



27 February 2008

Stadium Group plc ("Stadium")

Unaudited preliminary results for the year ended 31 December 2007

Stadium Group plc, the AIM listed provider of Electronic Manufacturing Services, announces a 23% increase in profit before taxation and sale of property to £2.66m (2006: £2.16m) for the year ended 31 December 2007.

The principal activity of Stadium is the production of electronic products and assemblies for original equipment manufacturers from its manufacturing facilities in China and the UK. Stadium serves customers worldwide, primarily in the Consumer, Industrial, Medical and personal care and Automotive sectors.

Highlights

- Sales up 6% to £40.76m (2006: £38.55m)
- Gross margin improved by 1.6% to 23.6% (2006: 22.0%)
- Operating profit up 22% to £2.96m (2006: £2.42m)
- Earnings per share (before sale of property) up by 17% to 7.4p (2006: 6.3p)
- Net cash inflow from trading activities of £4.84m (2006: £1.94m)
- Net bank borrowings reduced to £0.50m (2006: £4.38m)
- Integration of Ferrus Power, acquired June 2007, progressing well
- Final dividend increased by 4% to 2.55p (2006: 2.45p)

Nick Brayshaw, Chairman of Stadium Group plc, said,

I am pleased to report solid results for the year ended 31 December 2007, with sales and margins showing continued progress. Cash conversion was excellent, resulting in a strong closing balance sheet, and there has been a satisfactory start to 2008.

We continue to focus on developing long term trading partnerships with selected customers, many of whom are leaders in high growth markets. We continue to develop our own capabilities such that we offer design, engineering, supply chain and other added value activities in addition to manufacturing services.

Following recent acquisitions, Stadium Power has gained critical mass and has potential to deliver sustained profitable organic growth and a platform for further corporate activity.

For further information please contact:

Stadium Group plc
Nigel Rogers, Chief Executive

Tel: 01429 852520
Mob: 07767 603 362

Parkgreen Communications
Paul McManus

Tel: 020 7851 7480
Mob: 07980 541 893
Email: paul.mcmanus@parkgreenmedia.com

Brewin Dolphin Investment Banking
Andrew Emmott

Tel: 0845 2708611
Mob: 07713 646334

Copies of the audited financial statements will be sent to all shareholders shortly

STADIUM GROUP PLC

CHAIRMAN'S STATEMENT

Covering the year ended 31 December 2007

Introduction

I am pleased to report solid results for the year ended 31 December 2007, with sales and margins showing continued progress. Cash conversion was excellent, resulting in a strong closing balance sheet, and there has been a satisfactory start to 2008.

The acquisition of Ferrus in June 2007 has provided critical mass in the design, manufacture and distribution of power conversion products under the Stadium Power brand. We expect to deliver significant organic growth of this business in the future, and seek further acquisitions and alliances to accelerate this development.

Results

Profit before taxation and sale of property increased by 23% to £2.66m (2006: £2.16m) on sales of £40.76m (2006: 38.55m).

Earnings (excluding the effect of property sales) of 7.4p were slightly ahead of market expectation, and up by 17% compared with 2006 (6.3p). Reported earnings, which reflect the profit on sale of freehold property, were 7.8p (2006: 7.5p).

Net cash inflow from operating activities was £3.68m, representing some 124% of operating profit. This excellent performance, coupled with the sale of surplus freehold property at Hartlepool, resulted in year end net debt of £0.50m (2006: £4.38m) and gearing of 6% (2006: 55%).

Dividends

The Board proposes a final dividend of 2.55 pence per share (2006: 2.45 pence) to be paid on 6 May 2008 to shareholders on the register on 11 April 2008. This brings the total dividends for the year to 3.75 pence per share, an increase of 4% over the prior year (3.6 pence per share), which is covered by earnings 2.1 times (2006: 2.1 times).

Board appointment

On 13 February 2008 we announced the appointment of Colin Wilson ACA to the Board as Finance Director. Colin joined Stadium from ICI Uniqema in April 2006, and was appointed Company Secretary in December 2006. His appointment further strengthens our senior management team, and will provide additional resources for future corporate activity.

