



3 March 2010

Stadium Group plc (AIM : SDM)

**Unaudited preliminary results for the year ended 31 December 2009**

Stadium Group plc announces preliminary results for the year ended 31 December 2009. The group is a leading provider of Electronic Manufacturing Services ("EMS") from two sites in the UK at Hartlepool and Rugby, and from its wholly owned subsidiary, Stadium Asia, in China.

**Commenting upon the results, Chairman Nick Brayshaw OBE said,**

The actions taken by management in the early part of the year to mitigate the effects of the economic downturn placed the business in an ideal position to benefit from recovery, with a reduced operating cost base and the financial resources to fund renewed growth.

New business success achieved in the second half has led to significant out-performance relative to expectations established earlier in the year, and this has continued into 2010. The group had net cash of £0.4m at the year end, and facility headroom exceeding £5m to finance further expansion.

Far East outsourcing remains a compelling strategy for a wide range of companies, and continues to offer a significantly lower cost base. Meanwhile, the proposition for UK manufacturing is improving as customers seek to shorten new product introduction timescales, reduce production lead times and minimise working capital investment. By combining our facilities, we provide our customers with cost effective design and manufacturing solutions which meet international standards of product quality, customer service and intellectual property protection regardless of location.

Current trading is substantially ahead of the same period last year, and the level of enquiries from both existing and target customers is encouraging. Looking further ahead, we are optimistic that new products emanating from emerging market sectors, including green technology, will offer significant potential for organic growth, and lead to further investment and acquisition activity when suitable opportunities arise."

**Financial highlights**

- Revenues of £46.58m (2008: £47.61m)
- Profit before taxation and severance costs\* of £2.50m (2008: £2.78m)
- Underlying earnings per share\* of 6.8p (2008: 7.6p)
- H2 PBT\* up 40% to £1.46m (2009 H1: £1.04m)
- H2 earnings per share\* up 43% to 4.0p (2009 H1: 2.8p)
- Net cash flow from trading activities of £4.83m (2008: £4.21m)
- Balance sheet net cash of £0.40m (2008: £2.05m net borrowings)
- Proposed final dividend up 11.5% to 1.45 pence per share, total 2.25 pence (2008: 1.30p, 2.55p)

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\*Severance costs amounted to £0.21m in 2009, equivalent to 0.5p per share (2009 H1: £0.16m, 0.4p, 2008: nil)

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 2009*

**Introduction**

I am pleased to report that the group has delivered satisfactory results for the year ended 31 December 2009 and that we anticipate the improvement delivered in the second half of the year to be sustained into 2010.

Pre-emptive actions taken during a particularly challenging first half placed the group in a strong position to benefit from any recovery. In the event, a slow but sustained improvement in underlying demand across most market sectors was evident. More importantly, the favourable effect of new business wins on final quarter revenues signalled the return of growth momentum.

Profit before taxation and severance costs was £2.50m (2008: £2.78m), and net cash flow from trading activities of £4.83m represented 175% of operating profit (2008: £4.21m and 135% respectively).

Group operations have emerged from this difficult period with the operational strength and financial resources to deliver further growth in 2010 and beyond.

**Target market sectors**

The UK electronics industry began to face a period of slower economic growth during 2008 and, despite some signs of recovery during 2009, pressure on revenues and margins in mature industry sectors such as automotive and consumer electronics has continued. Although there are some positive signs that more sustained recovery may be underway, greater visibility and confidence are not expected to return until later this year or into 2011.

On a much more encouraging note, electronics technology is of vital importance in several emerging market sectors, which appear to have the broad support of government and regulatory bodies alike.

In particular, there is clear evidence that technology can provide part of the solution to climate change, and the low carbon emissions agenda of the future will depend on new ways of generating, measuring and conserving energy and water. Developments in renewable energy, smart metering and low energy lighting are examples of this process, and each of these sectors offer opportunities for electronic manufacturing services (EMS) providers. Our skills and experience in power supply design and manufacture represent a distinct advantage, especially in conjunction with competitive sourcing from our facility in Asia.

