

Annual Report 2009

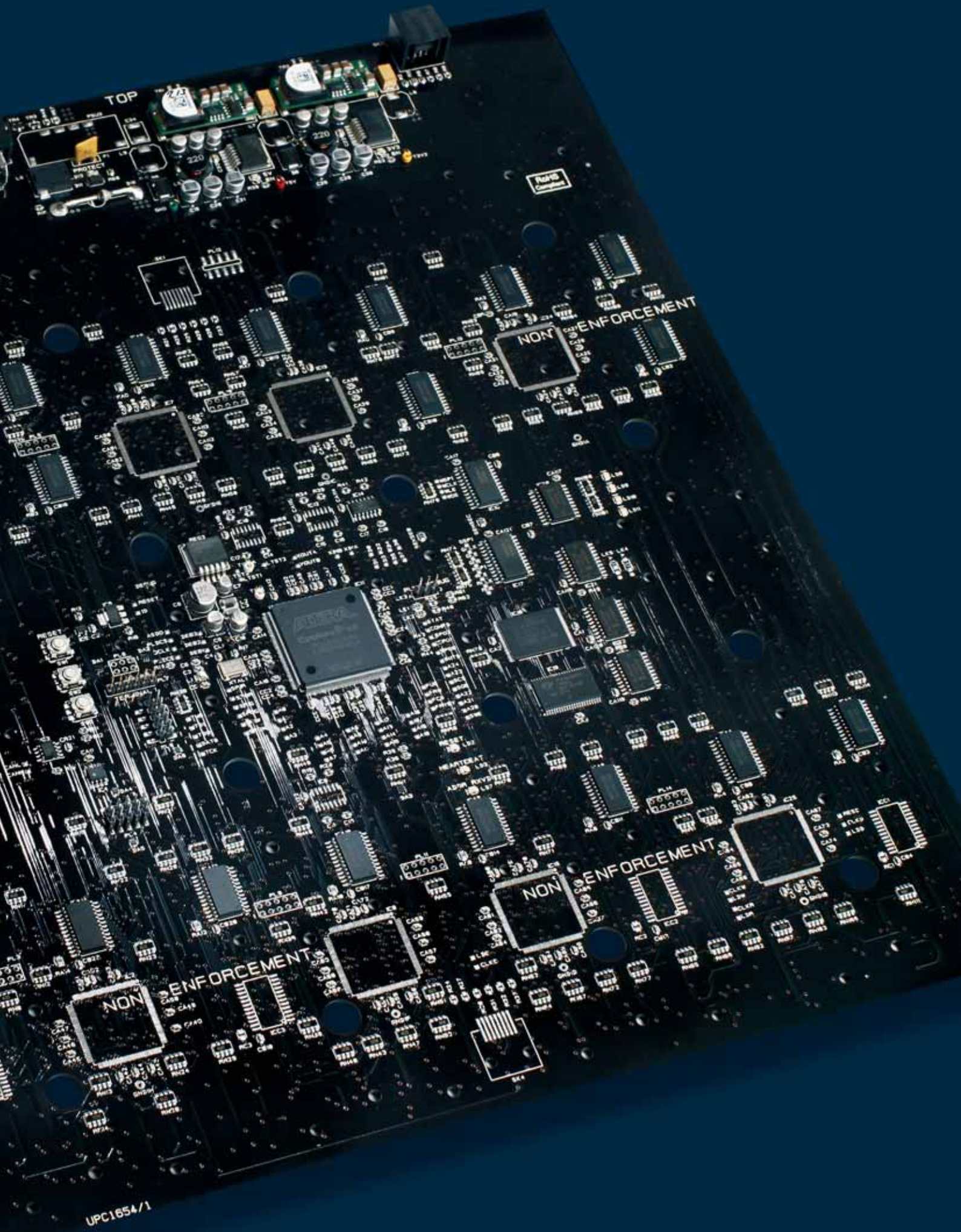


Annual Report 2009

Stadium Group plc is a leading provider of design and manufacturing services to a broad range of markets worldwide. We deliver quality, cost-effective solutions through a partnership approach.

Our goal is to achieve sustained growth through market development, technology investment and strategic acquisitions. With over 1,300 employees. Stadium has manufacturing facilities in the UK and China, and sales and engineering offices in key global markets.

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Highlights

Strong second half performance in trading results and cash flow. This positive outcome has carried momentum into 2010.

Increased UK manufacturing footprint and enhanced market profile represents a significant advantage to future growth prospects.

Market penetration in niche growth markets including smart metering technology and traffic management systems.

Offshore manufacture remains strong for lower cost base and products mature in the product life cycle.

Investment in electronic manufacturing services UK production facility.

Electronic solutions emanating from new and emerging market sectors will continue to offer opportunities for organic growth, further investment or acquisitions.

5 year financial summary

2009	46,577
2008	47,611
2007	40,756
2006	38,552
2005	36,515

earnings (pence per share)

2009	6.3
2008	7.6
2007	7.4
2006	6.3
2005	7.6

dividend (pence per share)

2009	2.25
2008	2.55
2007	3.75
2006	3.6
2005	3.5

Key Data	2009	2008
Revenue	£46.58m	£47.61m
Profit before taxation*	£2.50m	£2.78m
Earnings per share	6.8p	7.6p
Net cash flow from trading	£4.83m	£4.12m
Net cash	£0.40m	net borrowing £2.05m
Dividend	2.25p	2.55p
Dividend cover	3.0x	3.0x

* - before redundancy costs of £0.21m, equivalent to 0.5 pence per share



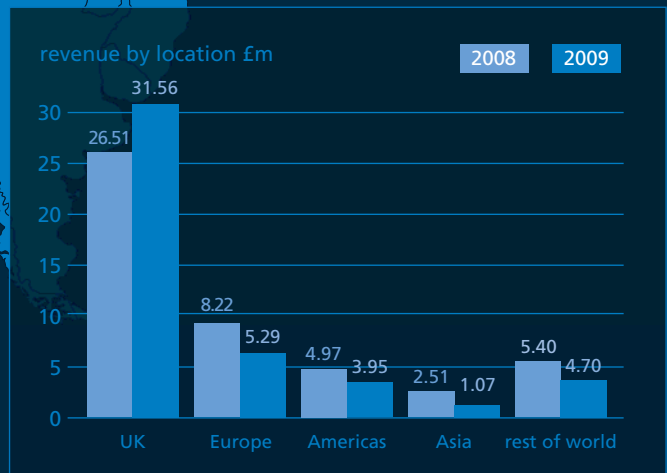
North American
Sales Representation:
USA
Canada