Prospects

We continue to focus on developing long term trading partnerships with selected customers, many of whom are leaders in high growth markets. We continue to develop our own capabilities such that we offer design, engineering, supply chain and other added value activities in addition to manufacturing services.

Following recent acquisitions, Stadium Power has gained critical mass and has potential to deliver sustained profitable organic growth and a platform for further corporate activity.

Nick Brayshaw

Chairman
27 February 2008

STADIUM GROUP PLC
CHIEF EXECUTIVE'S REVIEW

Covering the year ended 31 December 2007

Overview

We are pleased to report upon a year of significant progress. The trading and financial performance of the business showed growth ahead of market expectations, significant sales were achieved in the medical and personal care sector, and the development of Stadium Power passed new milestones.

Year end borrowings were at an all time low, providing a platform for further investment in new capabilities, and development of the business by acquisition.

Financial results

Turnover increased by 6% to £40.76m (2006: £38.55m), and gross margin improved to 23.6% (2006: 22.0%). Operating profit increased 22% to £2.96m (2006: £2.42m) at an operating margin of 7.3% of sales (2006: 6.3%).

Profit before tax and sale of property amounted to £2.66m; an increase of 23% over the £2.16m achieved in 2006 and the highest level reported by the company since 1999.

Net working capital showed a reduction of £1.01m to £4.62m, and cash conversion from operating activities was 124% of operating profit at £3.68m (2006: 19% at £0.46m). The resulting net year end gearing of 6% leaves substantial headroom for future investment.

Electronics

	<u>2007</u> <u>£m</u>	<u>2006</u> <u>£m</u>
Sales by source		
Asia	21.07	21.26
UK	8.34	6.70
Total	<u>29.41</u>	<u>27.96</u>
EMS	25.31	24.62
Power	4.10	3.34
Total	<u>29.41</u>	<u>27.96</u>
Operating profit	<u>2.46</u>	<u>1.87</u>
Operating margin	<u>8.4%</u>	<u>6.7%</u>

Electronic Manufacturing Services ("EMS")

Turnover increased by 10% at constant rates of foreign exchange, and by 3% in sterling terms.

During 2007 there was a sharp ramp up of new contracts in the medical and personal care sector. This followed significant investment in the early part of the year in engineering, approvals, and the development of clean room and technical plastics facilities in our Asia operations.

This strong growth more than offset the reduction in sales experienced as two major customers, based in the USA, held back orders to reduce inventory exposure. This process was completed by the end of the year.

We continue to focus sales and marketing activities towards securing long term partnerships with selected key customers, for whom quality, reliability and product engineering are priorities as much as cost.

We are committed to the health and welfare of all our employees regardless of location. Recent regulatory changes in China have had an adverse effect on operating costs, however we do not anticipate any deterioration in competitive advantage as our own voluntary ethical standards are already compared favourably with common local practices.

Our UK operations have benefited from introduction of a lean manufacturing programme, and further initiatives are planned for 2008.

Stadium Power

Stadium Power offers the design and manufacture of custom power solutions and the distribution of a range of standard power supplies which are both manufactured and factored from selected partners.

Sales exited the year at an annualised level of approximately £5m per annum, and we expect to experience further growth in the coming year.

Following the integration of recent acquisitions, focus is now on the launch of additional standard products and the further development of key customer and supplier relationships.

We consider that this business offers exciting potential, with the combination of design and engineering excellence, exposure to high growth market sectors, and access to low cost manufacturing at Stadium Asia.

Branded Plastics

	<u>2007</u> <u>£m</u>	<u>2006</u> <u>£m</u>
Sales		
Babycare	5.02	4.95
Building Products	6.33	5.65
Total	<u>11.35</u>	<u>10.60</u>
Operating profit	<u>0.80</u>	<u>0.85</u>
Operating margin	<u>7.1%</u>	<u>8.0%</u>

Sales and profits held up quite well in an increasingly challenging trading environment.

Growth in sales of building products was achieved by securing additional share of a competitive market, including retail multiples as well as merchant outlets.

Despite 7% of sales growth overall, however, profits were down by 6% to £0.80m as increased raw material and energy costs were not fully recovered in selling price increases.