Initiatives to improve the utilisation of road and rail networks by providing greater visibility and informatics are also creating new products and businesses, and we are well placed to benefit. These programmes have been maintained through the consumer downturn as a beneficiary of government stimulus measures, and are expected to continue to provide cost effective solutions in future.

Demographic changes and improvements in medical practice are also creating opportunities for technology in patient care, mobility and cosmetics. With our Asia facility approved for the production of devices under ISO 13485 and the US FDA we continue to seek opportunities in this area.

## **Pension scheme**

In April 2009 the company reached agreement with the Trustees of the pension scheme to reduce funding contributions to an annual rate of £0.38m from the previously agreed level of £1.02m per annum. The temporary reduction applies until April 2010, at which time the previous level will resume in the absence of any further agreement.

In December 2009 the partial buy-out of liabilities relating to pensions in payment at 1 April 2009 was completed, covering approximately 47% of the scheme liabilities at the year end. Net pension liabilities (after deferred taxation) increased during the year from £3.76m to £6.05m, with the movement largely attributable to the reduced discount rate applied to future cash liabilities.

The board will continue to monitor market conditions and seek opportunities to reduce the level of exposure in this area.

## **Dividends**

The Board revised dividend policy during 2008 to a target dividend cover by earnings three times. The Board believes that maintenance of this policy continues to be appropriate, although intends to make allowance for the one-off nature of severance costs incurred in 2009.

Accordingly, the Board therefore proposes a final dividend of 1.45 pence per share (2008: 1.30 pence) to be paid on 4 May 2010 to shareholders on the register on 26 March 2010. This brings the total dividends for the year to 2.25 pence per share, (2008: 2.55 pence per share), which is covered by earnings 2.8 times (2008: 3.0 times) or 3.0 times after adjusting for severance costs.

## **Prospects**

We enter 2010 with strong momentum from an excellent fourth quarter trading last year, and the new business outlook remains positive.

Overall, we are optimistic that new products emanating from emerging market sectors, including green technology, will continue to offer significant potential for organic growth, and lead to further investment or acquisition activity when suitable opportunities arise.

**Nick Brayshaw OBE**

Chairman  
3 March 2010

## STADIUM GROUP PLC

### CHIEF EXECUTIVE'S REVIEW

*Covering the year ended 31 December 2009*

#### Overview

I am pleased to report a stronger than anticipated second half performance in trading results and cash flow, and satisfactory full year results. Revenues in the final quarter reverted back to the levels achieved in the same period in 2008, and continue to be buoyant into the current year.

Overall, revenues decreased by 2.2% to £46.58m (2008: £47.61m). Underlying volume contraction of approximately 20% was typical of the global EMS industry as a whole, and somewhat less marked than in many sub-sectors of the market such as automotive and telecommunications. Profit before taxation amounted to £2.50m (before redundancy costs of £0.21m); a decrease of 10.1% over the prior year (2008: £2.78m). This compares with £1.04m for the first half of the year, hence the second half improved by more than 40% and was ahead of the same period in 2008.

Net cash inflow from operating activities was £3.32m (2008: £2.84m) and year end net cash resources of £0.40m compare with opening net debt of £2.05m. In summary, sufficient cash was generated to fully repay by the end of 2009 the £2.50m of net bank borrowings incurred in October 2008 for the acquisition of Zirkon Limited. However, this cash was retained on the balance sheet in the interests of liquidity.

#### Stadium Electronics

	<u>2009</u> <u>£m</u>	<u>2008</u> <u>£m</u>
Revenue by source		
Asia	18.86	25.12
UK	13.31	7.71
Total	<u>32.17</u>	<u>32.83</u>
Operating profit	<u>2.03</u>	<u>2.52</u>
Operating margin	<u>6.3%</u>	<u>7.7%</u>

Revenues in Asia were down by approximately 25% on prior year, which resulted from reduced end-user demand from most customers and sectors, exacerbated by inventory reductions mainly in the first half of the year. Revenues in the UK were broadly neutral after adjusting for the effects of the acquisition of the operations at Rugby in October 2008. Overall, the second half of the year was about 10% ahead of the first.

The impact of lower underlying revenues on operating margin was mitigated by strict cost control and improvements in operating efficiency such that a reduction to 6.3% was much less severe than would otherwise have been the case on such a significant volume reduction. Our competitive cost structure will continue to deliver benefits as volumes increase, and operating margins at or above the level achieved in 2008 remain a realistic prospect.

