

**Armour Group**  
**("Armour " or "the Company")**

**Placing to raise £2m**  
**and Proposed Share Capital Reorganisation**

The Company is pleased to announce that it has raised £2.0 million (before expenses) by way of a conditional placing of 28,571,429 New Ordinary Shares at 7 pence per share. These funds will be used to provide additional working capital to fund the Group's continued growth.

The Resolutions required to approve the Placing will be put to a general meeting of Shareholders on 23 February 2011.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that such Admission will occur at 8.00 a.m. on 24 February 2011.

The Placing Shares will, when issued, rank pari passu in all respects with the New Ordinary Shares including the right to receive dividends and other distributions declared or made following Admission. Following the Placing, the Company will have 97,051,496 New Ordinary Shares in issue.

*Commenting on the Placing, George Dexter, Chief Executive, commented:*

"We are delighted to have raised funds in what continues to be a very difficult market. The proceeds will give Armour additional flexibility to further develop the business. In the medium term we remain confident that our strong brand portfolio and our continued investment in new product programmes will place the Group in a good position for growth when markets recover."

***Enquiries:***

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**Introduction**

The Company is pleased to announce that it has raised £2.0 million (before expenses) by way of a conditional placing of 28,571,429 New Ordinary Shares at 7 pence per share. These funds will be used to provide additional working capital to fund the Group's continued growth. The Resolutions required to approve the Placing will be put to a general meeting of Shareholders on 23 February 2011.

In addition, the Independent Shareholders will be asked to waive an obligation on the Concert Party which will arise under Rule 9 of the Takeover Code as a result of their subscription for New Ordinary Shares pursuant to the Placing.

**Background to and reasons for the Placing**

As a result of the economic downturn in 2008, Armour adapted its operating plan to protect profitability whilst looking to maintain competitiveness in its market leading positions. This resulted in an element of restructuring in early 2009 which included a number of redundancies. The Board also focused on a programme of product price increases and cost reduction initiatives. Together, these actions enabled the Group to continue to trade profitably through 2009 and 2010.

The sales growth achieved by the Group in the year to 31 August 2010 was encouraging given the economic backdrop. This growth has come from across the Group and reflects investments made in its new product programme, operations and new sales channels. Specific areas of growth were Asia and Scandinavia, where the Armour businesses have grown significantly on the back of the expansion of their respective sales operations; the successful entry into the office furniture market in 2010; increased automotive sales through the agricultural and commercial vehicle channel which benefited from an improvement in market conditions; and new products such as QTV2 and our new cable range QED Profile which helped to grow sales in the home retail channel.

Despite the sales growth, profit margins have come under pressure from a weaker sales mix, additional promotional activity and continuing competitive price pressure. The Board has responded to these pressures by taking appropriate actions to control the operating cost base and improve gross margins. These actions included a reduction in head count, cost negotiations with the Group's supply base, restricted promotional activity and selective price increases.

The Group continues to seek opportunities to develop and expand its activities. To this end, the Group recently set up a manufacturing facility in northern China in response to a number of opportunities initiated by key customers. Whilst this initiative is in its early stages, the response from customers has been encouraging.

The Group has also launched, and is planning to launch, a number of new products aimed at the premium mass market, which it expects will generate incremental sales through 2011 and into 2012. These include QTV2, Q2 internet radio and the Conran iPod dock. Initial reviews of these products have been encouraging.

The Group has recently agreed new banking facilities totalling £16.0 million in aggregate. These facilities are available until December 2013.

The new banking facilities provide a variable level of funding due to the invoice discounting and inventory based elements. The Placing will provide additional funds and flexibility to allow management to further develop the business. Shareholders should be aware that if the Resolutions are not passed

and/or the Placing does not proceed and there is a further deterioration in the economic environment, the Group may not have sufficient working capital to continue to trade.

### **Current Trading and Prospects**

The results for the year to 31 August 2010 showed an increase in sales to £56.6 million (2009: £51.6 million). Profit from operations fell to £1.2 million (2009: £1.5 million) and the Group's net debt at 31 August 2010 was £5.7 million (2009: £4.9 million).

The Board has initiated a review of all aspects of the Group's operations and how they can be streamlined with regard to reducing costs and improving efficiency. As a result of this review, the Armour Home division is being restructured by way of merging the current two trading entities into one business operation. This restructuring of the Armour Home division is expected to be complete by the end of the current financial year.