Balance sheet and cash flow

Cash flow from trading activities amounted to £4.84m, stated before meeting pension deficit funding contributions of £1.05m and taxation of £0.11m (2006: net inflow of £1.94m before pension contributions of £1.09m and taxation of £0.39m).

Net cash inflow on fixed assets of £2.26m included the sale of surplus freehold property at Hartlepool announced on 24 December 2007. A further £0.52m of consideration on this transaction was deferred for up to three years. There was further investment in manufacturing plant and equipment in Asia and the UK totaling £0.59m, slightly less than the corresponding depreciation charge.

The acquisition of Ferrus Power Limited was completed on 15 June 2007 at a total net cost of £0.67m.

Net bank borrowings at 31 December 2007 were £0.50m (2006: £4.38m) and gearing was 6% (2006: 55%), the lowest level for many years.

Pensions

The market value of the pension scheme assets increased by 5% during the year to exceed £23.5m. The net pension liability, measured on a basis consistent with that used in the prior year, would have reduced from £4.45m to approximately £2.0m. The directors, in consultation with the scheme actuary, have once again recognised the most recent guidance on expected mortality rates. The effect of this new guidance has resulted in a 10% increase to the scheme liabilities before deferred tax amounting to approximately £3.0m, and a net pension liability of £4.12m.

The next triennial valuation of the scheme is due as at April 2008.

Current trading and outlook

Trading in the early part of 2008 is encouraging, with sales well ahead of the corresponding period last year. We are mindful that economic forecasts in our key geographical markets indicate weaker consumer demand, and accordingly are cautiously optimistic of prospects for the year ahead.

The current economic environment, and especially the tightening of global credit markets, leads us to expect that opportunities for acquisition will arise at more realistic valuations than those prevailing over recent years.

Nigel Rogers
Chief Executive
27 February 2008

STADIUM GROUP PLC
Consolidated income statement (unaudited)
for the year ended 31 December 2007

	Note	31 Dec 2007 £000's	31 Dec 2006 £000's (Restated note 12)
Revenue	2	40,756	38,552
Cost of sales		<u>(31,145)</u>	<u>(30,059)</u>
Gross profit		9,611	8,493
Other income		439	429
Operating expenses		<u>(7,093)</u>	<u>(6,499)</u>
Operating profit	2	2,957	2,423
Finance costs	3	<u>(294)</u>	<u>(262)</u>
Profit before tax and sale of property		2,663	2,161
Profit on sale of property		<u>97</u>	<u>340</u>
Profit before tax		2,760	2,501
Taxation		<u>(521)</u>	<u>(341)</u>
Profit for the year	2	2,239	2,160
Basic earnings per share	5	7.8p	7.5p
Diluted earnings per share	5	7.8p	7.5p

**Consolidated statement of recognised income and
expense (unaudited)**
for the year ended 31 December 2007

Actuarial loss in pension scheme net of deferred tax		<u>(444)</u>	<u>(298)</u>
Net expense recognised directly in equity		(444)	(298)
Profit for the year		<u>2,239</u>	<u>2,160</u>
Total recognised income and expense for the year	7	1,795	1,862

STADIUM GROUP PLC
Consolidated balance sheet (unaudited)
at 31 December 2007

	Note	31 Dec 2007 £000's	31 Dec 2006 £000's (Restated note 12)
Assets			
Non-current assets			
Property, plant and equipment		6,654	10,102
Goodwill		1,524	1,020
Deferred tax assets		1,769	1,907
Other receivables		524	-
		10,471	13,029
Current assets			
Inventories		5,176	5,872
Trade and other receivables		8,271	7,571
Cash and cash equivalents		862	296
		14,309	13,739
Total assets		24,780	26,768
Equity			
Equity share capital	10	1,440	1,440
Share premium	10	4,233	4,233
Capital redemption reserve	10	88	88
Translation reserve	10	(928)	(885)
Retained earnings	7, 10	3,859	3,046
Total equity	10	8,692	7,922
Non-current liabilities			
Long-term borrowings	6	720	2,713
Net pension liability		5,896	6,356
Total non-current liabilities		6,616	9,069
Current liabilities			
Bank overdrafts		401	1,434
Current portion of long-term borrowings		239	532
Trade payables		5,563	4,899
Current tax payable		318	188
Other payables		2,951	2,724
Total current liabilities		9,472	9,777
Total liabilities		16,088	18,846
Total equity and liabilities		24,780	26,768

