



**4 March 2009**

**Stadium Group plc ("Stadium")**

**Unaudited preliminary results for the year ended 31 December 2008**

Stadium Group plc, the AIM listed provider of Electronic Manufacturing Services, announces preliminary results for the year ended 31 December 2008.

**Financial highlights**

- Revenues up 17% to £47.61m (2007: £40.76m)
- Profit before taxation up 5% to £2.78m (2007: £2.66m before property disposal)
- Earnings per share up 3% to 7.6p (2007: 7.4p before property disposal)
- Net cash flow from trading activities £4.12m (2007: £4.85m)
- Net bank borrowings £2.05m (2007: £0.50m) following £2.50m net consideration on acquisitions
- Proposed dividend 1.3 pence per share, total 2.55 pence (2007: 2.55 pence, 3.75 pence)

**Commenting upon the results and current trading, Chief Executive Nigel Rogers said,**

"We are very pleased to report solid revenue growth across each of our key markets with an overall increase in revenues of 17%, increases in profits and earnings and a continued strong cash flow.

We have experienced a significant weakening of customer demand in the opening few weeks of 2009, and these conditions are expected to prevail in the short term. The full extent of the global downturn and its impact on manufacturers worldwide is as yet unclear.

In view of the heightened uncertainty in both trading and financial markets the Board has considered it prudent to increase dividend cover to a level of three times rather than two times. Furthermore, the company has made a proposal to the Trustees relating to the timing of future deficit funding contributions, and will continue to address the level and volatility of pension costs and related obligations. These pre-emptive actions are considered appropriate in order to make available a greater proportion of free cash flow for investment in the business.

There will be many opportunities to win new customer business as a result of supply chain rationalisation programmes and industry wide consolidation. We believe that we have the operational and financial strength to use this more challenging period to build market share, and to provide increased momentum for growth in the medium to longer term."

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*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 2008*

**Introduction**

I am pleased to report that the group has delivered excellent results for the year ended 31 December 2008 with sales increased by 17%. Operating profits from Stadium Electronics and Stadium Power showed growth well in excess of 25%, although this was offset by reduced returns from Branded Plastics. Profit before taxation and property disposal rose by 5% to £2.78m (2007: £2.66m), and net cash flow from trading activities of £4.12m represented 132% of operating profit (2007: £4.85m and 164% respectively).

The acquisition of Zirkon Limited on 31 October 2008 marked a significant event in the implementation of our acquisition strategy, and the integration of its operations at Rugby into our Electronic Manufacturing Services ("EMS") business is progressing very well.

Group operations are in robust condition, and have the strength and resilience to take advantage of the opportunities that are anticipated in a much more challenging trading environment in 2009.

**Strategy**

Stadium Electronics provides high quality, cost-effective EMS through a partnership approach with key customers. We aim to deliver sustained growth through market development, technology investment and strategic acquisitions. Our manufacturing operations in the UK offer flexible solutions for new product development and lower volume high mix production, whilst our facility in Asia is able to deliver cost effective manufacturing services for customers with higher volume requirements.

Stadium Power offers power supply solutions to original equipment manufacturers including custom and standard switch mode power supplies, inverters, converters and battery chargers. The business is able to draw upon the manufacturing capabilities of Stadium Electronics to offer flexibility and competitiveness. The business delivers organic growth through the identification of new customers and product opportunities, and this is augmented by the acquisition of other businesses offering complementary technology, skills, products and customers.

Branded Plastics comprises Stadium Building Products and Quest Consumer Products. Operating from a single plastic injection moulding facility in North London, we design, produce, source, market and distribute products for the building products and baby care market sectors in the UK and overseas.

Cash generated from Group operations is utilised to meet the funding requirements of the defined benefit pension scheme, and to meet a progressive dividend policy with historic cover of approximately two times. Accordingly, gearing has been maintained at relatively prudent levels in recent years, and investment activity (including acquisitions) has been set against relatively short payback periods.

## **Pension scheme**

The triennial actuarial review of the defined benefit pension scheme was completed during the year with an effective date of April 2008. In broad terms, the review reconfirmed the ongoing validity of the funding model initiated in 2005, and it was agreed with the Trustees that deficit contributions of approximately £1.02m per annum would continue to be paid.

In September 2008 the Trustees entered into an insurance contract to cover payments equivalent to all future benefits relating to pensions in payment at that date. This contract was funded by the sale of equities, bonds and other investments, thus reducing the exposure of the scheme to investment volatility, inflation and mortality risk in respect of approximately one half of its projected total liabilities.

In anticipation of more challenging conditions in 2009, and in recognition of the reduced risk profile resulting from the transaction outlined above, the company has made a proposal to the Trustees to link the level of contributions required prior to the next triennial review in April 2011 to a proportion of profits after taxation.

## **Dividends**

The Board has given careful consideration to dividend policy in view of heightened uncertainty in both trading and financial markets. Accordingly, it is considered prudent to increase dividend cover to a level of three times, in order to ensure the retention of a greater proportion of free cash flow for investment in the business.

