds

	2008 £'000	2007 £'000
(Loss)/profit for the year	(1,009)	572
Dividends	(345)	(453)
Issue of shares	–	17
Grant of share options	75	75
Released on exercise of share options	–	(3)
	<b>(1,279)</b>	208
Equity shareholders' funds at 1 January	<b>9,732</b>	9,524
Equity shareholders' funds at 31 December	<b>8,453</b>	9,732

## 13. Dividends

Details of the dividend payments made during the year are set out below.

	2008 £'000	2007 £'000
Dividend paid May of 2p per share (2007: 2.7p)	230	310
Dividend paid December of 1p per share (2007: 1.25p)	115	143
	<b>345</b>	453

A dividend of 2p per share has been proposed and, subject to shareholder approval, will be paid on 5 June 2009.

## 14. Parent Company Profit and Loss Account

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's loss for the financial year was £1,009,000 (2007: profit £572,000).

# Notes to the Company Balance Sheet

## 15. Employees

Staff costs during the year were as follows

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Wages and salaries	<b>1,677</b>	1,637
Social security costs	<b>168</b>	176
Pension costs	<b>21</b>	21
	<b>1,866</b>	1,834

The average number of employees in the Company including executive directors during the year was 48 (2007: 70).

The emoluments of the executive and the non-executive directors are set out in the Report on Remuneration. Details of share options held, granted and exercised during the year for employees (including directors) are shown below.

Option price/determined by	Earliest exercise date	Latest exercise date	Options held at 1 January 2008	Options granted during that year	Options forfeited during the year	Options held at 31 December 2008
<b>Approved scheme</b>						
124.5p/5.5.04	5.5.07	5.5.14	36,283	–	(3,948)	32,335
190p/18.4.05	18.4.08	18.4.15	173,599	–	(73,000)	100,599
226.5p/6.4.06	6.4.09	6.4.16	24,283	–	(17,783)	6,500
265p/26.9.06	26.9.09	26.9.16	30,000	–	–	30,000
220p/3.5.07	3.5.10	3.5.13	185,243	–	(62,000)	123,243
123.5p/6.11.07	6.11.10	6.11.13	16,194	–	–	16,194
94p/19.5.08	19.5.11	19.5.18	–	18,946	–	18,946
<b>Unapproved scheme</b>						
80p/6.11.03	7.11.06	7.11.13	187,500	–	–	187,500
190p/18.4.05	18.4.08	18.4.15	75,401	–	(10,000)	65,401
226.5p/6.4.06	6.4.09	6.4.16	46,717	–	(15,717)	31,000
220p/3.5.07	3.5.10	3.5.13	74,757	–	(5,000)	69,757
123.5p/6.11.07	6.11.10	6.11.13	20,000	–	–	20,000
94p/19.5.08	19.5.11	19.5.18	–	56,054	–	56,054

All options issued at 80p were issued on 6 November 2003 at the flotation price on that date. All other options were issued at the mid-market price on the date shown.

The amounts charged to profit using the Black-Scholes model in respect of options issued in 2008 were based upon an assumed share price volatility of 35% (2007: 36%) based on the average Straight plc share price over the three years to 31 December 2008 and risk free interest rates of 5.00% (2007: 5.25% – 5.75%).

# Notes to the Company Balance Sheet

## 15. Employees (continued)

The movement in the weighted average price of outstanding share options during the year is set out below.

	Exercise Price (p)
At 1 January 2008	175.3
Options granted during the year	(6.5)
Options forfeited during the year	(8.5)
<b>At 31 December 2008</b>	<b>160.3</b>

## 16 Operating lease commitments

At the balance sheet date the Company has outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as shown below.

Payments to be made within	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000
<b>At 31 December 2008</b>	<b>1</b>	<b>–</b>	<b>157</b>	<b>158</b>
At 31 December 2007	–	15	157	172

The Company has no other operating leases. All leases are on land and buildings. Operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal of purchase options or escalation clauses of any restrictions regarding dividends, further leasing or additional debt.





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