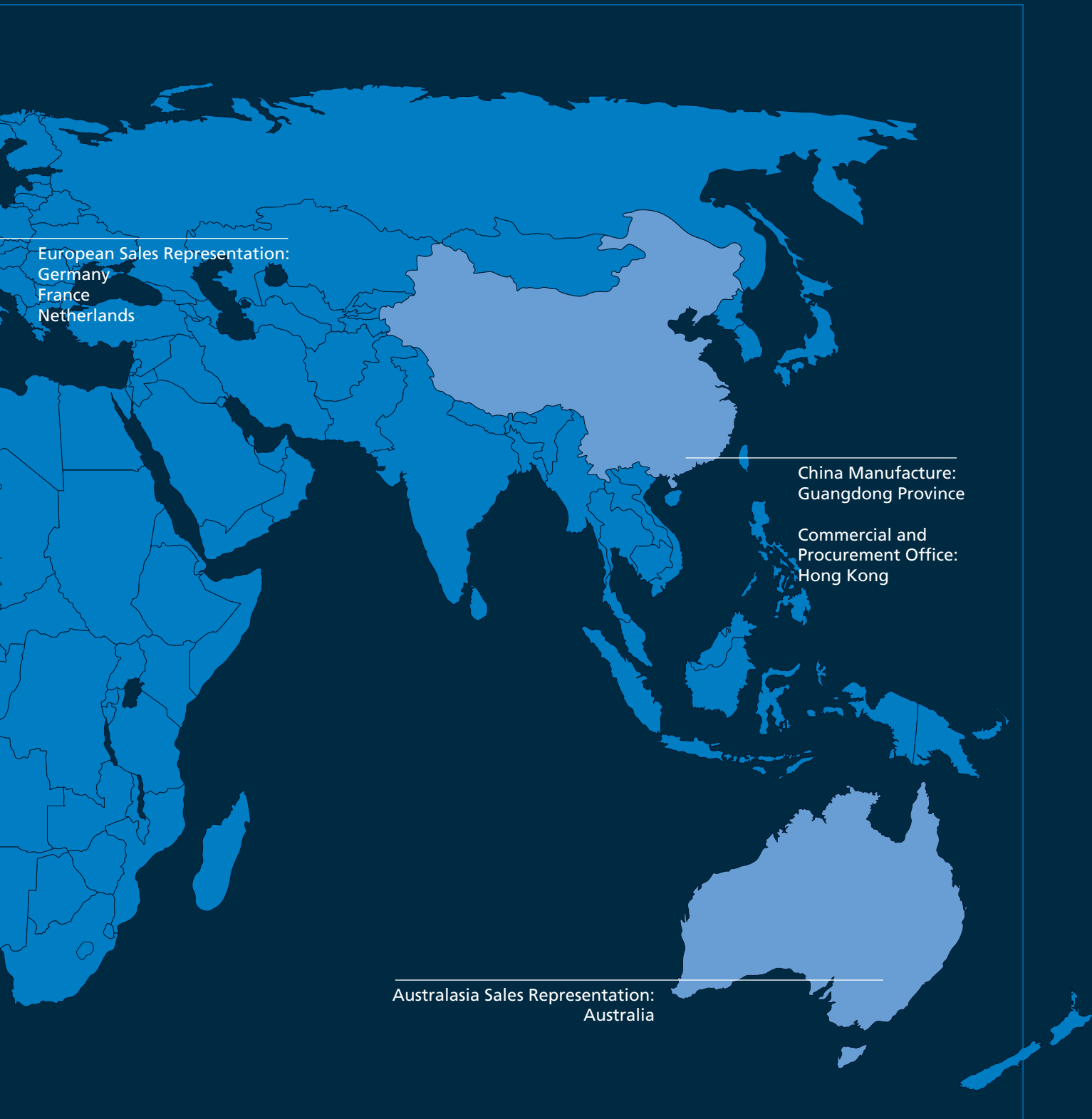
Stadium Electronics
Stadium Power
Branded Plastics

Head Office:
Hartlepool

Manufacture:
Hartlepool
Diss
Rugby
London

Commercial Office:
Newbury





European Sales Representation:
Germany
France
Netherlands

China Manufacture:
Guangdong Province

Commercial and
Procurement Office:
Hong Kong

Australasia Sales Representation:
Australia

Group Structure

Stadium Group plc global operations includes manufacturing sites in the UK and China supported by offshore commercial offices in Hong Kong and the USA, and a network of sales agents in key markets.



Operations

Electronics

Electronics Manufacturing Services (EMS)

Our electronics division provides integrated electronic manufacturing services (EMS) to original equipment manufacturers out of manufacturing facilities in the UK and China.

The EMS business primarily operates in niche growth markets; lighting/LED, energy management, smart metering technology, medical and personal care, fire and security sectors. Long standing expertise is also held in traditional markets including communications,

automotive, niche consumer, industrial and HVAC.

Our integrated UK and offshore manufacturing solution offers full turnkey project management from design for manufacture, NPI, supply chain management, PCB assembly, complete product build and packaging solutions, to global component procurement, dual sourcing for supply security and disaster recovery planning.

The 2008 acquisition and integration of Zirkon Limited and manufacturing facility in Rugby, UK is now complete.

Stadium Power

Stadium Power provides a broad portfolio of power supply solutions including custom and standard switch mode power supplies, programmable power supplies, AC-DC and DC-DC converters, inverters, battery chargers, emc filter products designed and manufactured to international standards EN, IEC, CSA and UL out of the UK and China.

Specialist expertise is held in medical, harsh environment,

instrumentation, transport, sub-military, telecom and datacom markets.

Our product range includes sector specific models designed to EN54 fire and security, medical, LED lighting and environmental standards. We also operate within the UK power supply distribution market place through strategic global supply partners.

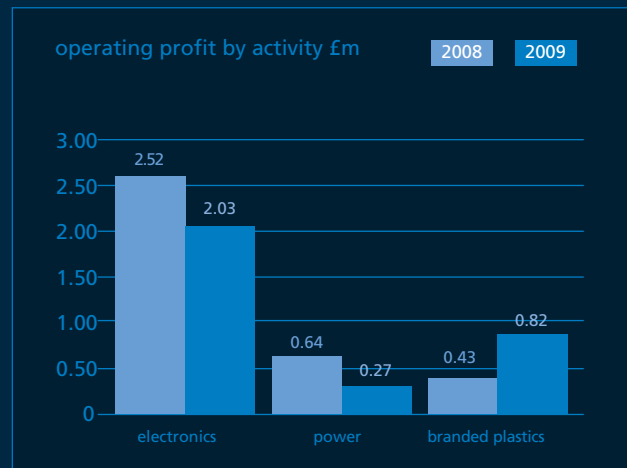
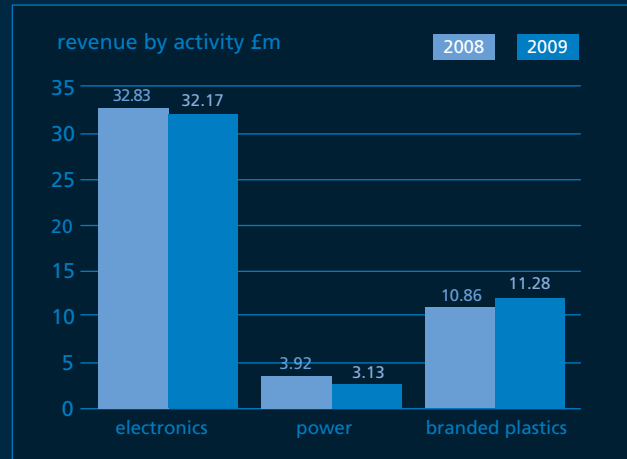
Branded Plastics

Building Products

Building Products offers specialist plastic and ventilation products for the consumer DIY, construction and equestrian markets. Products include heating, heat recovery and roof ventilation, ducting, extractor fans, building and plumbing parts, hardware and safety products.