The economic outlook remains uncertain and challenging in the near term for the Group's core UK markets. Whilst there are opportunities for the Group to grow over the coming year, the Board remains cautious with regard to the short term prospects. The Group's trading in the first four months of the financial year has been weaker than expected, aggravated by the poor weather in December, which is an important trading period for the Group. The Board expects that this weak trading, coupled with the restructuring programme in Armour Home and the start up costs of the new factory facility in China, will result in an operating loss for the first half of the year. The second half of the year is expected to be profitable, benefiting from the cost savings resulting from the operational review and the introduction of a number of new products, which include the second generation iO platform, QTV1, the Conran iPod dock, the Q7000 speaker range and the new Systemline S6.2 multi-room system. The Board believes that the actions taken to lower the Group's operating cost base combined with the new product launches, will result in the Group remaining profitable for the year as a whole. In the medium term, the Board remains confident that the strong brand portfolio, the continued investment in the new product programmes and initiatives such as the new China facility will place the Group in a good position for growth when markets recover.

### **The Placing**

The Company intends to raise £2.0 million (before expenses) pursuant to the Placing. Pursuant to the terms of the Placing Agreement, finnCap has conditionally agreed, as agent for the Company, to place 28,571,429 New Ordinary Shares with institutional investors and certain members of the Concert Party. The Placing has not been underwritten by finnCap but in the event that the Placing Agreement does not become unconditional or is terminated, the Concert Party will subscribe for 21,428,572 of the Placing Shares subject only to the passing of the Resolutions and Admission. The Placing Agreement is conditional upon, inter alia, the Resolutions being duly passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 24 February 2011 (or such later time and/or date as the Company and finnCap may agree, but in any event by no later than 8.00 a.m. on 4 March 2011).

The net proceeds of the proposed Placing will, in the Directors' opinion, provide sufficient working capital for the present requirements of the Group, that is for at least the next 12 month period following Admission.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that such Admission will occur at 8.00 a.m. on 24 February 2011.

The Placing Shares will, when issued, rank pari passu in all respects with the New Ordinary Shares including the right to receive dividends and other distributions declared or made following Admission.

### **Board Participation in the Placing**

As a part of the Placing, certain of the following Shareholders, all of whom are related parties for the purposes of the AIM Rules by virtue of the size of their interests in Ordinary Shares, or because they are Directors, have indicated that they will subscribe for Placing Shares as follows:

	<i>Ordinary Shares held prior to the Placing</i>	<i>Percentage of Ordinary Shares held prior to the Placing</i>	<i>Number of Ordinary Shares to be acquired pursuant to the Placing</i>	<i>Percentage of New Ordinary Shares held after the Placing</i>
ALR Morton	..**	..**	..**	..**
George Dexter*	1,346,736	2.0	..*	1.4
John Harris	176,541	0.3	71,428	0.3
Steve Bodger	100,000	0.1	142,857	0.3
<b>Total</b>	<b>1,623,277</b>	<b>2.4</b>	<b>214,285</b>	<b>1.9</b>

\* George Dexter is not participating, but his adult brother, Mr S Dexter, is subscribing for 715,000 New Ordinary Shares pursuant to the placing

\*\* ALR Morton holds no shares in his own name but is considered by the Takeover Code to be in concert with Sue Morton, Hawk Pension Fund, Groundlinks Limited, Hawk Investment Holdings Limited, Retro Grand Limited and Seraffina Holdings Limited. The aggregate holding of the Concert Party is 20,345,152 Ordinary Shares.

ALR Morton is beneficially interested in 14,225,152 Ordinary Shares, being those held by Hawk Investment Holdings Limited, Hawk Pension Fund and Sue Morton, his wife. Following the Placing, the aggregate holding of the Concert Party will be 37,986,582 New Ordinary Shares. In the unlikely event that the Placing with Independent Shareholders does not become unconditional or is terminated, the Concert Party will subscribe for 21,428,572 of the Placing Shares. This would result in a total holding of 41,773,724 New Ordinary Shares following the Placing, representing 46.5 per cent. of the issued share capital. In the event that the Concert Party subscribes for 21,428,572 of the Placing Shares, ALR Morton has undertaken to ensure that no member of the Concert Party will hold more than 29.9 per cent. of the enlarged share capital of the Company.

The Independent Director considers, having consulted with the Company's Nominated Adviser, finnCap, that the subscription by the above Shareholders is fair and reasonable insofar as Shareholders are concerned.