Offshore manufacture outsourcing remains a compelling strategy for a wide range of original equipment manufacturers, and China continues to offer the benefits of a significantly lower cost base and the infrastructure to manage complex transfer programmes. These benefits prevail despite the influence of cost inflation, especially in direct labour, as the market matures.

Meanwhile, the proposition for UK manufacturing is improving as customers seek to shorten new product introduction timescales, reduce production lead times and minimise working capital investment. Accordingly, our increased UK manufacturing footprint and enhanced market profile are considered to represent a significant advantage to future growth prospects.

Sales and marketing activities have been stepped up during the year despite the economic downturn. Our new management structure is led by Tony Inskip, who was appointed to the board as Commercial Director in September 2009, and is focused on developing opportunities in key target markets with both new and existing customers.

We anticipate further consolidation of the UK EMS market, and believe we are well placed both financially and operationally, to participate in this process from a position of strength.

#### Stadium Power

	<u>2009</u> <u>£m</u>	<u>2008</u> <u>£m</u>
Revenue by source		
Asia	1.08	1.01
UK	2.05	2.91
Total	<u>3.13</u>	<u>3.92</u>
Operating profit	<u>0.27</u>	<u>0.64</u>
Operating margin	<u>8.6%</u>	<u>16.3%</u>

Stadium Power returned to growth in the second half of the year, with demand slowly picking up as customers recovered from the worst effects of the downturn. Activity in sales enquiries and product development for custom product had continued to be quite promising, and these are now filtering through into revenues. The market for distribution of standard products remains competitive as distributors seek to maintain volumes and minimise inventory holdings.

Our UK manufacture of custom and semi-standard products is now consolidated onto one site at Diss, and an increasing proportion of sales will be generated from Stadium Asia and other third party vendors in the Far East.

The benefit of this change in approach is evident, with some 80% of segmental operating profit being generated in the second half of the year.

Throughout 2009, and despite the reduction in revenues, Stadium Power has continued to experience high levels of customer enquiries and engineering development. We expect to build on the improvements seen in the second half of the year as 2010 progresses and these projects reach production.

## Branded Plastics

	<u>2009</u> <u>£m</u>	<u>2008</u> <u>£m</u>
Revenue by source		
Babycare	4.93	4.88
Building Products	6.35	5.98
Total	<u>11.28</u>	<u>10.86</u>
Operating profit	<u>0.82</u>	<u>0.43</u>
Operating margin	<u>7.3%</u>	<u>4.0%</u>

Market conditions in the builders' merchant sector continued to be challenging, and revenue growth was achieved by conversion of new opportunities with DIY multiples and a major retail chain. These areas continue to offer future growth potential. Baby care continued to perform well, both in the UK and internationally, although this sector is now becoming increasingly competitive.

Operating margin was restored to the rate achieved in prior years, after the effect of raw material and energy cost increases in 2008 was digested.

## Current trading and outlook

The strong momentum experienced in the final quarter of 2009 arising from new business has continued to prevail in the opening period of 2010 and current trading is substantially ahead of the same period last year. Revenues are currently constrained by the availability of components, with lead times extending and many lines out of stock. These conditions are likely to prevail through much of the first half of the year, and require careful monitoring to maintain customer service and mitigate pressure to increase costs.

Whilst demand in more mature sectors remains somewhat muted, the new business pipeline is promising and offers ample opportunities to deliver further growth in future.

**Nigel Rogers**  
Chief Executive  
3 March 2010

## **STADIUM GROUP PLC**

### **FINANCIAL REVIEW**

*Covering the year ended 31 December 2009*

#### **Results**

Revenues reduced by 2.2% to £46.58m (2008: £47.61m). Underlying sales were 20.6% down on the previous year, though the impact was lessened by the Zirkon acquisition and relative strengthening of the US dollar. Gross margin contracted by approximately 0.7% to 21.9% (2008: 22.6%), which suppressed overall operating margin, including one-off severance costs of £0.21m, by 0.6% to 5.9% (2008: 6.5%) of total sales. Underlying operating margin, after adjusting for severance costs, was reduced by only 0.1% to 6.4% reflecting the steps taken to improve operational effectiveness and reduce underlying operating costs by 12.5%.