The Board therefore proposes a final dividend of 1.3 pence per share (2007: 2.55 pence) to be paid on 5 May 2009 to shareholders on the register on 3 April 2009. This brings the total dividends for the year to 2.55 pence per share, (2007: 3.75 pence per share), which is covered by earnings 3.0 times (2007: 2.1 times).

## **Prospects**

Our customers are broadly distributed across many geographical markets and industry sectors and this provides greater stability in a time of unprecedented uncertainty. Our people are dedicated to the provision of high quality products and services, and we enjoy a favourable degree of customer loyalty.

The strength of our balance sheet, and the pre-emptive actions taken on operating costs, cash generation and financial structure, will enable the Group to be well placed to take advantage opportunities going forward.

**Nick Brayshaw**

Chairman  
4 March 2009

**STADIUM GROUP PLC**  
**CHIEF EXECUTIVE'S REVIEW**

*Covering the year ended 31 December 2008*

**Overview**

I am pleased to report solid revenue growth, increases in profits and earnings, and continued strong cash flow.

Revenues increased by 17% to £47.61m (2007: £40.76m), with the major part of this growth delivered within Stadium Electronics. Profit before taxation amounted to £2.78m; an increase of 5% over the prior year (2007: £2.66m before property disposal).

Net cash inflow from operating activities was £2.75m (2007: £3.68m) and year end net debt was £2.05m (2007: £0.50m) with gearing of 19% (2007: 6%). This increase reflects the net cash invested in acquisitions of £2.50m; primarily that of Zirkon Limited announced on 3 November 2008 of £2.40m.

Sales demand during the year remained reasonably robust, although the final quarter of the year saw a significant reduction in sales to the automotive sector from our operations in Asia. Commodity price increases in the first half, especially those linked to oil, continued into the third quarter and began to abate thereafter. Towards the end of the year, very rapid depreciation of sterling relative to most major currencies (including US and Hong Kong dollars) also added to volatility.

**Stadium Electronics**

	<u>2008</u> <u>£m</u>	<u>2007</u> <u>£m</u>
Revenue by source		
Asia	25.12	20.14
UK	7.71	5.63
Total	<u>32.83</u>	<u>25.77</u>
Operating profit	<u>2.52</u>	<u>1.98</u>
Operating margin	<u>7.7%</u>	<u>7.7%</u>

Revenue growth of 27% was delivered, which reflected an underlying rate of like-for-like organic growth (adjusted for currency movements) of approximately 15%. Each of our key market segments; consumer, industrial, automotive and medical and personal care, showed improved revenues. Similarly, growth was broadly based across all key geographical markets.

On 3 November 2008 we announced the acquisition of Zirkon Limited for net cash consideration of £2.40m. Zirkon Limited (now Stadium Zirkon (UK) Limited) offers a range of services from its location at Rugby which complement those of our Hartlepool facility, and is of a similar size.

The acquisition provides enhanced scale and market profile for our UK manufacturing operations, and offers breadth of industry sector and geographical coverage. Integration of the two UK sites into a single organisation structure is progressing very well, and will deliver service benefits to customers as well as greater competitiveness to each site. Furthermore, the combined UK entity will further increase the opportunities to act as a gateway for customers to access our operation in Asia.

There is clear evidence of moves towards further consolidation of the EMS industry in the UK, which is likely to accelerate in the event of a prolonged downturn in trading conditions. We consider our EMS business to be in a strong position to be a leader in this process, but will continue to exercise extreme caution in evaluating the quality of any opportunities presented.

#### Stadium Power

	<u>2008</u> <u>£m</u>	<u>2007</u> <u>£m</u>
Revenue by source		
Asia	1.01	0.93
UK	2.91	2.71
Total	<u>3.92</u>	<u>3.64</u>
Operating profit	<u>0.64</u>	<u>0.48</u>
Operating margin	<u>16.3%</u>	<u>13.2%</u>

Stadium Power offers design and manufacture of standard and custom power conversion products across a broad range of industrial, commercial and medical applications.

Revenue in the year grew by 8%, reflecting the impetus from acquisitions made in each of the last two years. The integration of KRP Power Source and Ferrus into Stadium Power has also resulted in significant overhead cost savings. New standard products aimed at growth markets including fire protection and commercial LED lighting were launched in November, and are attracting interest.

In September 2008 we acquired Fox Industries, a designer and manufacturer of specialist filters and power supplies for consideration of approximately £0.10m net of cash acquired. The business of Fox was quickly integrated into our existing operations and its products added to our existing ranges.

Design and development engineering on behalf of customers seeking custom power solutions has continued to build momentum. The activity level is significantly higher than at the start of the year, although timescales are expected to extend somewhat in the current trading environment.

