

2008 Interim Results

08



**Highlights:**

- Disposal of PFD for up to £4 million in cash
- Disposal of GEM Minneapolis, Inc. for \$1.8 million in cash
- Proceeds from the disposal of PFD to be used to significantly reduce debt in the second half of the year.

## CHAIRMAN'S STATEMENT

The first six months of 2008 have been characterised by a significant amount of corporate activity, with a number of disposals in the period, and the Group is now in a position to move forward with a new strategy.

As we announced in our 2007 year end results, David Buchler, Sir Jeremy Hanley and Caroline Michel left the Board, and I have taken over as Chairman. John Webber, the former Chairman of the Group, has rejoined the Board as an executive director.

### Disposals

The Group has disposed of a number of businesses during the period under review. In January, we disposed of our 75% interest in GEM Minneapolis, Inc., a US based creative design and photography business, for \$1.8 million in cash, with \$1.1 million received on completion, and \$0.7 million due over the next three years by way of a promissory note.

In June we disposed of our 100% subsidiary, The Peters Fraser & Dunlop Group Limited, for £4 million in cash, of which £3.75 million was paid on completion, with £0.25 million becoming payable in 2011 dependent on PFD's earnings over a three year period. The dispute between the former agents and the new management team was unfortunately dragged into the public domain, and this proved detrimental to the value of the Group. The sale of PFD has eliminated the risk to the Group as any legal claims remained with PFD.

The Board of CSS is in discussions with the management team with a view to disposing of our 100% subsidiary Icon Display Limited, the outcome of which is expected to be known shortly. An announcement will be made in due course.

### Group Results

In the year under review, revenue on continuing operations was £6.7 million (2007: £7.8 million), a fall of 14%. This was due to a change in revenue recognition within Talent Management. Operating loss on continuing operations prior to impairment of goodwill of £1.3 million was higher than in 2007 (loss of £0.7 million) due to lower margins generated in both Talent Management and Events.

The retained loss for the period was £3.9 million (2007: loss of £1.1 million), after losses incurred on the disposals of GEM Minneapolis and PFD of £1.3 million.

The results on continuing operations for the six months to June 2008 are considered below in turn:

## **Talent management**

In the six months to 30 June 2008 revenue on continuing operations was £1.8 million (2007: £2.9 million) and the operating loss was £439,000 (2007: profit of £98,000). The decrease in operating profit was principally caused by lower than anticipated billings which are expected to be recovered later in the year.

### *Sport*

Our clients enjoyed considerable success during the period. Allan McNish won the prestigious Le Mans 24 Hours race in June, his second triumph in the French classic, following his victory in the Le Mans Series Championship in 2007. Allan became the first Briton to win a race driving a diesel powered sports car.

Andrea Dovizioso has made a highly successful step up to race for Honda in Moto GP, and currently lies fifth in the Championship with three races of the season remaining. Following an injury hit season in NASCAR, Dario Franchitti will return to Indy Car in 2009 to race for Ganassi, having won the Indianapolis 500 and the Indy Racing League Championship in 2007.

Andy Hodge, the stroke of the Great Britain coxless four, was part of the team that won a thrilling race to take gold at the Olympic Games in Beijing in August. In February, round-the-world yachtsman Alex Thomson finished second in the Barcelona World Race, and in doing so broke the 24 hour distance record for a 60 foot monohull yacht.

In golf, Oliver Wilson was a member of the European team in the 2008 Ryder Cup in Kentucky. Oliver qualified for the team for this prestigious event having had a highly successful season, securing four runner-up finishes on the European Tour, including the PGA Championship at Wentworth. Our other European golfers have also performed strongly in 2008.

## **Events**

In the six months to 30 June, revenue in our Events division, Icon Display, was £4.2 million (2007: £4.2 million) with an operating loss of £0.2 million (2007: profit of £0.1 million). The loss was primarily due to reduced margins incurred on one event. Nonetheless, Icon has traditionally performed stronger in the second half of the year, and has worked with UEFA to produce a full branding and signage programme for Euro 2008, which was completed in July. During the period Icon worked with long term partners The England and Wales Cricket Board, for whom Icon has produced and installed branding and signage for all domestic and international cricket competitions in the UK. Outside of this relationship, Icon was commissioned by the MCC to re-brand the permanent signage at Lord's Cricket Ground.

Icon was also awarded the contract to provide all course and advertising signage for the 2008 European Open Golf Championship, and also the prestigious BMW PGA Championship at Wentworth. Icon has also continued its successful long term relationship with UEFA and Team for the UEFA Champions League, and has recently expanded its international operations by opening an office in South Africa.