Profit before taxation and severance costs decreased by 10% to £2.50m (2008: £2.78m). Earnings per share (excluding the effect of severance costs) decreased by 10.5% to 6.8p (2008: 7.6p).

#### **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 appreciation of the average US dollar rate against sterling, relative to the previous year, contributed approximately £2.54m to sales and approximately £0.18m to operating profit.

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 £nil have been recognised in current year earnings in respect of movements during 2009 (2008: £0.28m).

#### **Statement of financial position and cash flow**

Net cash flow from trading activities amounted to £4.83m (2008: £4.21m) which represents 175% of operating profit (2008: 135%). After payment of pension deficit contributions and taxation amounting to £1.51m (2008: £1.37m), operating cash flow was £3.32m (2008: £2.84m).

Net cash at 31 December 2009 stood at £0.40m (2008: £2.05m of net borrowings) and gearing at nil% (2008: 19%).

The multi-currency revolving credit facility of £3m which was drawn down in US dollars during 2008 was maintained in 2009. The first scheduled repayment against this facility was made in October 2009.

The net outstanding balance was retranslated at the year end rate of exchange, and the net gain of £0.25m was dealt with in reserves. This offsets the net translation loss of £0.62m arising on the net investment in Asia operations.

### **Taxation**

The effective rate of taxation represented 21% of profit before taxation (2008: 21%). 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 arose on profits in the subsidiary companies. The tax shelter afforded by pension deficit contributions in previous years was much reduced during the year as a result of the temporary reduction in contributions agreed with the pension scheme trustees.

It is anticipated that the deficit contributions will return to their previously agreed level during 2010 and that the future effective rate of taxation will be substantially dependent upon their level relative to profits before taxation.

### **Dividends**

During the year the company paid the final dividend for 2008 of 1.30 pence per share, and the 2009 interim dividend of 0.80 pence per share. Aggregate cash outflow in respect of these items was £0.61m (2008: £1.10m). The board intends to maintain the policy of covering the dividend three times, and accordingly proposes to pay a final dividend of 1.45 pence per share on 4 May 2010 at a cost of £0.42m.

### **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 £6.05m (2008: £3.76m). Pension contributions of approximately £0.71m were paid to the scheme in addition to those relating to current service (2008: £1.02m).

The company negotiated with the Trustees a twelve month reduction of 62.5% in deficit funding contributions, worth approximately £0.64m in cash flow savings. This agreement is due to end in April 2010, when it is anticipated that deficit funding contributions will return to their previous level.

### **Bank facilities**

At the end of the year, the Group had aggregate banking facilities of £5.76m, of which £2.34m are committed for a period of greater than one year and £2.28m are repayable on demand. Group companies have complied with all financial covenants relating to these facilities. Facilities extending beyond one year had an amount of £0.26m unutilised, and there were aggregate net credit balances of £3.47m held in accounts in respect of which facilities of £2.28m 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 10.

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 statement of financial position 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  
3 March 2010

**STADIUM GROUP PLC**  
**Consolidated income statement (unaudited)**  
**for the year ended 31 December 2009**

		<b>31 Dec 2009 £000's</b>	31 Dec 2008 £000's
	Note		
<b>Revenue</b>	2	<b>46,577</b>	<b>47,611</b>
Cost of sales		<u>(36,385)</u>	<u>(36,842)</u>
<b>Gross profit</b>		<b>10,192</b>	<b>10,769</b>
Operating expenses		<u>(7,431)</u>	<u>(7,653)</u>
<b>Operating profit</b>	2	<b>2,761</b>	<b>3,116</b>
Finance costs	3	<u>(473)</u>	<u>(334)</u>
<b>Profit before tax</b>		<b>2,288</b>	<b>2,782</b>
Taxation		<u>(485)</u>	<u>(591)</u>
<b>Profit for the year</b>	2	<b><u>1,803</u></b>	<b><u>2,191</u></b>
Basic earnings per share	5	6.3p	7.6p
Diluted earnings per share	5	6.2p	7.6p
Pre-severance costs earnings per share	5	6.8p	7.6p