## **The Takeover Code**

### *Rule 9*

The Takeover Code governs, inter alia, transactions which may result in the change of control of a public company to which the Takeover Code applies.

Under Rule 9, any person who acquires an interest (as defined in the Takeover Code) in shares, which taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares are acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

### *The Concert Party*

For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by them of shares in a company, to obtain or consolidate control of that company.

ALR Morton, Sue Morton, Hawk Pension Fund, Groundlinks Limited, Hawk Investment Holdings Limited, Retro Grand Limited and Seraffina Holdings Limited are deemed to be continuing to act in concert for the purposes of the Takeover Code. Resolution 1 concerns the waiver of an obligation on the Concert Party which would arise under Rule 9. Accordingly, only the Independent Shareholders will be entitled to vote on Resolution 1.

The Concert Party is currently beneficially interested in an aggregate of 20,345,152 Ordinary Shares, representing approximately 29.7 per cent. of the entire existing issued capital of the Company.

<i>Concert Party Member</i>	<i>Ordinary Shares held prior to the Placing</i>	<i>Percentage of Ordinary Shares held prior to the Placing</i>	<i>Number of Ordinary Shares to be acquired pursuant to the Placing</i>	<i>Percentage of New Ordinary Shares held after the Placing*</i>
ALR Morton	..**	..**	..**	..**
Sue Morton	210,000	0.3	-	0.2
Hawk Pension Fund	400,000	0.6	600,000	1.0
Hawk Investment Holdings Limited	13,615,152	19.9	15,403,245	29.9
Groundlinks Limited	2,040,000	3.0	-	2.1
Retro Grand Limited	2,040,000	3.0	-	2.1
Seraffina Holdings Limited	2,040,000	3.0	1,638,185	3.8
<b>Total</b>	<b>20,345,152</b>	<b>29.7</b>	<b>17,641,430</b>	<b>39.1*</b>

\* This percentage is on the basis of the Placing with the Concert Party and Independent Shareholders. finnCap has binding commitments in respect of £2.0 million and has entered into the Placing Agreement on this basis. In the unlikely event that the Placing with Independent Shareholders does not become unconditional or is terminated, the Concert Party will subscribe for 21,428,572 of the Placing Shares. This would result in a total holding of 41,773,724 New Ordinary Shares following the Placing, representing 46.5 per cent. of the total voting rights. In the event that the Concert Party subscribes for 21,428,572 of the Placing Shares, ALR Morton has undertaken to ensure that no member of the Concert Party will hold more than 29.9 per cent. of the enlarged share capital of the Company.

\*\* ALR Morton is beneficially interested in 14,225,152 Ordinary Shares being those held by Hawk Investment Holdings Limited, Hawk Pension Fund and Sue Morton, his wife.

### *Potential voting rights of the Concert Party*

If the Whitewash Resolution is passed at the General Meeting and on the assumption that:

- (a) 28,571,429 New Ordinary Shares are issued pursuant to the Placing at the Placing Price, of which 17,641,430 New Ordinary Shares are subscribed for by the Concert Party; and
- (b) that there are no other changes to the issued share capital of the Company,

the voting rights attributable to the New Ordinary Shares held by the Concert Party following Admission, would constitute 39.1 per cent. of all the voting rights in the Company. Shareholders should be aware that in the unlikely event that the Placing with Independent Shareholders does not become unconditional or is terminated, the Concert Party will subscribe for 21,428,572 of the Placing Shares. This would result in a total holding of 41,773,724 New Ordinary Shares following the Placing, representing 46.5 per cent. of the issued share capital.

Therefore following completion of the Proposals, the Concert Party will be interested in Ordinary Shares carrying more than 30 per cent. but less than 50 per cent. of the Company's voting share capital and, for so long as they continue to be treated as acting in concert, any further increases in their aggregate interest in shares will be subject to the provisions of Rule 9.

The Panel has agreed, however, to waive the obligation of the Concert Party to make a general offer that would otherwise arise as a result of the Proposals, subject to the approval of Independent Shareholders.

Accordingly, Resolution 1 is being proposed at the General Meeting and will be taken on a poll. The Concert Party, which includes ALR Morton, will not be entitled to vote on Resolution 1.