Baby Care

Baby Care offers the design and manufacture of plastic injection moulded products for the baby care market. As one of the leading UK manufacturers in this sector, we are an established provider of baby care branded products to high street retailers.



Directors

Executive Directors



Nigel Rogers FCA
Chief Executive
(Nominations Committee)
Aged 48, Nigel is a
Chartered Accountant and

joined Stadium in 1993 as Group Finance Director. He was responsible for the UK Electronics operations from 1998 until appointed Chief Executive in March 2001. Nigel was formerly Business Development Manager at Formica Corporation, and held both Audit Manager and Senior Manager Positions at PWC.



Tony Inskip
Commercial Director
Aged 47, Tony was
appointed Commercial
Director in 2009. Tony

initially joined Stadium Electronics as Sales Director for the Rugby operations when the site (formerly Zirkon Limited) was acquired in November 2008. He was formerly Product Group Manager and later General Manager at Econocruise, and Commercial Manager at Leyland DAF.



Ken Leung BSc
Managing Director
Stadium Asia
Aged 57, Ken holds a BSc (Eng) in Industrial Engineering from the University of Hong Kong. Based in Hong Kong, Ken joined the Group on the acquisition of Arlec Power

(now Stadium Asia) in March 2000. Appointed to the board as Managing Director for Stadium Asia in 2003. Formerly Operations Manager at Philips LCD Hong Kong 1995-1997, Ken is a member of the IET - Institution of Engineering and Technology (UK), Institute of Industrial Engineers (U.S.A) and P.Eng of Professional Engineers Ontario (Canada). Ken is also Vice Chairman for the Hong Kong SME Association and Industrial Adviser to the City University of Hong Kong.



Colin Wilson ACA
Finance Director and
Company Secretary
Aged 42, Colin is a
Chartered Accountant who
joined Stadium in April 2006
as Finance Manager. He was
appointed as Company
Secretary in December 2006.
Colin trained with Coopers

& Lybrand prior to moving into industry. Before joining ICI's Uniqema business, where he spent over 10 years in diverse roles covering production accounting, systems implementations, planning and performance management and business analysis. Colin was appointed as Finance Director in February 2008.

Non-Executive Directors



Nick Brayshaw OBE
CEng, FIMechE, FRSA.
Chairman
(Audit, Remuneration and
Nominations Committees)
Aged 54, Nick was appointed
as a Non-executive Director

in April 2005 and Chairman in April 2006. He began his career with Rio Tinto plc and Caradon plc, before being appointed Group Chief Executive of Wagon plc until March 2004. He is non-executive Chairman of UK Manufacturing, Barclays Bank plc, and Chairman of Worldmark International Limited.



Chris Gill ACA Senior
Independent Director
(Audit, Remuneration and
Nomination Committees)
Aged 47, Chris is a Chartered
Accountant and was
appointed as a Non-

executive Director in April 2006. He is also Chairman of the Audit Committee at Stadium Group and a member of the North of England Industrial Development Board. Chris was appointed Financial Director of Wellstream Holdings plc in November 2007.

Chairman's Statement



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

"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 O.B.E.

Chairman

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 O.B.E.

Chairman

3 March 2010

Chief Executive's Review



"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

Our increased UK manufacturing footprint and enhanced market profile are considered to represent a significant advantage to future growth prospects."

Nigel Rogers
Chief Executive

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

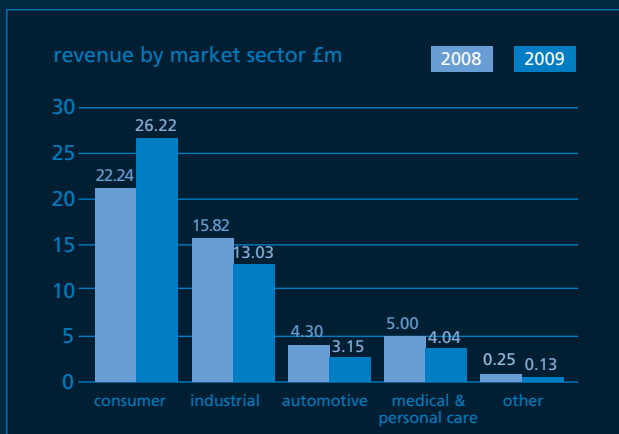
operating activities was £3.32m (2008: £2.84m) and year end net cash resources of £0.40m compare with opening net debt of £2.05m. In summary, sufficient cash was generated to fully repay by the end of 2009 the £2.50m of net bank borrowings incurred in October 2008 for the acquisition of Zirkon Limited.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

Stadium Electronics

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



Stadium Electronics	£m	£m
Revenue by source	2009	2008
Asia	18.86	25.12
UK	13.31	7.71
Total	32.17	32.83
operating profit	2.03	2.52
operating margin	6.3%	7.7%

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

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

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 Power	£m	£m
Revenue by source	2009	2008
Asia	1.08	1.01
UK	2.05	2.91
Total	3.13	3.92
operating profit	0.27	0.64
operating margin	8.6%	16.3%

Branded Plastics	£m	£m
Sales	2009	2008
Babycare	4.93	4.88
Building Products	6.35	5.98
Total	11.28	10.86
operating profit	0.82	0.43
operating margin	7.3%	4.0%

Financial Review



Colin Wilson

Finance Director

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 15.

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 in so far 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

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal activities

The principal activities of the Group are the manufacture and sale of electronic assemblies, and plastic mouldings.

Results and dividends

The results for the year are set out in the consolidated income statement on page 24.

Business review

A review of the activities, results, key performance measures and future development of the Group is given in the Chairman's statement, Chief Executive's review, and the Financial review, which are set out on pages 10 to 15. An interim dividend of 0.80 pence (2008: 1.25 pence) per ordinary share amounting to £231,000 (2008: £360,000) was paid on 16 October 2009. The directors recommend payment of a final dividend of 1.45 pence (2008: 1.30 pence) per share amounting to £418,000 (2008: £374,000).