**STADIUM GROUP PLC**  
**Consolidated statement of comprehensive income**  
**(unaudited)**  
**for the year ended 31 December 2009**

	<b>31 Dec 2009</b>	31 Dec 2008
Note	<b>£000's</b>	£000's
<b>Profit for the year</b>	<u><b>1,803</b></u>	<u><b>2,191</b></u>
<b>Other comprehensive income</b>		
Exchange differences on translating foreign operations	(339)	1,070
Actuarial loss in pension scheme net of deferred tax	<u>(2,567)</u>	<u>(287)</u>
<b>Other comprehensive income for the year</b>	<u><b>(2,906)</b></u>	<u><b>783</b></u>
<b>Total comprehensive income for the year</b>	<u><u><b>(1,103)</b></u></u>	<u><u><b>2,974</b></u></u>

**STADIUM GROUP PLC**  
**Consolidated statement of financial**  
**position (unaudited)**  
**at 31 December 2009**

	Note	31 Dec 2009 £000's	31 Dec 2008 £000's
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,951	7,723
Goodwill		2,589	2,589
Other intangible assets		152	172
Deferred tax assets		2,351	1,463
Other receivables		-	489
		<b>12,043</b>	<b>12,436</b>
<b>Current assets</b>			
Inventories		5,737	5,547
Trade and other receivables		9,466	9,286
Cash and cash equivalents		3,468	1,738
		<b>18,671</b>	<b>16,571</b>
<b>Total assets</b>		<b>30,714</b>	<b>29,007</b>
<b>Equity</b>			
Equity share capital		1,441	1,441
Share premium		4,237	4,237
Capital redemption reserve		88	88
Translation reserve		(197)	142
Retained earnings	7	3,315	4,698
<b>Total equity</b>		<b>8,884</b>	<b>10,606</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	2,335	3,437
Deferred tax		23	-
Net pension liability		8,397	5,226
<b>Total non-current liabilities</b>		<b>10,755</b>	<b>8,663</b>
<b>Current liabilities</b>			
Current portion of long-term borrowings		731	386
Trade payables		7,392	5,617
Current tax payable		240	647
Other payables		2,712	3,088
<b>Total current liabilities</b>		<b>11,075</b>	<b>9,738</b>
<b>Total liabilities</b>		<b>21,830</b>	<b>18,401</b>
<b>Total equity and liabilities</b>		<b>30,714</b>	<b>29,007</b>

**STADIUM GROUP PLC**  
**Consolidated cash flow statement (unaudited)**  
**for the year ended 31 December 2009**

	<b>Note</b>	<b>31 Dec 2009 £000's</b>	<b>31 Dec 2008 £000's</b>
Net cash flow from operating activities	8	3,316	2,842
<b>Investing activities</b>			
Purchase of property, plant and equipment		(475)	(654)
Sale of property, plant and equipment		4	26
Acquisition of subsidiary net of cash acquired		-	(2,502)
Development costs		-	(90)
<b>Cash flows from investing activities</b>		<b>(471)</b>	<b>(3,220)</b>
<b>Financing activities</b>			
Equity share capital subscribed		-	5
Interest paid		(122)	(90)
(Decrease)/increase in bank loans		(388)	2,835
Dividends paid on ordinary shares	4	(605)	(1,095)
<b>Cash flows from financing activities</b>		<b>(1,115)</b>	<b>1,655</b>
Net increase in cash and cash equivalents		1,730	1,277
Cash and cash equivalents at start of year		1,738	461
<b>Cash and cash equivalents at end of year</b>		<b>3,468</b>	<b>1,738</b>

## STADIUM GROUP PLC

### NOTES:

#### 1. Basis of preparation

The consolidated financial statements of Stadium Group plc for the year ending 31 December 2009 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 2009 and with those parts of the Companies Act 2006 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 2008 do not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2008, 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 reporting 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 reporting 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 reporting 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. 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 statement of financial position 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 10.