Given that the Proposals are required to be implemented in order to provide the Company with the additional funds necessary to develop its business, the Independent Director recommends that you vote in favour of the Resolutions necessary to approve and implement the Proposals as he intends to do in respect of his own beneficial holdings of 1,354,736 Ordinary Shares, representing approximately 2.0 per cent. of the issued share capital.

### **Intentions of the Concert Party**

The Concert Party is not intending to seek any changes to the Board and has confirmed that it would be its intention that, following the increase in its proportionate shareholding as a result of the participation in the Placing, the business of the Company would be continued in substantially the same manner as it is at present, with no major changes. With this in mind, there will be no repercussions on employment or the location of the Company's places of business and no redeployment of the Company's fixed assets. The Concert Party is also not intending to prejudice the existing employment rights, including pension rights, of any of the employees or management of the Group nor to procure any material change in the conditions of employment of any such employees or management.

### **Capital Reorganisation**

The Placing Price represents a discount to the current 10 pence nominal value of an Ordinary Share. However, company law prohibits the issue of shares at a price below their nominal value and, accordingly, a share capital reorganisation will be necessary in order to undertake the Placing. It is therefore proposed to reorganise the share capital of the Company by sub-dividing each issued Existing Share into one New Ordinary Share of 1 pence and one Deferred Share of 9 pence.

The New Ordinary Shares will have the same rights (including voting and dividend rights) as each Ordinary Share has at present. No new certificates will be issued in respect of the New Ordinary Shares and existing share certificates in respect of Ordinary Shares will be valid and will continue to be accepted as evidence of title for the New Ordinary Shares.

In order to effect the Reorganisation, the Articles will need to be amended to include the rights of the Deferred Shares, which will be minimal thereby rendering them effectively valueless.

The rights attaching to the Deferred Shares can be summarised as follows:

- they do not entitle holders to receive any dividend or other distribution or to receive notice or, speak or vote at general meetings of the Company;
- on a return of assets on a winding up, they only entitle the holder to the amounts paid up on such shares after the repayment of £10 million per Deferred Share;
- they are not freely transferable;
- the creation and issue of further shares which rank equally or in priority to the Deferred Shares or the passing of a resolution of the Company to cancel the Deferred Shares or to effect a reduction of capital shall not constitute a modification or abrogation of their rights; and
- the Company shall have the right at any time to purchase all of the Deferred Shares for an aggregate consideration of £1.00.

No application will be made for the Deferred Shares to be admitted to trading on AIM or any other stock exchange. No share certificates will be issued for any of the Deferred Shares. There are no immediate plans to purchase or to cancel the Deferred Shares, although the Directors propose to keep the situation under review.

## **General Meeting**

A notice convening the General Meeting to be held on 23 February 2011 at the offices of Arnold & Porter (UK) LLP at which the Resolutions will be proposed for the purposes of implementing the Proposals will be posted to Shareholders today.

Resolution 1 is the Whitewash Resolution. This resolution will be taken on a poll of the Independent Shareholders voting in person and by proxy at the General Meeting.

Shareholders should note that Resolutions 1 and 2 are inter-conditional and, if either one is not passed, the Proposals described in this letter will not proceed. Thus if the Whitewash Resolution is not passed, the Placing will not proceed. Shareholders should be aware that the Directors believe that the Group may not have adequate working capital if the Resolutions are not passed and/or the Placing does not proceed and there is a further deterioration in the economic environment then the Group may not have sufficient working capital to continue to trade.

## **Recommendation**

**The Independent Director, who has been so advised by finnCap, considers the Proposals to be fair and reasonable and in the best interests of Independent Shareholders and the Company as a whole. In providing advice to the Independent Director, finnCap has taken into account the commercial assessment of the Independent Director. Accordingly, the Independent Director recommends that Shareholders vote in favour of the Resolutions necessary to approve and implement the Proposals as he intends to do in respect of his own beneficial holdings of 1,354,736 Ordinary Shares, representing approximately 2.0 per cent. of the issued share capital.**

## Placing Statistics

Number of Existing Shares in issue	68,480,067
Number of New Ordinary Shares in issue following the Sub-Division	68,480,067
Number of Deferred Shares in issue following the Sub-Division	68,480,067
Number of Placing Shares	28,571,429
Number of New Ordinary Shares in issue following Admission	97,051,496
Net proceeds of the Placing	£1.9 million