#### Branded Plastics

	<u>2008</u> <u>£m</u>	<u>2007</u> <u>£m</u>
Sales		
Babycare	4.88	5.02
Building Products	5.98	6.33
Total	<u>10.86</u>	<u>11.35</u>
Operating profit	<u>0.43</u>	<u>0.80</u>
Operating margin	<u>4.0%</u>	<u>7.1%</u>

Branded Plastics designs, manufactures and distributes a broad range of high quality plastic baby care and building products to retail outlets and builders merchants.

The rapid escalation in the cost of raw materials and energy evident in the first half of the year presented significant commercial challenges and these have only stabilised more recently.

It is anticipated that price stability will prevail in coming months, providing opportunities for focus to return to new products and business development.

### **Current trading and outlook**

We have experienced a significant weakening of customer demand in the opening few weeks of 2009, and these conditions are expected to prevail in the short term. At this early stage, it is not clear the extent to which the rapid slowdown is exacerbated by the reduction of customer inventories, nor the duration over which this will continue.

Steps have been taken throughout 2008 to trim operating costs and focus on careful management of working capital. Further measures have already been implemented since the year began, including headcount reductions in Asia and the UK, in order to adjust the cost base to reflect a lower level of sales. We have also continued to reduce inventories and receivables, and remain cash generative.

The full extent of the global downturn and its impact on manufacturers worldwide is as yet unclear. We are, however, prepared for the possibility of a prolonged period of muted demand and uncertainty. In view of the unprecedented level of turmoil in worldwide economic conditions, we are unable to forecast the impact on revenues or earnings with any degree of certainty.

We recognise the likelihood that there will be significant opportunities to seek reductions in material and other costs, although also pressure to pass on the benefits in our pricing structure. These will be assessed on their individual merits, where additional business or improved working capital terms can be achieved.

There will also be many opportunities to win new customer business as a result of supply chain rationalisation programmes and industry wide consolidation. We believe that we have the operational and financial strength to use this more challenging period to build market share, and to provide increased momentum for growth in the medium to longer term.

**Nigel Rogers**  
Chief Executive  
4 March 2009

## **STADIUM GROUP PLC**

### **FINANCIAL REVIEW**

*Covering the year ended 31 December 2008*

#### **Results**

Revenues increased by 17% to £47.61m (2007: £40.76m). Gross margin contracted by approximately 1% to 22.6% (2007: 23.6%) which was primarily attributable to the effect of increased raw material costs in Branded Plastics. This also suppressed overall operating margin by a similar factor to 6.5% (2007: 7.3%) of total sales.

Profit before taxation and property disposal rose by 5% to £2.78m (2007: £2.66m). Earnings per share (excluding the effect of property disposal) increased by 3% to 7.6p (2007: 7.4p).

#### **Foreign currency effects**

The majority of sales originating from UK operations are denominated in sterling, and hence match the currency of the underlying costs. Similarly, sales sourced from our Asia operations are normally denominated in US dollars, or local currencies closely aligned therewith.

Accordingly, there is a translation effect on consolidation of trading activities in Asia. This becomes realised only upon remittance.

The rapid appreciation of the US dollar (and aligned currencies) against sterling during the final quarter of the year contributed approximately £2.00m to sales and approximately £0.20m to operating profit relative to the average rate prevailing in the prior year.

Trading in our Asia operations is also affected adversely by the appreciation of the Chinese Yuan against the US dollar, as this has the effect of increasing operating costs in China. Exchange losses of approximately £0.28m have been recognised in current year earnings in respect of movements during 2008 (2007: £0.13m).

#### **Balance sheet and cash flow**

Net cash flow from trading activities amounted to £4.12m (2007: £4.85m) which represents 132% of operating profit (2007: 164%). After payment of pension deficit contributions and taxation amounting to £1.37m (2007: £1.16m), operating cash flow was £2.75m (2007: £3.68m).

Net bank borrowings at 31 December 2008 stood at £2.05m (2007: £0.50m) and gearing at 19% (2007: 6%). The principal reason for the increase in net borrowings was the investment in the acquisition of Zirkon of £2.40m set out in Note 11.

In November 2008, the company secured a multi-currency revolving line of credit equivalent to £3m at the rate of exchange ruling at drawdown. The full value of the facility was drawn down in US dollars, providing a partial hedge against the carrying value of the net investment in our Asia operations.

The net outstanding balance was retranslated at the year end rate of exchange, and the net loss of £0.38m was dealt with in reserves. This offsets the net translation gain of £1.66m arising on the net investment in Asia operations.

### **Taxation**

The effective rate of taxation represented 21% of profit before taxation (2007: 19%). Tax on profits earned in our Asia operations are incurred at a rate of approximately 20%, and paid locally. The charge to taxation in the UK relates to the release of deferred taxation asset associated with pension deficit contributions, and is not payable in cash.

The future effective rate of taxation is therefore substantially dependent upon the level of pension deficit contributions relative to profits before taxation.