Directors and directors' interests

The directors of the Company during the year and their interests in the ordinary share capital at the beginning and the end of the year, all beneficial (and including related family interests) were as follows:

	31 Dec 2009	Acquired	Ordinary Shares of 5p each Disposed of	Options exercised	31 Dec 2008
Nick Brayshaw	68,907	2,233	–	–	66,674
Chris Gill	40,000	–	–	–	40,000
Ken Leung	290,400	–	–	–	290,400
Nigel Rogers	327,905	–	–	–	327,905
Colin Wilson	10,000	–	–	–	10,000
Tony Inskip (appointed 8 September 2009)	25,000	–	–	–	25,000
Kamal Verma (resigned 22 April 2009)	25,000	–	(408,637)	–	433,637

Entitlements of the directors at 31 December 2009 to purchase ordinary shares of 5p each under the share option schemes in Note 17 to the accounts, were as follows:

	1997 Executive Share Option Scheme		Performance Share Plan
	Granted 31 Dec 02	Granted 4 April 05	Granted 4 April 08
Exercise price	35p	85.5p	5p
Ken Leung	235,100	37,500	–
Nigel Rogers	235,100	37,500	–
Colin Wilson	–	–	20,000
Tony Inskip	–	–	–

The market price of ordinary shares at 31 December 2009 was 42.5p, and the shares traded in the range 29p to 48.5p during the year.

Full details of directors' shareholdings and options to subscribe are recorded in the Register of Directors' Interests, which is open to inspection by members.

Authority to purchase own shares

A resolution renewing the Company authority to purchase its own issued ordinary shares of 5 pence each will be proposed at the Annual General Meeting. This authority is limited to purchases through the London Stock Exchange at a price of not less than 5 pence per share and not more than 5% above the average of the middle-market quotations of the Company's shares as shown in the Alternative Investment Market Daily Official List for the 10 business days before the purchase is made, covering a maximum number of 4,324,000 shares, being approximately 15% of the Company's present issued ordinary share capital.

The directors would not propose to exercise the authority to make purchases unless the expected effect of the purchase would be to increase earnings per share of the remaining shares in the capital of the Company, and unless the purchase is generally in the best interest of shareholders. Any shares purchased under this authority would be treated as cancelled and the number of shares in issue reduced accordingly. The directors to renew this authority will be proposed at each succeeding Annual General Meeting.

Substantial shareholdings

As far as the directors are aware, the only notifiable holdings equal to or in excess of 3 per cent of the issued ordinary share capital at 17 February 2010 were:

Ordinary shares of 5p each	Number	%
Framlington Investment Management	4,534,850	15.7
Gartmore Investment Management	2,649,839	9.2
GD Fry	1,432,750	5.0
Chelverton Asset Management	1,175,000	4.1
DC Fry	1,022,750	3.5
RM & O Giles	1,000,000	3.5
AE Wiseman	926,072	3.2

Treasury and Risk management

A review of treasury activities and risk management is set out in the Financial review on page 15 and in Note 15.

Payment of suppliers

It is the Company's policy to pay all suppliers within payment terms formally agreed on an individual basis. The average period of credit taken during 2009 was 60 days (2008: 60 days).

Donations

The Group made charitable donations during the year amounting to £2,000 (2008: £5,000). No contributions were made to any political organisation.

Employees

The Group actively encourages employee communication and involvement through representation by Works Committee, and participation in schemes offering an element of performance related remuneration. In addition, the share option schemes outlined in note 17 to the accounts offer employees the opportunity to benefit from the future development prospects of the Group.

It is the Group's policy to give full and fair consideration to all applications from disabled persons, with due consideration being given to respective aptitudes and abilities. The same policy applies in the event of employees who become disabled during employment. Appropriate training is provided where applicable.

Independent auditors

A resolution to reappoint PKF (UK) LLP as auditors to the Company will be proposed at the annual general meeting. So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board

Colin Wilson

Company Secretary
3 March 2010

The Directors

The board of directors, which leads and controls the Company, has a formal schedule of matters reserved for it, and consists of:

Non-executive chairman
Chief executive
Finance director
Commercial director
Managing director – Stadium Asia
Senior independent director

The chairman and the senior independent director provide the appropriate balance between the executive and non-executive directors, for a company of this size.

The board of directors take independent professional advice where necessary, at the Company's expense. The board meets monthly, and the monthly management accounts and other relevant information are circulated to all board members in advance of these meetings. The consolidated Group management accounts allow the performance of individual businesses to be monitored against budget, previous forecasts and prior year actual results.

Existing directors are required to retire and submit themselves for re-election at least every three years or at the first AGM after appointment. The appointment of new directors is delegated to a nominations committee, which makes recommendations to the board.

Directors' remuneration

The Remuneration Committee consists entirely of the non-executive directors, and its policy and the details of each director's remuneration are clearly explained in its report on page 21 and in note 4.

A proportion of the executive directors' remuneration is structured so as to link rewards to corporate and individual performance. The board will consider every year whether the report of the Remuneration Committee should be an item on the AGM agenda.

Relations with the shareholders

After the announcement of the interim and final results the directors meet the major institutional and private shareholders to discuss trading and future developments. The board encourages all shareholders to participate at the AGM. Corporate news and financial information is provided on the Company's website at www.stadium-plc.com

Combined code

The board recognises that the Combined Code represents best practice for AIM-listed companies, and regulates its activities with regard to the principles and provisions contained therein.

Internal control

The system of internal controls established by the directors is intended to be comprehensive, although the limitations of any system of control are such that it is designed to manage rather than eliminate the risk of failure to achieve business objectives and it provides a reasonable, rather than absolute, level of assurance against material misstatement or loss.

The principal features of the system of internal financial controls are:

- budgetary control over all operating units, measuring performance against pre-determined targets on at least a monthly basis
- regular forecasting and reviews covering trading performance, assets, liabilities and cash flows
- delegated limits of authority covering key financial commitments including capital expenditure and recruitment
- identification and management of key business and inherent risks
- implementation and annual review of a group compliance manual.

The board continually reviews the effectiveness of other internal controls, including financial, operational, compliance controls and risk management.

Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Audit Committee

The Audit Committee, which comprises the non-executive directors, meets to consider the scope and key issues in planning the external audit. The external auditors report their findings and any recommendations to the Audit Committee prior to the approval of the financial statements.

By order of the Board

Colin Wilson
Company Secretary
3 March 2010

Social responsibility

Maintaining the highest ethical and professional standards and accepting social responsibility is key to the way we operate throughout Stadium Group plc. We run our businesses based on sustained growth and transparency at all levels.

Our People

The development of our people is a core value throughout the Group and as we see it as our duty to be a responsible employer we are committed to the creation of training opportunities to support our employees in reaching their full potential.

Equality

Stadium Group operates a global policy on equality and we are committed to providing a working environment with a culture of respect towards the diversity of our people.

We are committed to offering equal opportunities to all people without discrimination as to race, sex, nationality, ethnic or national origin, language, age, marital status, sexual orientation, religion or disability.

Health & Safety

A comprehensive health and safety policy is in place to ensure a safe working environment at all times. The health and safety policy also demonstrates our additional responsibility to customers, suppliers and contractors and we maintain communication of the policy at all levels throughout the Company.