## Expected timetable of principal events

	2011
Latest time and date for receipt of Form of Proxy in respect of the AGM	2.00 p.m. on 21 February
Latest time and date for receipt of Form of Proxy in respect of the GM	2.30 p.m. on 21 February
Annual General Meeting	2.00 p.m. on 23 February
General Meeting	2.30 p.m. on 23 February
Last time and date for dealing in Existing Shares	4.30 p.m. on 23 February
Admission and dealings in the Placing Shares and New Ordinary Shares to commence on AIM	8.00 a.m. on 24 February
CREST stock accounts to be credited for Placing Shares in uncertificated form	8.00 a.m. on 24 February
Posting of share certificates for Placing Shares	by 4 March

## Definitions

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

“2006 Act”	the Companies Act 2006 (as amended)
“Admission”	admission of the Placing Shares to trading on AIM becoming
“AIM”	the AIM Market operated by the London Stock Exchange
“AIM Rules”	the AIM rules for companies published by the London Stock Exchange from time to time
“AGM” or “Annual General Meeting”	23 February 2011, and any adjournment thereof
“Articles of Association” or “Articles”	the articles of association of the Company
“Capita Registrars”	a trading name of Capita Registrars Limited, the Company’s registrars
“certificated form” or “in certificated form”	an ordinary share recorded on a company’s share register as being held in certificated form (namely, not in CREST)
“Circular”	the circular sent to Shareholders and dated 28 January 2011
“Company” or “Armour”	Armour Group plc
“Concert Party”	together ALR Morton, Sue Morton, Hawk Pension Fund, Groundlinks Limited, Retro Grand Limited, Seraffina Holdings Limited and Hawk Investment Holdings Limited
“Deferred Shares”	deferred shares of 9 pence each in the capital of the Company, arising pursuant to the Sub-Division
“Directors” or “Board”	the directors of the Company or any duly authorised committee thereof
“Existing Shares”	the 68,480,067 Ordinary Shares in issue at the date of the Circular, all of which are admitted to trading on AIM
“Form of Proxy”	the form of proxy for use in connection with the GM which accompanies this Circular
“GM” or “General Meeting”	the general meeting of the Company convened for 23 February 2011, and any adjournment thereof
“GM Notice” or “Notice of General Meeting”	the notice convening the GM
“Group”	the Company, its subsidiaries and its subsidiary undertakings as at the date of the Circular
“Independent Director”	the director of the company who is not included in the Concert Party and not participating in the Placing, namely George Dexter

“Independent Shareholders”	Shareholders other than the members of the Board who are participating in the Placing, relatives of members of the Board and the Concert Party
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	new ordinary shares of 1 pence each in the capital of the Company, to be issued pursuant to the Placing and arising pursuant to the Sub-Division
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company
“Panel”	Panel on Takeovers and Mergers
“Placing”	the conditional placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 27 January 2011 and made between the Company and finnCap in relation to the Placing
“Placing Price”	7p per Placing Share
“Placing Shares”	the 28,571,429 New Ordinary Shares to be allotted and issued pursuant to the Placing
“Proposals”	the Placing, the proposed Reorganisation and the Waiver
“Reorganisation”	the proposed reorganisation of the share capital of the Company and pursuant to Resolution 2 set out in the GM Notice
“Resolutions”	the resolutions set out in the GM Notice
“Rule 9”	Rule 9 of the Takeover Code
“Share Authority Resolution”	the resolution to sub-divide the issued and unissued Ordinary Shares, amend the Articles and grant to the Directors the authority to allot New Ordinary Shares to be proposed at the General Meeting and set out in the Notice of General Meeting as Resolution 2
“Shareholders”	holders of Ordinary Shares or New Ordinary Shares (as the case may be)
“Sub-Division”	the proposed sub-division of each of the issued Existing Shares into one New Ordinary Share and one Deferred Share and the proposed sub-division of each of the unissued Ordinary Shares into 10 New Ordinary Shares
“Takeover Code”	the City Code on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	an ordinary share recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended, may be transferred by means of CREST
“Waiver”	the waiver granted by the Panel (subject to the passing of the Whitewash Resolution) in respect of the obligation of the Concert Party to make a mandatory offer under Rule 9 of the Takeover Code in connection with the Placing
“Whitewash”	the ordinary resolution of the Independent Shareholders concerning the waiver

Resolution”

of obligations under Rule 9 of the Takeover Code to be proposed at the General Meeting in connection with the issue of New Ordinary Shares to certain members of the Concert Party pursuant to the Placing and set out in the Notice of General Meeting as Resolution 1