### **Dividends**

During the year the company paid the final dividend for 2007 of 2.55 pence per share, and the 2008 interim dividend of 1.25 pence per share. Aggregate cash outflow in respect of these items was £1.10m (2007: £1.05m). The board has considered it prudent to increase dividend cover to three times in current financial market conditions, and accordingly proposes to pay a final dividend of 1.30 pence per share on 5 May 2009 at a cost of £0.38m.

### **Acquisitions**

The company completed two acquisitions during the year with aggregate consideration (including acquisition costs, and net of cash acquired) of £2.50m. Full details are set out in notes 10 and 11.

### **Pension scheme**

The company operates a defined benefit pension scheme which was closed to new entrants in 1995. The pension liability at the end of the year (net of related deferred tax asset) was £3.76m (2007: £4.13m). Pension contributions of approximately £1.02m were paid to the scheme in addition to those relating to current service (2007: £1.02m). During the year the Trustees of the scheme entered into an insurance contract relating to the pensions in payment at the date of the transaction, covering approximately half of the aggregate liabilities. This is considered to have materially reduced future volatility.

The company has made a proposal to the Trustees relating to the timing of future deficit funding contributions, and will continue to address the level and volatility of pension costs and related obligations.

## **Bank facilities**

At the end of the year, the Group had aggregate banking facilities of £6.10m, of which £3.40m are committed for a period of greater than one year and £2.70m are repayable on demand. Group companies have complied with all financial covenants relating to these facilities. Facilities extending beyond one year were fully utilised, and there were aggregate net credit balances of £1.74m held in accounts in respect of which facilities of £2.31m were also available.

## **Treasury and risk management**

### *Financial risks*

The main financial risks faced by the Group are credit risk, foreign currency risk, interest rate risk, and liquidity risk. The directors regularly review and agree policies for managing these risks. Further details are set out in Note 12.

Credit risk is managed by monitoring limits and payment performance of counterparties. The directors consider the level of general credit risk in current market conditions to be higher than normal.

Foreign currency risk is managed by matching payments and receipts in foreign currency to minimise exposure. Foreign currency is bought to match liabilities as they fall due where currency receipts are insufficient to match the liability. The results of Stadium Asia are reported in Hong Kong dollars, and as a result of this the Group's balance sheet and trading results can be affected by movements in the Hong Kong dollar. Part of this exposure is hedged by entering into loan facilities denominated in United States dollars.

Liquidity risk is managed by the Group maintaining undrawn overdraft facilities in order to provide short term flexibility.

Interest rate risk is managed by holding a mixture of cash and borrowings in Sterling, United States dollars and Hong Kong dollars at floating rates of interest.

### *Market risks*

The Group's main exposure to market risk arises from increases in input costs insofar as it is unable to pass them onto customers through price increases. The Group does not undertake any hedging activity in this area and all materials and utilities are purchased in spot markets. The Group is also exposed to the risk of a downturn in its customers' end markets leading to reduced levels of activity for the Group.

Input prices are monitored continually and underlying commodity prices are tracked. The Group seeks to mitigate increases in input costs through a combination of continuous improvement activities to increase the efficiency of operations and passing cost increases on to customers, where this is commercially viable.

The directors seek to ensure that the Group's activities are not significantly concentrated in sales to either one individual customer or into a single market sector in order to mitigate the exposure to downturn in activity levels. The directors consider that the current level of general market risk is higher than normal.

**Going concern**

The directors confirm that, after having made appropriate enquiries, they have a reasonable expectation that the Group and the Company have adequate resources to continue operations for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparation of the financial statements.

**Colin Wilson**  
Finance Director  
4 March 2009

**STADIUM GROUP PLC**  
**Consolidated income statement (unaudited)**  
**for the year ended 31 December 2008**

	Note	31 Dec 2008 £000's	31 Dec 2007 £000's
<b>Revenue</b>	2	<b>47,611</b>	<b>40,756</b>
Cost of sales		<u>(36,842)</u>	<u>(31,145)</u>
<b>Gross profit</b>		<b>10,769</b>	<b>9,611</b>
Other income		-	439
Operating expenses		<u>(7,653)</u>	<u>(7,093)</u>
<b>Operating profit</b>	2	<b>3,116</b>	<b>2,957</b>
Finance costs	3	<u>(334)</u>	<u>(294)</u>
<b>Profit before tax and sale of property</b>		<b>2,782</b>	<b>2,663</b>
Profit on sale of property		<u>-</u>	<u>97</u>
<b>Profit before tax</b>		<b>2,782</b>	<b>2,760</b>
Taxation		<u>(591)</u>	<u>(521)</u>
<b>Profit for the year</b>	2	<b>2,191</b>	<b>2,239</b>
Basic earnings per share	5	7.6p	7.8p
Diluted earnings per share	5	7.6p	7.8p