STADIUM GROUP PLC
Consolidated cash flow statement (unaudited)
for the year ended 31 December 2007

	Note	31 Dec 2007 £000's	31 Dec 2006 £000's (Restated note 12)
Net cash flow from operating activities	8	3,684	461
Investing activities			
Purchase of property, plant and equipment		(589)	(1,683)
Sale of property, plant and equipment		2,846	686
Acquisition of subsidiary net of cash acquired		(667)	(569)
Cash flows from investing activities		1,590	(1,566)
Financing activities			
Equity share capital subscribed		-	58
Interest paid		(337)	(250)
(Decrease)/increase in bank loans		(2,286)	2,703
Dividends paid on ordinary shares	4	(1,052)	(1,022)
Cash flows from financing activities		(3,675)	1,489
Net increase in cash and cash equivalents		1,599	384
Cash and cash equivalents at start of year		(1,138)	(1,522)
Cash and cash equivalents at end of year		461	(1,138)

STADIUM GROUP PLC

NOTES:

1. Basis of preparation

The consolidated financial statements of Stadium Group plc for the year ending 31 December 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted for use by the European Union (EU) effective at 31 December 2007. The Company has elected to prepare its parent company accounts under UK Generally Accepted Accounting Principles (UK GAAP).

This is the first year in which the Group has prepared its consolidated financial statements under IFRS and the comparatives have been restated from UK GAAP to comply with IFRS. An explanation of the transition from UK GAAP to IFRS and the reconciliations from the previously published UK GAAP financial statements to IFRS are summarised in note 12.

The Group has applied the following optional exemptions granted by IFRS 1 First-time Adoption of International Financial Reporting Standards from full retrospective application of IFRS accounting policies:

- Business combinations – the provisions of IFRS 3 have been applied from 1 January 2006. The net carrying value of goodwill at 31 December 2005 under the previous accounting policies has been deemed to be the cost at 1 January 2006;
- Cumulative translation differences arising on consolidation of overseas subsidiaries are required to be held in a separate reserve. This reserve has been deemed to be nil on 1 January 2006.

The Group's IFRS accounting policies, set out below, have been consistently applied to all the periods presented. The information has been prepared under the historical cost convention except where IFRS require an alternative treatment. The principal variations from the historical cost convention relate to pensions (IAS 19), monetary items (IAS 21), financial instruments (IAS 39) and share based payments (IFRS 2). The accounting policies have been applied consistently by Group entities.

The comparative figures for the year ended 31 December 2006 do not constitute statutory accounts for the purposes of s240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 31 December 2006, prepared under UK GAAP, has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s235 of the Companies Act 1985.

Basis of consolidation

The Group financial information consolidates that of the company and its subsidiaries. Businesses acquired or disposed of during the period are consolidated from the effective date of acquisition or until the effective date of disposal.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation consists of the excess of the fair value of the consideration over the fair value of the Group's interest in the identifiable tangible and intangible assets net of liabilities including contingencies of the business acquired at the date of acquisition.

Goodwill is recognised as an asset at cost less any recognised impairment losses. It is reviewed for impairment at least annually and any impairment is recognised immediately in the Income Statement.

Goodwill arising on acquisitions prior to 1 January 2006 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1 January 2006 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of goods and services provided to customers net of returns, discounts, value added tax and other sales taxes. Revenue is recognised when goods are despatched and title has passed to the customer and the collectability of the revenue is reasonably assured.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged at rates calculated to write down the cost of assets (excluding freehold land) over their estimated useful lives by equal instalments at the following rates:

Freehold buildings	2%
Plant and machinery	10% - 25%
Fixtures and equipment	10% - 25%

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis including transport and handling costs and, in the case of manufactured products, includes all direct expenditure and production overheads based on normal levels of activity.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted.

Pension costs

Defined benefit scheme

Assets and liabilities arising from retirement benefit obligations and the related funding are reflected at fair value in the financial statements, and operating and finance costs are recognised in the financial periods in which they arise. Gains and losses arising from actuarial experience during the accounting period are recognised in the consolidated statement of recognised income and expense.