Communication

We encourage two-way and open lines of communication throughout the Group and are committed to ongoing dialogue with local and global stakeholders to create trust, opportunity and long term sustainable value.

Environment and Energy Management

Our focus on environmental impact is expanding as we increasingly recognise our responsibility to define and manage environmental objectives and targets. Key focus areas include resource efficiency, reducing energy consumption, material waste management and recycling initiatives. Environmental aspects are also considered in product development and process improvement projects.

ISO14001 certification is in place at Stadium Asia and Stadium Electronics Rugby, and it is our aim to achieve this standard for all sites within the Group.

Community

At our corporate headquarters we support the community through charitable support and education initiatives. We have forged strong links with local schools and undertake work placement programmes throughout the year. We also seek to support communities at our additional company sites.

Social Responsibility in China

Stadium Group strives for sustained profitable growth through ethical conduct and we take seriously our responsibility to manage an ethical supply chain through our Stadium Asia operation. With full control over our manufacturing facilities in China, we are able to offer total commitment to be a responsible employer and it is our policy to exceed expectations in social policy. Our three focus areas in Stadium Asia are employee welfare, health and safety and product quality.

Stadium Asia operates against certified ISO/TS16949, ISO9001, ISO14001 and ISO13485 standards and is subject to internal and customer audits periodically.

Report of the remuneration committee on behalf of the board

I present, on behalf of the Remuneration Committee of the board of directors, a report on executive remuneration for the year ended 31 December 2009.

All matters relating to the remuneration of the executive directors are dealt with by the Remuneration Committee which comprises the two non-executive directors of the Company. The objective of the Remuneration Committee is to ensure that the executive directors are fairly rewarded for their contribution to the overall performance of the Group, and that their remuneration is set in such a manner as to attract, retain and motivate suitable individuals with due regard to the effect upon the operating costs of the Company.

The Remuneration Committee considers all elements comprising executive remuneration, including basic salary, annual performance related payments, benefits in kind, grants of share options and other longer term performance related remuneration, pension provision and period of contractual notice.

Basic entitlements

The executive directors have service contracts which are subject to a notice period of between six and twelve months.

The executive directors are each paid a basic annual salary which is open to review each January. In addition, the executive directors are entitled to annual performance related bonuses which are dependent upon the attainment of specific financial targets. Further benefits in kind are awarded as appropriate, including the provision of a company car and private medical insurance.

Between 1 April 2009 and 30 June 2009 each of the directors accepted a voluntary reduction in basic entitlement to salary and directors fees of 20% in recognition of the extreme economic conditions at that time.

Pension provision

Nigel Rogers is a member of the Stadium Group Retirement Benefits Plan (1974), with benefits accruing at a rate at which he becomes entitled to a pension of two thirds of final earnings at 60 years of age. Membership of the plan also provides a death in service benefit of four times earnings and a widow's pension of half the directors' pension. The plan is contributory at the rate of 7.5% (2007: 7.5%).

Share options and other long term performance related payments

The executive directors are entitled to participate in the 1996 Executive Share Option Scheme and the Performance Share Plan on the same terms as all other employees.

In addition, two executive directors have been granted further options under the 1996 scheme ("Super Options") which are subject to more stringent performance criteria.

Details of these options are set out on page 17 and in note 17 to the accounts.

The executive directors participate in a long term incentive scheme which commenced on 1 January 2009 and matures on 31 December 2011. Payments under the scheme are dependent upon the level of real growth (adjusted for RPI changes) in fully diluted earnings per ordinary share, against a base point of pre-exceptional earnings per share from continuing activities before goodwill amortisation.

Only current directors who continue to be employed on 1 January 2012 will receive any payment. Payment will be determined according to the following scale:

Real EPS growth (after costs of scheme)	Bonus as a % of 2011 salary
<25%	nil
25%	25
each add. 1% up to 35%	2
35%	45
each additional 1%	3
Upper limit	100

There will be no substantive changes to the scheme in future without prior shareholder approval. Copies of the terms of the scheme are available for inspection at the Registered Office, Stephen House, Brenda Road, Hartlepool and will be available immediately prior to the Annual General Meeting.

Non-executive directors' remuneration is determined by the board as a whole, and is set at levels intended to attract individuals of an appropriate calibre.

Details of directors' remuneration for the year ended 31 December 2009 are provided in note 4 to the accounts.

Nick Brayshaw

Chairman – Remuneration Committee
3 March 2010

Statement of directors' responsibilities Stadium Group plc

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union
- state, with regard to the parent company financial statements, whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the members of Stadium Group plc

We have audited the group financial statements of Stadium Group plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurances that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Stadium Group plc for the year ended 31 December 2009.

Robert F McNaughton (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors

Leeds
3 March 2010

Consolidated income statement

For the year ended 31 December 2009

	Note	2009 £000's	2008 £000's
Revenue	1	46,577	47,611
Cost of sales		(36,385)	(36,842)
Gross profit		10,192	10,769
Operating expenses		(7,431)	(7,653)
Operating profit	2	2,761	3,116
Finance costs	2	(473)	(334)
Profit before tax	2	2,288	2,782
Taxation	5	(485)	(591)
Profit attributable to equity holders of the parent		1,803	2,191
Basic earnings per share	18	6.3p	7.6p
Diluted earnings per share	18	6.2p	7.6p

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	Note	2009 £000's	2008 £000's
Profit for the year		1,803	2,191
Other comprehensive income			
Exchange differences on translating foreign operations		(339)	1,070
Actuarial loss in pension scheme net of deferred tax		(2,567)	(287)
Other comprehensive income for the year, net of tax		(2,906)	783
Total comprehensive income for the year, attributable to equity holders of the parent		(1,103)	2,974

Consolidated statement of financial position

At 31 December 2009

	Note	2009 £000's	2008 £000's
Assets			
Non-current assets			
Property, plant and equipment	8	6,951	7,723
Goodwill	7	2,589	2,589
Other intangible assets	10	152	172
Deferred tax assets	16	2,351	1,463
Other receivables	12	-	489
		12,043	12,436
Current assets			
Inventories	11	5,737	5,547
Trade and other receivables	12	9,466	9,286
Cash and cash equivalents		3,468	1,738
		18,671	16,571
Total assets		30,714	29,007
Equity			
Equity share capital		1,441	1,441
Share premium		4,237	4,237
Capital redemption reserve		88	88
Translation reserve		(197)	142
Retained earnings		3,315	4,698
Total equity		8,884	10,606
Non-current liabilities			
Non-current payables	14	2,335	3,437
Deferred tax		23	-
Pension liability	19	8,397	5,226
Total non-current liabilities		10,755	8,663
Current liabilities			
Current portion of long-term borrowings	13	731	386
Trade payables	13	7,392	5,617
Current tax payable	13	240	647
Other payables	13	2,712	3,088
Total current liabilities		11,075	9,738
Total liabilities		21,830	18,401
Total equity and liabilities		30,714	29,007