**Consolidated statement of recognised income and  
expense (unaudited)**  
**for the year ended 31 December 2008**

Actuarial loss in pension scheme net of deferred tax	(287)	(444)
Net exchange difference on translation of foreign operations	<u>1,070</u>	<u>(43)</u>
Net expense recognised directly in equity	783	(487)
Profit for the year	<u>2,191</u>	<u>2,239</u>
<b>Total recognised income and expense for the year</b>	<b>2,974</b>	<b>1,752</b>

**STADIUM GROUP PLC**  
**Consolidated balance sheet (unaudited)**  
**at 31 December 2008**

	Note	31 Dec 2008 £000's	31 Dec 2007 £000's
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7,723	6,654
Goodwill		2,589	1,524
Other intangible assets		172	-
Deferred tax assets		1,463	1,769
Other receivables		489	524
		<b>12,436</b>	<b>10,471</b>
<b>Current assets</b>			
Inventories		5,547	5,176
Trade and other receivables		9,286	8,271
Cash and cash equivalents		1,738	862
		<b>16,571</b>	<b>14,309</b>
<b>Total assets</b>		<b>29,007</b>	<b>24,780</b>
<b>Equity</b>			
Equity share capital		1,441	1,440
Share premium		4,237	4,233
Capital redemption reserve		88	88
Translation reserve		142	(928)
Retained earnings	7	4,698	3,859
<b>Total equity</b>		<b>10,606</b>	<b>8,692</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	3,437	720
Net pension liability		5,226	5,896
<b>Total non-current liabilities</b>		<b>8,663</b>	<b>6,616</b>
<b>Current liabilities</b>			
Bank overdrafts		-	401
Current portion of long-term borrowings		386	239
Trade payables		5,617	5,563
Current tax payable		647	318
Other payables		3,088	2,951
<b>Total current liabilities</b>		<b>9,738</b>	<b>9,472</b>
<b>Total liabilities</b>		<b>18,401</b>	<b>16,088</b>
<b>Total equity and liabilities</b>		<b>29,007</b>	<b>24,780</b>

**STADIUM GROUP PLC**  
**Consolidated cash flow statement (unaudited)**  
**for the year ended 31 December 2008**

	Note	31 Dec 2008 £000's	31 Dec 2007 £000's
Net cash flow from operating activities	8	2,752	3,684
<b>Investing activities</b>			
Purchase of property, plant and equipment		(654)	(589)
Sale of property, plant and equipment		26	2,846
Acquisition of subsidiary net of cash acquired		(2,502)	(667)
<b>Cash flows from investing activities</b>		<b>(3,130)</b>	<b>1,590</b>
<b>Financing activities</b>			
Equity share capital subscribed		5	-
Interest paid		(90)	(337)
(Decrease)/increase in bank loans		2,835	(2,286)
Dividends paid on ordinary shares	4	(1,095)	(1,052)
<b>Cash flows from financing activities</b>		<b>1,655</b>	<b>(3,675)</b>
Net increase in cash and cash equivalents		1,277	1,599
Cash and cash equivalents at start of year		461	(1,138)
<b>Cash and cash equivalents at end of year</b>		<b>1,738</b>	<b>461</b>

## STADIUM GROUP PLC

### NOTES:

#### 1. Basis of preparation

The consolidated financial statements of Stadium Group plc for the year ending 31 December 2008 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 2008 and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Company has elected to prepare its parent company accounts under UK Generally Accepted Accounting Principles (UK GAAP).

The Group's IFRS accounting policies, set out below, have been consistently applied to all the periods presented. The accounting policies have been applied consistently by Group entities.

The comparative figures for the year ended 31 December 2007 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 2007, 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 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 temporary 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 temporary differences can be deducted.

## **Other intangible assets**

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The useful life of development costs is estimated to be 5 years. Amortisation periods and methods are reviewed annually and adjusted if appropriate.

## **Share based payments**

Employee share options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

## **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 using the net investment method.

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 credit risk, 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 set out in Note 12.

### **Accounting estimates and judgements**

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

*Key sources of estimation uncertainty*

Stock provisions – The stock provision is based on average loss rates of stock in recent months. The provision makes use of stock counts performed which is considered to be representative of all stock items held.

Retirement benefit obligations – the key sources of estimation uncertainty relating to retirement benefit obligations are investment returns, discount rates and mortality assumptions.

Goodwill – Goodwill is evaluated for impairment at each balance sheet date. The recoverable amounts of cash generating units have been estimated based on value in use calculations.

Credit risk – Trade and other receivables are recognised to the extent that, in the opinion of the directors, they are recoverable in the ordinary course of business.