Defined contribution schemes

Contributions payable are charged to the income statement in the accounting period in which they are incurred.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the prevailing rate on the date of the transaction.

Trading assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing at the period end. Gains and losses arising on the translation of foreign currencies are dealt with as part of operating profit.

The assets and liabilities of foreign subsidiary undertakings are translated into sterling at the period end exchange rate. The income and expenditure of foreign subsidiary undertakings are translated into sterling at the average exchange rate prevailing during the period. Exchange differences arising on retranslation of opening assets and liabilities, long term financing denominated in foreign currency and the trading of foreign subsidiary undertakings are taken directly to the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before than date of transition to IFRS as sterling denominated assets and liabilities (see note 13). As permitted by IFRS1, the Group elected to deem cumulative currency translation differences to be £nil as at 31 December 2005.

Financial Instruments

The Group's financial instruments comprise borrowings, some cash and liquid resources and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to manage the finance of the Group's operations.

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables:

Trade receivables do not carry any interest and are stated at their nominal value less appropriate allowances for estimated irrecoverable amounts.

Bank borrowings:

Interest bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Income Statement and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

Trade payables:

Trade payables do not carry any interest and are stated at their nominal value.

Equity instruments:

Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

It has been, throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group does not consider that it has any obligations or rights under derivative financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and these policies are summarised below.

Interest rate risk:

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group holds cash and borrowings in various currencies at floating rates of interest.

Liquidity risk:

As regards liquidity, the Group's policy is to maintain undrawn overdraft borrowing facilities in order to provide flexibility in the management of the Group's liquidity.

Foreign currency risk:

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than Sterling, being the Group's functional currency. The Group matches payments and receipts to minimise exposure, and buys the currency when the liability falls due.

2. Segmental analysis

By business segment

	December 2007			
	Electronics £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Revenue - external customers	<u>29,408</u>	<u>11,348</u>	<u>-</u>	<u>40,756</u>
Operating profit	<u>2,460</u>	<u>800</u>	<u>(303)</u>	2,957
Interest payable				(296)
Interest receivable				2
Profit on sale of freehold property				97
Taxation				(521)
Profit for the year				<u>2,239</u>

	December 2006 (Restated)			
	Electronics £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Revenue - external customers	<u>27,955</u>	<u>10,597</u>	<u>-</u>	<u>38,552</u>
Operating profit	<u>1,873</u>	<u>848</u>	<u>(298)</u>	2,423
Interest payable				(264)
Interest receivable				2
Profit on sale of freehold property				340
Taxation				(341)
Profit for the year				<u>2,160</u>

	December 2007			Consolidated £000's
	Electronics £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Segment assets	14,305	5,831	4,644	24,780
Segment liabilities	<u>(6,734)</u>	<u>(1,448)</u>	<u>(7,906)</u>	<u>(16,088)</u>
Segment net assets	<u>7,571</u>	<u>4,383</u>	<u>(3,262)</u>	<u>8,692</u>
Expenditure on property, plant and equipment	345	219	25	589
Depreciation and amortisation	<u>497</u>	<u>271</u>	<u>12</u>	<u>780</u>

	December 2006 (Restated)			Consolidated £000's
	Electronics £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Segment assets	14,531	5,888	6,349	26,768
Segment liabilities	<u>(5,763)</u>	<u>(1,403)</u>	<u>(11,680)</u>	<u>(18,846)</u>
Segment net assets	<u>8,768</u>	<u>4,485</u>	<u>(5,331)</u>	<u>7,922</u>
Expenditure on property, plant and equipment	1,302	367	14	1,683
Depreciation and amortisation	<u>526</u>	<u>218</u>	<u>120</u>	<u>864</u>

By geographic location

	December 2007		
	Revenue - external customers by location of customer £000's	Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	24,457	5,103	386
Europe	7,191	-	-
Asia	2,569	3,589	203
Americas	3,597	-	-
Other	2,942	-	-
	<u>40,756</u>	<u>8,692</u>	<u>589</u>