#### **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 reporting 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 operating segment

	December 2009				
	Stadium Electronics £000's	Stadium Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Revenue - external customers	<u>32,165</u>	<u>3,130</u>	<u>11,282</u>	<u>-</u>	<u>46,577</u>
Operating profit	<u>2,026</u>	<u>274</u>	<u>818</u>	<u>(357)</u>	2,761
Interest payable					(473)
Interest receivable					-
Taxation					(485)
Profit for the year					<u>1,803</u>

	December 2008				
	Stadium Electronics £000's	Stadium Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £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 2009</b>				Consolidated £000's
	Stadium Electronics £000's	Stadium Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Segment assets	16,043	1,196	5,347	8,128	30,714
Segment liabilities	<u>(9,033)</u>	<u>(325)</u>	<u>(1,397)</u>	<u>(11,075)</u>	<u>(21,830)</u>
Segment net assets	<u>7,010</u>	<u>871</u>	<u>3,950</u>	<u>(2,947)</u>	<u>8,884</u>
Expenditure on property, plant and equipment	351	1	123	-	475
Development costs	-	-	-	-	-
Depreciation and amortisation	<u>632</u>	<u>60</u>	<u>200</u>	<u>81</u>	<u>973</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	5,516	29,007
Segment liabilities	<u>(8,156)</u>	<u>(271)</u>	<u>(1,145)</u>	<u>(8,829)</u>	<u>(18,401)</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>544</u>	<u>68</u>	<u>221</u>	<u>65</u>	<u>898</u>

**By geographic location****December 2009**

	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	31,563	5,790	379
Europe	5,288	-	-
Asia	1,070	3,094	96
Americas	3,953	-	-
Other	4,703	-	-
	<u>46,577</u>	<u>8,884</u>	<u>475</u>

**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>

### 3. Finance costs comprises:

	Year ended 31 December 2009	Year ended 31 December 2008
	£000's	£000's
Interest receivable	-	2
Interest payable on bank loan and overdrafts	(122)	(92)
Other finance costs	(351)	(244)
	<b>(473)</b>	<b>(334)</b>

### 4. Dividends

	Year ended 31 December 2009	Year ended 31 December 2008
	£000's	£000's
Ordinary dividends:		
Final dividend 2008 of 1.30p (2007 : 2.55p)	374	735
Interim dividend 2009 of 0.80p (2008 : 1.25p)	231	360
	<b>605</b>	<b>1,095</b>

A final dividend of 1.45 pence per share amounting to £418,000 will be paid on 4 May 2010, to shareholders on the register on 26 March 2010.

### 5. Earnings per share

	Year ended 31 December			
	2009 Earnings	2009 EPS	2008 Earnings	2008 EPS
	£000's	Pence	£000's	Pence
Profit for the year before severance costs	1,956	6.8	2,191	7.6
Severance costs after tax	(153)	(0.5)	-	-
Profit for the year	<b>1,803</b>	<b>6.3</b>	2,191	7.6
Basic earnings per share	<b>1,803</b>	<b>6.3</b>	2,191	7.6

One-off severance costs of £213,000 were paid during the year, their after tax impact at a rate of 28% being £153,000.

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 28,827,198 shares (2008: 28,811,399 shares).

Fully diluted earnings per share reflect dilutive options granted resulting in weighted average number of shares of 28,908,207 ordinary shares (2008: 29,066,165 shares).

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

	31 December 2009	31 December 2008
	£000's	£000's
Bank loans (secured)	2,335	3,408
Non-trade payables	-	29
	<u>2,335</u>	<u>3,437</u>

## 7. Retained earnings

The movement on retained earnings for the year is as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
	£000's	£000's
Balance at beginning of year	4,698	3,859
Profit for the year	1,803	2,191
Net actuarial loss in pension scheme	(2,567)	(287)
Share option costs recognised	(14)	30
Dividends paid (Note 4)	(605)	(1,095)
Balance at end of year	<u>3,315</u>	<u>4,698</u>

## 8. Net cash inflow from operating activities

	Year ended 31 December 2009	Year ended 31 December 2008
	£000's	£000's
Operating profit	2,761	3,116
Share option costs	(14)	30
Depreciation	953	898
Amortisation of development costs	20	-
(Increase)/decrease in inventories	(190)	296
Decrease in trade and other receivables	273	280
Increase/(decrease) in trade and other payables	<u>1,024</u>	<u>(407)</u>
Net cash inflow from trading activities	4,827	4,213
Difference between pension charge and cash contributions	(745)	(1,211)
Tax paid	<u>(766)</u>	<u>(160)</u>
<b>Net cash inflow from operating activities</b>	<u><u>3,316</u></u>	<u><u>2,842</u></u>