## 2. Segmental analysis

### By business segment

	<b>December 2008</b>				Consolidated £000's
	Stadium Electronics £000's	Stadium Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Revenue - external customers	<u>32,832</u>	<u>3,920</u>	<u>10,859</u>	<u>-</u>	<u>47,611</u>
Operating profit	<u>2,521</u>	<u>641</u>	<u>427</u>	<u>(473)</u>	3,116
Interest payable					(336)
Interest receivable					2
Taxation					(591)
Profit for the year					<u>2,191</u>

	<b>December 2007 (restated)</b>				Consolidated £000's
	Stadium Electronics £000's	Stadium Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Revenue - external customers	<u>25,765</u>	<u>3,643</u>	<u>11,348</u>	<u>-</u>	<u>40,756</u>
Operating profit	<u>1,978</u>	<u>482</u>	<u>800</u>	<u>(303)</u>	2,957
Interest payable					(296)
Interest receivable					2
Profit on disposal of property					97
Taxation					(521)
Profit for the year					<u>2,239</u>

	<b>December 2008</b>				Consolidated £000's
	Stadium Electronics £000's	Stadium Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Segment assets	16,752	1,420	5,319	6,305	29,796
Segment liabilities	<u>(8,156)</u>	<u>(271)</u>	<u>(1,145)</u>	<u>(9,618)</u>	<u>(19,190)</u>
Segment net assets	<u>8,596</u>	<u>1,149</u>	<u>4,174</u>	<u>(3,313)</u>	<u>10,606</u>
Expenditure on property, plant and equipment	489	79	86	-	654
Development costs	-	90	-	-	90
Depreciation and amortisation	<u>543</u>	<u>68</u>	<u>221</u>	<u>65</u>	<u>897</u>
	<b>December 2007 (restated)</b>				
	Stadium Electronics £000's	Stadium Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Segment assets	12,810	1,495	5,831	4,644	24,780
Segment liabilities	<u>(6,287)</u>	<u>(447)</u>	<u>(1,448)</u>	<u>(7,906)</u>	<u>(16,088)</u>
Segment net assets	<u>6,523</u>	<u>1,048</u>	<u>4,383</u>	<u>(3,262)</u>	<u>8,692</u>
Expenditure on property, plant and equipment	306	39	219	25	589
Development costs	-	-	-	-	-
Depreciation and amortisation	<u>430</u>	<u>67</u>	<u>271</u>	<u>12</u>	<u>780</u>

In 2007 the results of Stadium Power segment were reported within Electronics. From 2008 Stadium Power results have been reported internally as a separate segment. The 2007 comparative information has been restated accordingly.

## By geographic location

### December 2008

	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	26,509	5,958	352
Europe	8,226	-	-
Asia	2,508	4,648	302
Americas	4,967	-	-
Other	5,401	-	-
	<u>47,611</u>	<u>10,606</u>	<u>654</u>

### 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>

### 3. Finance costs comprises:

	Year ended 31 December 2008	Year ended 31 December 2007
	£000's	£000's
Interest receivable	2	2
Interest payable on bank loan and overdrafts	(92)	(339)
Other finance costs	(244)	43
	<u>(334)</u>	<u>(294)</u>

### 4. Dividends

	Year ended 31 December 2008	Year ended 31 December 2007
	£000's	£000's
Ordinary dividends:		
Final dividend 2007 of 2.55p (2006 : 2.45p)	735	706
Interim dividend 2008 of 1.25p (2007 : 1.20p)	360	346
	<u>1,095</u>	<u>1,052</u>

A final dividend of [1.30] pence per share amounting to [£375,000] will be paid on 5 May 2009, to shareholders on the register on 3 April 2009.

### 5. Earnings per share

	Year ended 31 December			
	2008 Earnings	2008 EPS	2007 Earnings	2007 EPS
	£000's	Pence	£000's	Pence
Profit before sale of property	2,191	7.6	2,142	7.4
Profit on sale of property	-	-	97	0.4
Basic and fully diluted earnings per share	<u>2,191</u>	<u>7.6</u>	<u>2,239</u>	<u>7.8</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 28,811,399 shares (2007: 28,804,698 shares).

Fully diluted earnings per share reflect dilutive options granted resulting in weighted average number of shares of 29,066,165 ordinary shares (2007: 28,890,270 shares).

## 6. Payables : amounts due after more than one year

	31 December 2008	31 December 2007
	£000's	£000's
Bank loans (secured)	3,408	720
Non-trade payables	29	-
	<u>3,437</u>	<u>720</u>

## 7. Profit and loss account

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

	Year ended 31 December 2008	Year ended 31 December 2007
	£000's	£000's
Balance at beginning of year	3,859	3,046
Profit for the year	2,191	2,239
Net actuarial loss in pension scheme	(287)	(444)
Share option costs recognised	30	70
Dividends paid (Note 4)	(1,095)	(1,052)
Balance at end of year	<u>4,698</u>	<u>3,859</u>

## 8. Net cash inflow from operating activities

	Year ended 31 December 2008	Year ended 31 December 2007
	£000's	£000's
Operating profit	3,116	2,957
Share option costs	30	70
Depreciation	898	780
Development costs	(90)	-
Decrease in inventories	296	843
Decrease/(increase) in trade and other receivables	280	(489)
(Decrease)/increase in trade and other payables	<u>(407)</u>	<u>686</u>
Net cash inflow from trading activities	4,123	4,847
Difference between pension charge and cash contributions	(1,211)	(1,050)
Tax paid	<u>(160)</u>	<u>(113)</u>
<b>Net cash inflow from operating activities</b>	<u><u>2,752</u></u>	<u><u>3,684</u></u>