	December 2006 (Restated)		
	Revenue - external customers by location of customer £000's	Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	24,217	3,405	492
Europe	2,650	-	-
Asia	4,220	4,517	1,191
Americas	4,767	-	-
Other	2,698	-	-
	<u>38,552</u>	<u>7,922</u>	<u>1,683</u>

3. Finance costs comprises:

	Year ended 31 December 2007	Year ended 31 December 2006
	£000's	£000's
Interest receivable	2	2
Interest payable on bank loan and overdrafts	(339)	(252)
Other finance costs	43	(12)
	<u>(294)</u>	<u>(262)</u>

4. Dividends

	Year ended 31 December 2007 £000's	Year ended 31 December 2006 £000's
Ordinary dividends:		
Final dividend 2006 of 2.45p (2005 : 2.40p)	706	691
Interim dividend 2007 of 1.20p (2006 : 1.15p)	346	331
	<u>1,052</u>	<u>1,022</u>

A final dividend of 2.55 pence per share amounting to £735,000 will be paid on 6 May 2008, to shareholders on the register on 11 April 2008.

5. Earnings per share

	Year ended 31 December			
	2007 Earnings £000's	2007 EPS Pence	2006 Earnings (Restated note 12) £000's	2006 EPS (Restated) Pence
Profit before sale of property	2,142	7.4	1,820	6.3
Profit on sale of property	97	0.4	340	1.2
Basic and fully diluted earnings per share	<u>2,239</u>	<u>7.8</u>	<u>2,160</u>	<u>7.5</u>

The calculation of basic earnings per share is based on the profit for the year and the weighted average number of ordinary shares in issue of 28,804,698 shares (2006: 28,755,369 shares).

Fully diluted earnings per share reflect dilutive options granted resulting in weighted average number of shares of 28,890,270 ordinary shares (2006: 28,755,369 shares).

6. Payables : amounts due after more than one year

	31 December 2007	31 December 2006
	£000's	£000's
Bank loans (secured)	720	2,713
	<u>720</u>	<u>2,713</u>

7. Profit and loss account

The movement on profit and loss account for the year is as follows:

	Year ended 31 December 2007	Year ended 31 December 2006 (Restated note 12)
	£000's	£000's
Balance at beginning of year	3,046	2,136
Total net gains recognised	1,795	1,862
Share option costs recognised	70	70
Dividends paid (Note 4)	(1,052)	(1,022)
Balance at end of year	<u>3,859</u>	<u>3,046</u>

8. Net cash inflow from operating activities

	Year ended 31 December 2007	Year ended 31 December 2006 (Restated note 12)
	£000's	£000's
Operating profit	2,957	2,423
Share option costs	70	70
Depreciation	780	864
Decrease in inventories	843	169
(Increase) in trade and other receivables	(489)	(715)
Increase/(decrease) in trade and other payables	<u>686</u>	<u>(872)</u>
Net cash inflow from trading activities	4,847	1,939
Difference between pension charge and cash contributions	(1,050)	(1,092)
Tax paid	<u>(113)</u>	<u>(386)</u>
Net cash inflow from operating activities	<u>3,684</u>	<u>461</u>

9. Analysis of changes in net debt

	31 Dec 2006	Cashflow	31 Dec 2007
	£000's	£000's	£000's
Cash	296	566	862
Overdrafts	(1,434)	1,033	(401)
Loans due within one year	(532)	293	(239)
Loans due after one year	(2,713)	1,993	(720)
Net debt	(4,383)	3,885	(498)

10. Shareholders funds

	Share capital £000's	Share premium £000's	Capital redemption reserve £000's	Translation reserve £000's	P&L account £000's	Total £000's
At 31 December 2005 as previously reported	1,432	4,184	88	-	2,136	7,840
Shares issued to satisfy options exercised	8	49	-	-	-	57
Reclassification of exchange differences on overseas subsidiary	-	-	-	(885)	885	-
Retained profit to 31 December 2006 (under IFRS)	-	-	-	-	25	25
At 31 December 2006 (under IFRS - unaudited)	1,440	4,233	88	(885)	3,046	7,922
Exchange differences on overseas subsidiary	-	-	-	(43)	-	(43)
Retained profit to 31 Dec 2007 (under IFRS)	-	-	-	-	813	813
At 31 December 2007 (under IFRS - unaudited)	1,440	4,233	88	(928)	3,859	8,692

11. Acquisition of Ferrus Power Limited (“Ferrus”)

On 15 June 2007 the Company acquired 100% of the issued share capital of Ferrus, a company registered in England and Wales that designs and manufactures custom power supplies, for cash consideration.