The accounts were approved and authorised for issue by the Board on 3 March 2010 and signed on its behalf by:

Nigel Rogers
Director

Consolidated statement of changes in equity

For the year ended 31 December 2009

	Attributable to equity holders of the parent					
	Ordinary Shares £000's	Share premium £000's	Capital redemption reserve £000's	Translation reserve £000's	Retained earnings £000's	Total equity £000's
Balance at 31 December 2007	1,440	4,233	88	(928)	3,859	8,692
Changes in equity for 2008						
Exchange differences on translating foreign operations	–	–	–	1,070	–	1,070
Profit for the year	–	–	–	–	2,191	2,191
Actuarial gains/loss on defined benefit plan	–	–	–	–	(287)	(287)
Share option costs recognised	–	–	–	–	30	30
Total Comprehensive income for the year	–	–	–	1,070	1,934	3,004
Issue of share capital	1	4	–	–	–	5
Dividends	–	–	–	–	(1,095)	(1,095)
Balance at 31 December 2008	1,441	4,237	88	142	4,698	10,606
Changes in equity for 2009						
Exchange differences on translating foreign operations	–	–	–	(339)	–	(339)
Profit for the year	–	–	–	–	1,803	1,803
Actuarial gains/loss on defined benefit plan	–	–	–	–	(2,567)	(2,567)
Share option costs recognised	–	–	–	–	(14)	(14)
Total comprehensive income for the year	–	–	–	(339)	(778)	(1,117)
Issue of share capital	–	–	–	–	–	–
Dividends	–	–	–	–	(605)	(605)
Balance at 31 December 2009	1,441	4,237	88	(197)	3,315	8,884

Consolidated statement of cash flows

For the year ended 31 December 2009

	Note	2009 £000's	2008 £000's
Net cash flow from operating activities	A	3,316	2,842
Investing activities			
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)
Cash flows from investing activities		(471)	(3,220)
Financing activities			
Equity share capital subscribed		-	5
Interest paid		(122)	(90)
(Decrease)/increase in bank loans		(388)	2,835
Dividends paid on ordinary shares		(605)	(1,095)
Cash flows from financing activities		(1,115)	1,655
Net increase in cash and cash equivalents	B	1,730	1,277
Cash and cash equivalents at start of period		1,738	461
Cash and cash equivalents at end of period		3,468	1,738

Consolidated statement of cash flows notes

For the year ended 31 December 2009

A Net cash inflow from operating activities

	2009 £000's	2008 £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	1,024	(407)
Net cash inflow from trading activities	4,827	4,213
Difference between pension charge and cash contributions	(745)	(1,211)
Tax paid	(766)	(160)
Net cash inflow from operating activities	3,316	2,842

B Analysis of changes in net debt

	2008 £000's	Cash Flow £000's	Exchange £000's	2009 £000's
Cash	1,738	1,730	–	3,468
Bank overdrafts	–	–	–	–
Cash and cash equivalents	1,738	1,730	–	3,468
Loans due within one year	(386)	(430)	85	(731)
Loans due after more than one year	(3,408)	818	255	(2,335)
Net debt	(2,056)	2,118	340	402
Total equity	10,606			8,784
Gearing				(5%)

Statement of accounting policies

For the year ended 31 December 2009

The Company

Stadium Group plc (the 'Company') is a company incorporated in England and is listed on the Alternative Investment Market. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the directors on 3 March 2010.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the 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 following standards have been applied by the group from 1 January 2009:

- IFRS 8 Operating segments
- IAS 1 (Revised) Presentation of financial statements
- IFRS 2 (Amendment) Share based payments
- IFRS 7 (Amendment) Financial instruments: Disclosures

The following standards and interpretations were mandatory for the current accounting period, but are not relevant to the operations of the group.

- IFRS 1 (Amendment) First time adoption of IFRS
- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for the construction of real estate

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the group in these financial statements. Application of the majority of these standards and interpretations is not expected to have a material effect on the financial statements in the future.

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.

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 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%

Useful lives and residual values are reviewed annually.

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.

Statement of accounting policies

For the year ended 31 December 2009

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 asset 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 lives are as follows:

Development costs – 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 comprehensive income.

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 the date of transition to IFRS as Sterling denominated assets and liabilities.

Financial Instruments

The Group's financial instruments comprise borrowings, some cash and liquid resources and items such as trade receivables and trade payables 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.

Statement of accounting policies

For the year ended 31 December 2009

Trade receivables:

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

Cash and cash equivalents:

Cash includes bank current accounts and petty cash balances, which are subject to insignificant risk of changes in value.

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 15.

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 – Refer to note 19 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

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.

Notes to the financial statements

1. Segmental reporting

By operating segment

The Group derives its revenues from three main areas of activity; provision of sub-contract electronic manufacturing services, design and manufacture of power supplies and supply of moulded plastic products. Our operating segments are based on the management structure of the Group. Segmental analysis is provided below in respect of the electronics, power supplies and branded plastics operations. The Group manages its operations down to operating profit by operating unit and centrally manages its group taxation and capital structure, including net equity and net debt.

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

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

Notes to the financial statements

Segmental reporting continued

	Stadium Electronics £000's	Stadium Power £000's	2009 Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Segment assets	16,043	1,196	5,347	8,128	30,714
Segment liabilities	(9,033)	(325)	(1,397)	(11,075)	(21,830)
Segment net assets	7,010	871	3,950	(2,947)	8,884
Expenditure on property, plant and equipment	351	1	123	-	475
Expenditure on development costs	-	-	-	-	-
Depreciation and amortisation	632	60	200	81	973
	Stadium Electronics £000's	Stadium Power £000's	2008 Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Segment assets	16,752	1,420	5,319	5,516	29,007
Segment liabilities	(8,156)	(271)	(1,145)	(8,829)	(18,401)
Segment net assets	8,596	1,149	4,174	(3,313)	10,606
Expenditure on property, plant and equipment	489	79	86	-	654
Expenditure on development costs	-	90	-	-	90
Depreciation and amortisation	544	68	221	65	898

Segmental reporting
By geographical location

	Revenue – external customers by location of customer £000's	2009 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	-	-
	46,577	8,884	475

	Revenue – external customers by location of customer £000's	2008 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	-	-
	47,611	10,606	654