## 9. Analysis of changes in net debt

	31 Dec 2008	Cashflow	Foreign Exchange	31 Dec 2009
	£000's	£000's	£000's	£000's
Cash	1,738	1,730	-	3,468
Loans due within one year	(386)	(430)	85	(731)
Loans due after one year	(3,408)	818	255	(2,335)
Net debt	(2,056)	2,118	340	402

## 10. 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 2009 comprised:**

	<b>31 December 2009</b>	31 December 2009
	<b>£000's</b>	£000's
<i>Gross amount:</i>		
Neither impaired nor past due	<b>8,438</b>	<b>7,989</b>
<u>Not past due but impaired</u>	-	<b>460</b>
Past due and impaired	<b>349</b>	-
<i>Past due but not impaired:</i>		
31-60 days	<b>40</b>	265
61-90 days	<b>13</b>	45
91-120 days	<b>3</b>	104
More than 121 days	<b>99</b>	93
	<b>8,942</b>	8,956
Less: provisions held	<b>(497)</b>	(389)
Carrying amount	<b>8,445</b>	8,567

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 past due and impaired includes an amount of approximately £349,000 relating to two balances which have been provided against to the extent of 100%. Balances past due but not impaired are covered by allowances to the extent of 95%.

*Interest rate risk:*

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 2.25%.
- 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 2.5%.

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

	Interest rate %	<b>2009</b> £000's	2008 £000's
<i>Assets</i>			
Sterling	3.5%	<b>489</b>	489
<i>Liabilities</i>			
US dollar	1.8%	<b>2,743</b>	3,384
HK dollar	2.8%	<b>323</b>	410
		<b>3,066</b>	3,794

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 the relevant base rate.

The maturity profile of the Group's loans and overdrafts and undrawn facilities at 31 December 2009 was as follows:

	2009		2008	
	Liabilities £000's	Undrawn £000's	Liabilities £000's	Undrawn £000's
In 1 year or less, or on demand	731	2,280	386	2,311
In more than 1 year but not more than 2 years	734	-	730	-
In more than 2 years but not more than 5 years	1,532	257	2,539	-
In more than 5 years	69	-	139	-
	<b>3,066</b>	<b>2,537</b>	<b>3,794</b>	<b>2,311</b>

It is estimated that a 1% change in relevant base rates would have an annual impact of £31,000 (2008: £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 £2,280,000 (2008: £2,311,000) of which £nil was being used (2008: £nil).

*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. During the year, the Group has continued to hedge part of this exposure by maintaining long term borrowings denominated in US dollars.

There is no significant impact on the income statement 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 loss of £339,000 (2008: gain of £1,070,000) 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 2009 the Group had net borrowings denominated in US\$ of £2,743,000 (2008: £3,384,000) and in Hong Kong Dollars of £323,000 (2008: £410,000).

It is estimated that a 1% movement in the exchange rate would have an impact of £14,000 (2008: £15,000) on the Group's operating profit and £31,000 (2008: £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 2009.

	2009		2008	
	Book value £000's	Fair value £000's	Book value £000's	Fair value £000's
Cash at bank	3,468	3,468	1,738	1,738
Loans receivable	489	489	489	489
Trade receivables	8,445	8,445	8,567	8,567
Other receivables	124	124	321	321
Loans and receivables	<b>12,526</b>	<b>12,526</b>	11,115	11,115
Bank loans and overdrafts repayable within one year	(731)	(731)	(386)	(386)
Bank loans repayable after more than one year	(2,335)	(2,335)	(3,408)	(3,408)
Trade payables	(7,392)	(7,392)	(5,617)	(5,617)
Other payables	(2,952)	(2,952)	(3,735)	(3,735)
Financial liabilities at amortised cost	<b>(13,410)</b>	<b>(13,410)</b>	(13,146)	(13,146)

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.