## **Marketing**

Our marketing division now consists of The GEM Group, a promotional marketing business based in New York, providing marketing solutions to a range of corporate clients including GE and NBC. In the six months to 30 June 2008, revenue on continuing operations was £0.7 million, in line with the prior year (2007: £0.7 million) and operating profit was £11,000 (2007: £36,000).

## **Central Costs**

In the six months to 30 June 2008, central costs were £0.7 million (2007: £0.9 million). Included within this balance were £0.3 million of non-recurring costs, and further savings have been identified which will benefit the second half of the year and beyond.

During the six months under review, net debt increased from £3.1 million at the start of the period to £3.8 million, principally as a result of the high level of professional fees incurred in Group companies which have since been disposed. The proceeds from the disposal of PFD in July 2008 were used to significantly reduce the level of debt.

## **Future Strategy**

As we reported in our 2007 Annual Results, the Board has now completed its review of the remaining businesses. Cost savings have been implemented within each of our operating units, and within Head Office.

The Board is now actively considering a number of investment opportunities within sports marketing. These are intended to be long term investments, and will be pursued with the objective of optimising shareholder value.

The Group has undergone considerable change during the period, but the anticipated reduction in the Group's debt, and the strategic options currently being considered, should enable the Group to move forward with confidence and deliver an improved performance in the future. In what has been a period of change and disruption, I am grateful for the support and hard work of all our staff who have had to endure this uncertainty.

**Julian Jakobi**

**Chairman**

**30 September 2008**

## Independent Review report to CSS Stellar plc

### Introduction

We have been engaged by the company to review the financial information in the half yearly financial report for the six months ended 30 June 2008 which comprise the consolidated interim income statement, the consolidated interim balance sheet, the consolidated interim cash flow statement, the consolidated interim statement of recognised income and expense and the related notes. We have read the other information contained in the half yearly financial report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with the basis of preparation.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

**GRANT THORNTON UK LLP**  
**CHARTERED ACCOUNTANTS**

London  
30 September 2008

The maintenance and integrity of CSS Stellar plc's website is the responsibility of the directors: the interim review does not involve consideration of these matters and, accordingly, the company's reporting accountants accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the interim report differ from legislation in other jurisdictions.

## Consolidated interim income statement

	6 months to 30 June 2008	6 months to 30 June 2007	Year to 31 December 2007
	Unaudited £'000	Unaudited £'000	Unaudited £'000
Note			
<b>Continuing operations</b>			
Revenue	6,749	7,829	14,265
Cost of sales	<u>(4,901)</u>	<u>(5,690)</u>	<u>(9,353)</u>
<b>Gross profit</b>	<b>1,848</b>	<b>2,139</b>	<b>4,912</b>
Impairment of goodwill and investments	(1,205)	-	(1,230)
Abortive disposal costs	-	(26)	(26)
Restructuring costs	-	(585)	(746)
Other administrative costs	(3,175)	(2,207)	(5,132)
Total administrative costs	<u>(4,380)</u>	<u>(2,818)</u>	<u>(7,134)</u>
Operating loss	<u>(2,532)</u>	<u>(679)</u>	<u>(2,222)</u>
Finance income	3	120	13
Finance expense	(153)	(228)	(401)
Disposal of available for sale financial assets	-	-	260
<b>Loss before tax</b>	<b>(2,682)</b>	<b>(787)</b>	<b>(2,350)</b>
Income tax (expense)/credit	(50)	150	(218)
Net result from continuing operations	<u>(2,732)</u>	<u>(637)</u>	<u>(2,568)</u>
Net result from discontinued operations	<u>(1,202)</u>	<u>(505)</u>	<u>(9,909)</u>
<b>Loss for the period</b>	<b><u>(3,934)</u></b>	<b><u>(1,142)</u></b>	<b><u>(12,477)</u></b>
<b>Attributable to:</b>			
Equity holders of the parent	(3,934)	(949)	(12,524)
Minority interest	-	(193)	47
	<u>(3,934)</u>	<u>(1,142)</u>	<u>(12,477)</u>
<b>Loss per share:</b>			
Basic loss per share	3 (9.43)	(2.20)	(8.86)
Diluted loss per share	(9.43)	(2.20)	(8.86)
<b>Discontinued operations:</b>			
Basic loss per share	(4.15)	(1.08)	(34.36)
Diluted loss per share	(4.15)	(1.08)	(34.36)
<b>Total:</b>			
Basic loss per share	(13.58)	(3.28)	(43.22)
Diluted loss per share	(13.58)	(3.28)	(43.22)