Notes to the financial statements

2. Profit before taxation

	2009 £000's	2008 £000's
(a) Net operating expenses		
Distribution costs (2008: £nil in acquired entities)	(990)	(1,333)
Administrative expenses (2008: £135,000 in acquired entities)	(6,441)	(6,320)
	(7,431)	(7,653)
(b) Reorganisation costs		
Included within operating expenses are one-off reorganisation costs as follows		
Severance costs	(213)	–
(c) Profit before taxation is stated after charging/(crediting):		
Inventories recognised as costs of sale	36,385	36,842
Costs of equity settled share based payments	(14)	30
Foreign exchange (gains)/losses	(37)	276
Auditors' remuneration:		
Fees payable to the Company's auditors for audit of the parent company and consolidated financial statements	32	28
The audit of the Company's subsidiaries pursuant to legislation	77	71
Taxation services	14	17
Other services	4	7
For audit of Company pension schemes	6	7
Operating lease costs	223	59
Depreciation	953	898
Amortisation of development costs	20	–
(d) Finance Cost (net) comprises:		
Interest receivable	–	2
Interest payable on bank loan and overdrafts	(122)	(92)
Other finance costs	(351)	(244)
	(473)	(334)
(e) Other finance costs comprises:		
Expected return on pension scheme assets	1,235	1,426
Interest on pension scheme liabilities	(1,586)	(1,670)
	(351)	(244)

3. Employees

Average number of employees (including directors) during the year was:

	2009	2008
Direct production – Plastics	89	90
– UK Electronics	176	196
– Asia Electronics	386	595
Selling and administrative (including indirect production)	420	505
	1,071	1,386

Aggregate payroll costs were as follows:

	£000's	£000's
Wages and salaries	9,324	9,141
Social Security costs	674	582
Pension costs (note 19)	167	301
	10,165	10,024

4. Directors' remuneration

	2009 £000's	2008 £000's
Fees	72	74
Salaries and benefits in kind	546	668
	618	742

Directors' remuneration comprised:

	Fees £000's	Salary £000's	Annual Bonus (see below) £000's	Benefits in kind £000's	Total 2009 £000's	Total 2008 £000's
Nick Brayshaw	46	–	–	–	46	47
Chris Gill	26	–	–	–	26	27
Ken Leung	–	140	–	11	151	155
Nigel Rogers	–	180	–	12	192	230
Kamal Verma (resigned 22 April 2009)	–	77	–	6	83	206
Colin Wilson	–	76	–	1	77	77
Tony Inskip (appointed 8 September 2009)	–	40	–	3	43	-
Total	72	513	–	33	618	742

Nigel Rogers and Kamal Verma are both members of a defined benefit pension scheme (see note 19) and total Company contributions in the year were £41,000 (2008: £57,000). Colin Wilson and Tony Inskip are members of a defined contribution scheme (see note 19) and total Company contributions for the year were £5,000 (2008: £3,000). The accrued pension of the highest paid director was £72,000 (2008: £66,000). No pension contributions were paid on behalf of other directors.

Kamal Verma received an additional payment of £30,000 upon his retirement from the company.

Notes to the financial statements

5. Taxation

	2009 £000's	2008 £000's
<i>Current tax</i>		
UK corporation tax on profit of the period	82	–
Adjustments in respect of previous periods	(8)	(115)
	74	(115)
Foreign tax	244	446
Prior year adjustment	–	–
Total current tax	318	331
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	167	260
Adjustments in respect of previous periods	–	–
Total deferred tax	167	260
Tax on profit	485	591
<i>The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 28% (2008: 28%)</i>		
<i>The differences are explained below:</i>		
Profit before tax	2,288	2,782
Profit multiplied by standard rate of corporation tax in the UK of 28% (2008: 28%)	641	779
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11	6
Overseas earnings at lower rates	(120)	420
Unrecognised temporary differences	(80)	91
Foreign exchange loss in reserves	141	(573)
Losses brought forward utilised	(100)	(22)
Adjustments in respect of previous periods	(8)	(110)
Tax charge for period	485	591

Corporation tax of £95,000 relating to a foreign exchange gain and a deferred tax credit of £998,000 relating to the increase in the defined benefit obligation have been recognised directly in equity.

6. Dividends

	2009 £000's	2008 £000's
<i>Equity</i>		
Ordinary dividends paid:		
2008 final dividend at 1.30p per share (2007: 2.55p)	374	735
2009 interim dividend at 0.80p per share (2008: 1.25p)	231	360
	605	1,095

The board proposes to pay a 2009 final dividend of 1.45p per share (2008: 1.30p) on 4 May 2010 to shareholders on the register on 26 March 2010, amounting to £418,000 (2008: £374,000).

	2009 £000's	2008 £000's
7. Goodwill		
Cost		
At 1 January	2,589	1,524
Acquired during the year	–	1,065
At 31 December	2,589	2,589
Accumulated impairment loss		
At 1 January	–	–
Charge for year	–	–
At 31 December	–	–
Net book amount		
At end of year	2,589	2,589
At start of year	2,589	1,524

Goodwill acquired through business combinations has been allocated at acquisition to the cash generating units (CGU's) that are expected to benefit from that business combination.

The group's identifiable CGU's are operating segments as defined in IFRS 8. The aggregation of assets for identifying the CGU's has not changed since the prior year. The carrying amount of goodwill has been allocated as per the table below:

	2009			2008		
	Electronics £000's	Power £000's	Total £000's	Electronics £000's	Power £000's	Total £000's
UK	1,065	988	2,053	1,065	988	2,053
Asia	536	–	536	536	–	536
	1,601	988	2,589	1,601	988	2,589

Goodwill arises on the consolidation of subsidiary undertakings. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP net book value subject to being tested for impairment at that date.

The Group tests annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions to the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales and overheads during the period. Management use discount rates of 12% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts.

Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Notes to the financial statements

8. Property, plant and equipment

	Freehold land & buildings £000's	Plant & machinery £000's	Fixtures & equipment £000's	Total £000's
Cost				
At 31 December 2007	5,890	13,029	2,915	21,834
Additions	2	549	103	654
Acquisitions	49	3,234	265	3,548
Transfers	–	35	(35)	–
Disposals	(10)	(340)	(159)	(509)
Exchange	331	1,027	279	1,637
At 31 December 2008	6,262	17,534	3,368	27,164
Additions	14	439	22	475
Disposals	–	(63)	(10)	(73)
Exchange	(122)	(404)	(104)	(630)
At 31 December 2009	6,154	17,506	3,276	26,936
Depreciation				
At 31 December 2007	1,660	10,922	2,598	15,180
Charge in year	120	647	131	898
Acquisition	45	2,727	239	3,011
Transfers	–	12	(12)	–
Disposals	(10)	(318)	(155)	(483)
Exchange	15	610	210	835
At 31 December 2008	1,830	14,600	3,011	19,441
Charge in year	118	716	119	953
Disposals	–	(59)	(10)	(69)
Exchange	(8)	(251)	(81)	(340)
At 31 December 2009	1,940	15,006	3,039	19,985
NBV				
NBV at 31 December 2009	4,214	2,500	237	6,951
NBV at 31 December 2008	4,432	2,934	357	7,723
NBV at 31 December 2007	4,230	2,107	317	6,654

There were no outstanding commitments in respect of Group capital expenditure. The net book value of property, plant and equipment includes £202,000 (2008: £220,000) in relation to plant and machinery held under finance leases. Freehold land and buildings includes assets with a net book value of £3,218,000 (2008: £3,295,000) which are subject of fixed charges referred to in note 14.