## 9. Analysis of changes in net debt

	31 Dec 2007	Cashflow	31 Dec 2008
	£000's	£000's	£000's
Cash	862	876	<b>1,738</b>
Overdrafts	(401)	401	-
Loans due within one year	(239)	(147)	<b>(386)</b>
Loans due after one year	(720)	(2,688)	<b>(3,408)</b>
Net debt	(498)	(1,558)	<b>(2,056)</b>

## 10. Acquisition of Fox Industries Limited ("Fox")

On 30 September 2008 the Company acquired for cash consideration 100% of the issued share capital of Fox, a company registered in England and Wales that designs and manufactures filters and power supplies.

The net assets of Fox at the date of acquisition were as follows:

	Book Value	Fair value adjustment	Fair value
	£000's	£000's	£000's
Property, plant and equipment	11	-	<b>11</b>
Inventories	36	-	<b>36</b>
Trade and other receivables	40	-	<b>40</b>
Trade and other payables (due in <1year)	(61)	(6)	<b>(67)</b>
Intangible asset – product development	-	82	<b>82</b>
Net trading assets	26	76	<b>102</b>
Consideration - paid and payable		(196)	
- acquisition costs		(2)	
- total cash outflow		(198)	
- cash balance acquired		96	<b>(102)</b>
Goodwill arising on acquisition			-

On 1 October 2008 the business and assets of Fox were transferred to Stadium Power Limited at book value.

The revenues of Fox for the year ended 31 December 2007 were £391,000. The profit before tax for the same period was £73,000.

## 11. Acquisition of Zirkon Limited (“Zirkon”)

On 31 October 2008 the Company acquired for cash consideration 100% of the issued share capital of Zirkon, a company registered in England and Wales that provides Electronic Manufacturing Services (EMS).

The net assets of Zirkon at acquisition were as follows:

	Book Value	Fair value adjustment	Fair value
	£000's	£000's	£000's
Property, plant and equipment	526	-	526
Inventories	706	(75)	631
Trade and other receivables	1,215	-	1,215
Trade and other payables (due in <1year)	(1,023)	(15)	(1,038)
Net trading assets	1,424	(90)	1,334
Consideration - paid and payable		(3,000)	
- acquisition costs		(102)	
- total cash outflow		(3,102)	
- cash balance acquired		703	(2,399)
Goodwill arising on acquisition			1,065

The revenues of Zirkon for the year ended 30 June 2008 were £7,300,000. The profit before tax for the same period was £600,000.

## 12. Financial instruments

Set out below are the narrative and numerical disclosures which the directors consider to be material, and required by International Financial Reporting Standard 7 “Financial Instruments.”

### *Financial instruments:*

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

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

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 they are summarised below.

### *Credit risk:*

Exposure to credit risk arises on trade receivables on sales to customers and other non-trade receivables. Credit risk arises to the extent that any counterparty may become unable to satisfy its obligations in respect of prior transactions.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are carried out on all significant prospective customers and all existing customers requiring credit beyond a certain threshold. Varying approval levels are set on the extension of credit depending upon the value of the sale. Where credit risk is deemed to have risen to an unacceptable level, remedial actions including the variation of terms of trade are implemented under the guidance of senior management until the level of credit risk has been normalised.

The directors consider the level of general credit risk in current market conditions to be higher than normal.

**Trade receivables at 31 December 2008 comprised:**

	<b>31 December 2008</b>
	<b>£000's</b>
<i>Gross amount:</i>	
Neither impaired nor past due	<b>7,989</b>
Not past due but impaired	<b>460</b>
<i>Past due but not impaired:</i>	
31-60 days	<b>265</b>
61-90 days	<b>45</b>
91-120 days	<b>104</b>
More than 121 days	<b>93</b>
	<b>8,956</b>
Less: provisions held	<b>(389)</b>
Carrying amount	<b>8,567</b>

The Group allows an average debtors payment period of between 45 and 75 days from invoice date. Trade receivables that are neither impaired nor past due are made up of approximately 500 balances, of which approximately 300 relate to Branded Plastics. None of the individual balances is considered to represent a significant portion of the total balance; the largest individual balance was 9% of the total balance. Historically, these debtors have always paid balances when due, unless the balance or the quality of goods delivered is disputed. The average age of these debtors is 65 days.

Balances not past due but impaired include an amount of approximately £460,000 relating to two balances which have been re-negotiated during the year which are provided against to the extent of 50%. Balances past due but not impaired are covered by allowances to the extent of 30%.

Subsequent to the end of the year, a balance of approximately £418,000 included as neither impaired nor past due was not settled by the counterparty as a result of its ultimate parent company filing a motion for the sale of certain of its US assets under Chapter 11.