The assets of Ferrus at the date of acquisition were as follows:

	Book value £000's	Fair value adjustment £000's	Fair value £000's
Property, plant and equipment	43	-	43
Inventories	165	(18)	147
Receivables	206	-	206
Payables (due in < 1 year)	<u>(150)</u>	<u>(83)</u>	<u>(233)</u>
Net trading assets	<u>264</u>	<u>(101)</u>	<u>163</u>
Consideration - paid and payable		(920)	
- acquisition costs		<u>(22)</u>	
- total cash outflow		(942)	
- cash balance acquired		<u>275</u>	<u>(667)</u>
Goodwill arising on acquisition			<u>504</u>

12. Explanation of transition to IFRS

The Group did not identify a need to restate profit or equity for periods preceding 1 January 2006 as a result of adopting IFRS. Consequently, the Group has not presented a reconciliation of equity at 1 January 2006.

Reconciliation of equity at 31 December 2006

	Note	UK GAAP £000's	Effect of transition to IFRS £000's	IFRS £000's
Assets				
Non-current assets				
Property, plant and equipment		10,102	-	10,102
Goodwill	a	872	148	1,020
Deferred tax assets	b	-	1,907	1,907
		10,974	2,055	13,029
Current assets				
Inventories		5,872	-	5,872
Trade and other receivables		7,571	-	7,571
Cash and cash equivalents		296	-	296
		13,739	-	13,739
Non-current assets classified as held for sale		-	-	-
		13,739	-	13,739
Total assets		24,713	2,055	26,768
Equity				
Equity share capital		1,440	-	1,440
Share premium		4,233	-	4,233
Capital redemption reserve		88	-	88
Translation reserve	c	-	(885)	(885)
Retained earnings	a, c	2,013	1,033	3,046
Total equity		7,774	148	7,922
Non-current liabilities				
Long-term borrowings		2,713	-	2,713
Deferred tax liabilities		-	-	-
Net pension liability	b	4,449	1,907	6,356
Total non-current liabilities		7,162	1,907	9,069
Current liabilities				
Bank overdrafts		1,434	-	1,434
Current portion of long-term borrowings		532	-	532
Trade payables		4,899	-	4,899
Current tax payable		188	-	188
Other payables		2,724	-	2,724
Total current liabilities		9,777	-	9,777
Total liabilities		16,939	1,907	18,846
Total equity and liabilities		24,713	2,055	26,768

Reconciliation of profit for the year ended 31 December 2006

	Note	UK GAAP £000's	Effect of transition to IFRS £000's	IFRS £000's
Revenue		38,552	-	38,552
Cost of sales		(30,059)	-	(30,059)
Gross profit		8,493	-	8,493
Other income		429	-	429
Operating expenses	a	(6,647)	148	(6,499)
Operating profit		2,275	148	2,423
Profit on sale of property		340	-	340
Finance costs		(262)	-	(262)
Profit before tax		2,353	148	2,501
Taxation		(341)	-	(341)
Profit for the period		2,012	148	2,160

a. IFRS 3 'Business Combinations' requires goodwill to be measured at cost less accumulated impairment losses. The goodwill was frozen on the date of transition to IFRS (1 January 2006), therefore the charge of £148,000 for the year to 31 December 2006 is no longer recognised under IFRS.

b. Under UK GAAP the defined benefit pension scheme liability was reflected in the financial statements net of deferred taxation. On transition to IFRS this has been shown in the accounts as a deferred tax asset.

c. The translation reserve historically under UK GAAP has been included in retained earnings, not disclosed separately. IFRS requires that the translation reserve is disclosed separately. The exemption offered by IFRS1 on first time adoption of IFRS was applied, as detailed in the accounting policies note, and the reserve was created during 2006.