## Consolidated interim balance sheet

	30 June 2008 Unaudited Note      £'000	30 June 2007 Unaudited £'000	31 December 2007 Unaudited £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,371	1,900	1,713
Goodwill	3,124	19,396	8,240
Available for sale financial assets	37	41	37
Deferred tax asset	-	336	-
	<u>4,532</u>	<u>21,673</u>	<u>9,990</u>
<b>Current assets</b>			
Inventories	462	294	270
Trade and other receivables	8,771	7,332	6,392
Cash and cash equivalents	256	1,233	759
	<u>9,489</u>	<u>8,859</u>	<u>7,421</u>
Disposal group classified as held for sale	-	-	772
<b>Total assets</b>	<u>14,021</u>	<u>30,532</u>	<u>18,183</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	14,487	14,487	14,487
Share premium account	28,158	28,158	28,158
Revaluation reserve	431	448	439
Translation reserve	80	80	35
Profit and loss account	(39,166)	(23,855)	(35,194)
	<u>3,990</u>	<u>19,318</u>	<u>7,925</u>
<b>Minority interest</b>	-	249	(485)
<b>Total equity</b>	<u>3,990</u>	<u>19,567</u>	<u>7,440</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	487	733	549
<b>Current liabilities</b>			
Trade and other payables	5,400	6,027	4,239
Short-term borrowings	3,102	3,085	2,039
Current portion of long-term borrowings	183	533	509
Current tax payable	690	587	632
Deferred tax liability	169	-	61
	<u>9,544</u>	<u>10,232</u>	<u>7,480</u>
Liabilities directly associated with disposal group classified as held for sale	-	-	2,714
<b>Total liabilities</b>	<u>10,031</u>	<u>10,965</u>	<u>10,743</u>
<b>Total equity and liabilities</b>	<u>14,021</u>	<u>30,532</u>	<u>18,183</u>

## Consolidated interim statement of recognised income and expense

	<b>6 months to 30 June 2008 Unaudited Note      £'000</b>	<b>6 months to 30 June 2007 Unaudited £'000</b>	<b>Year to 31 December 2007 Unaudited £'000</b>
Exchange differences on translation of foreign operations	-	80	98
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>80</b>	<b>98</b>
<b>Loss for the period</b>	<b>(3,934)</b>	<b>(1,142)</b>	<b>(12,477)</b>
<b>Total recognised income and expense for the period</b>	<b><u>(3,934)</u></b>	<b><u>(1,062)</u></b>	<b><u>(12,379)</u></b>
<b>Attributable to:</b>			
Equity holders of the parent	<b>(3,934)</b>	(869)	(12,426)
Minority interest	-	(193)	47
	<b><u>(3,934)</u></b>	<b><u>(1,062)</u></b>	<b><u>(12,379)</u></b>

## Consolidated interim cash flow statement

	6 months to 30 June 2008 Unaudited	6 months to 30 June 2007 Unaudited	Year to 31 December 2007 Unaudited
Note	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Loss after taxation	(3,934)	(1,142)	(12,477)
Adjustments for:			
Depreciation	192	279	505
Impairment of goodwill	1,205	-	11,157
Net interest expense	110	153	246
Taxation expense/(credit) recognised in profit and loss	50	(115)	283
Loss/(profit) from sale of investments	1,263	-	(259)
Change in trade and other receivables	(660)	(503)	571
Change in inventories	(191)	(107)	(86)
Change in trade and other payables	1,336	623	598
<b>Net cash (used in)/from operating activities</b>	<b>(629)</b>	<b>(812)</b>	<b>538</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(148)	(289)	(413)
Proceeds from sale of investments	-	-	264
Proceeds from sale of property, plant and equipment	-	9	13
Interest received	43	75	155
Disposal of subsidiaries	(851)	-	-
<b>Net cash (used in)/from investing activities</b>	<b>(956)</b>	<b>(205)</b>	<b>19</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term borrowings	(348)	(183)	(376)
Payment of finance lease liabilities	(24)	-	-
New finance leases	-	36	21
Interest paid	(153)	(228)	(401)
<b>Net cash used in financing activities</b>	<b>(525)</b>	<b>(375)</b>	<b>(756)</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,110)</b>	<b>(1,392)</b>	<b>(199)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(659)</b>	<b>(460)</b>	<b>(460)</b>
<b>Cash and cash equivalents at end of period</b>	<b>(2,769)</b>	<b>(1,852)</b>	<b>(659)</b>

## Notes to the consolidated interim financial statements

### **1 Publications of non-statutory accounts**

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The figures from the year ended 31 December 2007 have been extracted from the statutory financial statements (reclassified in accordance with IFRS 5) which have been filed with the Registrar of Companies. The auditors' report was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

### **2 Basis of preparation**

These unaudited condensed consolidated interim financial statements ('the interim financial statements') are for the six months ended 30 June 2008. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007.