Assurances have been received that the pre-petition receivables and inventory held will be recoverable upon the resolution of the ownership of the counterparty in due course. Accordingly, the directors do not currently consider this balance to be impaired.

The Group finances its operations through a mixture of retained earnings and bank borrowings. The Group holds cash and borrows in Sterling and US dollars at floating rates of interest and does not undertake any hedging activity in this area. The Group's exposure to interest rate risk all relates to the floating rates at which it borrows and lends. This exposure is monitored continually to ensure that the Group remains able to meet its financing commitments from operational cash flows. The Group's financial liabilities are denominated in Sterling and HK\$ and have floating interest rates. The floating rate financial liabilities comprise:

- Bank borrowings in HK\$ that bear interest at bank base rate less 2%.
- Loans in US\$ that bear interest at rates based on LIBOR plus 1.5%.
- Overdraft in Sterling that bears interest at rates based on bank base rates plus 1.5%.

The interest rate profile of the Group's financial assets and liabilities at 31 December was as follows:

	Interest rate %	<b>2008</b> £000's	2007 £000's
<i>Assets</i>			
Sterling	4%	<b>489</b>	524
<i>Liabilities</i>			
Sterling	-	-	1,026
US dollar	5.3%	<b>3,384</b>	-
HK dollar	2.8%	<b>410</b>	334
		<b>3,794</b>	1,360

The financial liabilities comprise bank loans and overdrafts bearing interest rates set by reference to the relevant base rate.

The financial assets comprise the deferred consideration on the sale of surplus property bearing interest set by relevant base rate.

The maturity profile of the Group's loans and overdrafts and undrawn facilities at 31 December 2008 was as follows:

	2008		2007	
	Liabilities £000's	Undrawn £000's	Liabilities £000's	Undrawn £000's
In 1 year or less, or on demand	386	2,311	640	1,825
In more than 1 year but not more than 2 years	730	-	244	-
In more than 2 years but not more than 5 years	2,539	-	326	-
In more than 5 years	139	-	150	-
	<b>3,794</b>	<b>2,311</b>	1,360	1,825

It is estimated that a 1% change in relevant base rates would have an annual impact of £38,000 on interest costs.

*Liquidity risk:*

The Group's exposure to liquidity risk reflects its ability to readily access the funds to support its operations. The Group's policy is to maintain undrawn overdraft borrowing facilities in order to provide the flexibility required in the management of the Group's liquidity. The Group's liquidity requirements are continually reviewed and additional facilities put in place as appropriate.

At the year end the Group had overdraft facilities of £2,311,000 (2007: £2,226,000) of which £nil was being used (2007: £401,000).

*Foreign currency risk:*

The Group's exposure to currency risk arises from transactions which are not in the functional currency of the operating unit and from the retranslation of the operating unit's results into Sterling, being the Group's functional currency.

The Group manages its exposure to currency risk by matching the currency of payments and receipts in order to minimise exposure and buys currency when the liability falls due. The directors do not believe that the Group has a significant foreign currency exposure on transactions.

The Group foreign currency risk exposure from recognised assets and liabilities arises primarily from its investment in Stadium Asia Limited denominated in Hong Kong Dollars (notes 1 and 9). During the year, the Group has hedged part of this exposure by the drawdown of long term borrowings denominated in US dollars (notes 13 and 14).

There is no significant impact on profit and loss account from foreign currency movements associated with these assets and liabilities as the effective portion of foreign currency gains and losses arising are recorded through the translation reserve. The net gain of £1,070,000 (2007: loss of £43,000) on the translation reserve takes into account the related hedge.

In the opinion of the directors, the hedge transaction is effective as the US dollar and Hong Kong dollar exchange rates have been pegged for many years.

At 31 December 2008 the Group had net borrowings denominated in US\$ of £3,384,000 (2007: £nil) and in Hong Kong Dollars of £410,000 (2007: £334,000).

It is estimated that a 1% movement in the exchange rate would have an impact of £15,000 on the Group's operating profit and £13,000 on the Group's net assets.

*Fair values of financial assets and liabilities:*

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 December 2008.

	2008		2007	
	Book value	Fair value	Book value	Fair value
	£000's	£000's	£000's	£000's
Cash at bank	1,738	1,738	862	862
Loans receivable	489	489	524	524
Trade receivables	8,567	8,567	7,265	7,265
Loans and receivables	10,794	10,794	8,651	8,651
Bank loans and overdrafts repayable within one year	(386)	(386)	(640)	(640)
Bank loans repayable after more than one year	(3,408)	(3,408)	(720)	(720)
Trade payables	(5,617)	(5,617)	(5,563)	(5,563)
Financial liabilities at amortised cost	(9,411)	(9,411)	(6,923)	(6,923)

In the opinion of the directors, there is no material difference between the book value and the fair value of cash, bank borrowings and trade receivables and payables in view of their short term nature.