These interim financial statements have been prepared in accordance with accounting policies under the historical cost convention, except for revaluation of certain properties and financial instruments. They are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU).

The principal accounting policies have remained unchanged from those set out in the consolidated financial statements of the Group for the year ended 31 December 2007.

## Notes to the consolidated interim financial statements (continued)

### 3 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used are set out below.

#### 6 months to 30 June 2008 (unaudited)

	Earnings £'000	Weighted average number of shares	Per share amount  Pence
<b>Continuing operations</b>			
Loss after tax	(2,732)		
Earnings attributable to ordinary shareholders	(2,732)		
Weighted average number of shares (used for basic earnings per share)		28,976,581	
Dilutive effect of options		—	
Diluted weighted average number of shares (used for diluted earnings per share)		28,976,581	
Basic earnings per share			<u>(9.43)</u>
Diluted earnings per share			<u>(9.43)</u>
<b>Discontinued operations</b>			
Loss after tax	(1,202)		
Earnings attributable to ordinary shareholders	(1,202)		
Weighted average number of shares (used for basic earnings per share)		28,976,581	
Dilutive effect of options		—	
Diluted weighted average number of shares (used for diluted earnings per share)		28,976,581	
Basic earnings per share			<u>(4.15)</u>
Diluted earnings per share			<u>(4.15)</u>
<b>Total basic earnings per share</b>			<u>(13.58)</u>
<b>Total diluted earnings per share</b>			<u>(13.58)</u>

## Notes to the consolidated interim financial statements (continued)

6 months to 30 June 2007 (unaudited)

	Earnings £'000	Weighted average number of shares	Per share amount  Pence
<b>Continuing operations</b>			
Loss after tax	(637)		
Earnings attributable to ordinary shareholders	(637)		
Weighted average number of shares (used for basic earnings per share)		28,976,581	
Dilutive effect of options		(297,181)	
Diluted weighted average number of shares (used for diluted earnings per share)		28,679,400	
Basic earnings per share			<u>(2.20)</u>
Diluted earnings per share			<u>(2.20)</u>
<b>Discontinued operations</b>			
Loss after tax	(312)		
Earnings attributable to ordinary shareholders	(312)		
Weighted average number of shares (used for basic earnings per share)		28,976,581	
Dilutive effect of options		(297,181)	
Diluted weighted average number of shares (used for diluted earnings per share)		28,679,400	
Basic earnings per share			<u>(1.08)</u>
Diluted earnings per share			<u>(1.08)</u>
<b>Total basic earnings per share</b>			<u><u>(3.28)</u></u>
<b>Total diluted earnings per share</b>			<u><u>(3.28)</u></u>

## Notes to the consolidated interim financial statements (continued)

Year to 31 December 2007 (unaudited)

	Earnings £'000	Weighted average no. shares	Per share amount  Pence
<b>Continuing operations</b>			
Loss after tax	(2,568)		
Earnings attributable to ordinary shareholders	(2,568)		
Weighted average number of shares (used for basic earnings per share)		28,976,581	
Dilutive effect of options		<u>797,096</u>	
Diluted weighted average number of shares (used for diluted earnings per share)		29,773,677	
Basic earnings per share			<u>(8.86)</u>
Diluted earnings per share			<u>(8.86)</u>
<b>Discontinued operations</b>			
Loss after tax	(9,956)		
Earnings attributable to ordinary shareholders	(9,956)		
Weighted average number of shares (used for basic earnings per share)		28,976,581	
Dilutive effect of options		<u>797,096</u>	
Diluted weighted average number of shares (used for diluted earnings per share)		29,773,677	
Basic earnings per share			<u>(34.36)</u>
Diluted earnings per share			<u>(34.36)</u>
<b>Total basic earnings per share</b>			<u>(43.22)</u>
<b>Total diluted earnings per share</b>			<u>(43.22)</u>









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