9. Investments

At 31 December 2009 the principal subsidiaries of the Company included on consolidation, all of which were wholly owned, were as follows:

Name	Nature of business	Registration	Operation
Stadium Asia Limited	Electronic Manufacturing Services	British Virgin Islands	China/Hong Kong
STMC Limited	Electronic Manufacturing Services	Hong Kong	China
Stadium Power Limited	Custom power supplies	England & Wales	UK
Quest Consumer Products Limited	Babycare and nursery goods	England & Wales	UK
KRP Power Source (UK) Limited	Power supply distribution	England & Wales	UK
Ferrus Power Limited	Custom Power suppliers	England & Wales	UK
Fox Industries Limited	Filters and power supplies	England & Wales	UK
Stadium Zirkon (UK) Limited	Electronic Manufacturing Services	England & Wales	UK

10. Other intangible assets

	2009 £000's	2008 £000's
Cost		
At 1 January	172	–
Additions	–	172
Disposals	–	–
At 31 December	172	172
Accumulated amortisation		
At 1 January	–	–
Amortisation	20	–
Disposals	–	–
At 31 December	20	–
Carrying value at 31 December	152	172

Other intangible assets relate to development costs

11. Inventories

	2009 £000's	2008 £000's
Raw materials and consumables	3,092	2,921
Work in progress	794	478
Finished goods and goods for resale	1,851	2,148
	5,737	5,547

Inventory written down during the year amounted to £460,000 (2008: £48,000).

Inventory with a carrying amount of £3,726,000 (2008: £3,305,000) has been pledged as security for liabilities

Notes to the financial statements

12. Trade and other receivables

	2009 £000's	2008 £000's
Non-current receivables:		
Other non-trade receivables	–	489
Current receivables:		
Trade receivables	8,445	8,567
Other non-trade receivables	613	321
Prepayments and accrued income	408	398
	9,466	9,286
	9,466	9,775

Other non-trade receivables includes the deferred portion of the consideration for a property disposal which was made in 2007. The deferred amount is receivable on flexible terms across three years from the date of sale, attracts interest at 3% above base rate and is secured by a fixed charge over the property. The amount of the deferred consideration outstanding at the year end was £489,000.

13. Current payables

	2009 £000's	2008 £000's
Current portion of long term borrowings	731	386
Trade payables	7,392	5,617
Current tax payable	240	647
Other payables:		
Tax and social security	570	604
Other non-trade payables	437	540
Accruals and deferred income	1,705	1,944
	11,075	9,738

14. Non-current payables

	2009 £000's	2008 £000's
Long term borrowings	2,335	3,408
Other non-trade payables	–	29
	2,335	3,437

The net bank borrowings, including overdrafts, of Group companies are secured by fixed and floating charges over the assets of the Group. There is a guarantee relating to indebtedness of all Stadium Group companies in the UK to Barclays Bank Plc, which is secured by a fixed and floating charge over the assets of all UK group companies.

Other non-trade payables comprises hire purchase liabilities falling due between one and two years.

15. 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 receivables, trade payables, 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 credit risk, 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, other non-trade receivables and cash at bank totalling £12,526,000.

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:

	2009 £000's	2008 £000's
Gross amount:		
Neither impaired nor past due	8,438	7,989
Impaired but not past due	-	460
Past due and impaired	349	-
Past due but not impaired:		
31-60 days	40	265
61-90 days	13	45
91-120 days	3	104
more than 121 days	99	93
	8,942	8,956
Less: provisions held	(497)	(389)
Carrying amount	8,445	8,567

The movement in the provision for doubtful debts is as follows:

	2009 £000's	2008 £000's
Provision for doubtful debts:		
Opening balance	389	66
Bad debts previously provided for now written off or released	(183)	(13)
New and increased doubtful debts provided for	291	336
Closing balance	497	389

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 impaired and past due include 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%.

Notes to the financial statements

15. Financial instruments

continued

Interest rate risk:

The Group finances its operations through a mixture of equity 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	2009 £000's	2008 £000's
Assets			
Sterling	3.5%	489	489
Liabilities			
Sterling	–%	–	–
US dollar	1.8%	2,743	3,384
HK dollar	2.8%	323	410
		3,066	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	–
	3,066	2,537	3,794	2,311

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).

15. Financial instruments

continued

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 prior year, the Group 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 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
	12,526	12,526	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)
	(13,410)	(13,410)	(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.

Notes to the financial statements

16. Deferred tax assets

	2009 £000's	2008 £000's
Deferred tax asset on pension liability (Note 19)	2,351	1,463
Movement on the deferred asset was as follows:		
At 1 January 2009	1,463	1,769
Recognised directly in equity	998	(52)
Recognised in income statement	(110)	(254)
At 31 December 2009	2,351	1,463

Deferred tax assets have not been recognised in relation to capital allowances in the UK subsidiaries, as profits in these subsidiaries are currently covered by losses arising in the parent company. The UK companies within the Group expect to be able to claim capital allowances in excess of depreciation in future years. The total amount unrecognised is £1,027,000 (2008: £1,366,000). Future tax charges will be affected by the extent to which these unprovided deferred tax assets are recognised.

17. Equity share capital

	2009 £000's	2008 £000's
Authorised:		
40,140,000 ordinary shares of 5p each	2,007	2,007
Allotted, called up and fully paid:		
1 January 2009: 28,827,198 ordinary shares of 5p each	1,441	1,440
Issued during the year: nil (2008: 22,500) ordinary shares of 5p each	–	1
31 December 2009: 28,827,198 ordinary shares of 5p each	1,441	1,441

Option agreements existed at 31 December 2009 to purchase ordinary shares of 5p each as follows:

Date granted	Number of options	Exercisable between:	Price
31 December 2002	705,300	31 December 2007 & 31 December 2012	35.0p
17 March 2004	290,000	17 March 2007 & 17 March 2014	78.5p
4 April 2005	359,500	4 April 2008 & 4 April 2015	85.5p
4 April 2008	232,500	4 April 2011 & 4 October 2011	5.0p

Share based payments

The Company operates two schemes offering share based incentive to employees. The Executive Share Option Scheme provided employees the option to buy shares, subject to certain performance criteria being met, between three and ten years from the date of grant (between five and ten years for certain categories of option) at an exercise price equivalent to the share price on the date of grant. The scheme ceased to offer new grants of options in 2005.

The performance Share Plan offers employees the option to buy shares, subject to certain performance criteria being met, three years from the date of grant at an exercise price equivalent to the nominal value of 5 pence each. The last grant of options under this scheme took place in April 2008.

17. Equity share capital
continued

Details in respect of options outstanding and movements during the year are as follows:

	2009	Weighted average exercise price £		2008	Weighted average exercise price £
	No of options		No of options		
Executive Scheme					
At 1 January	1,388,800	0.59	2,141,600		0.53
Options lapsed	(34,000)	1.03	(745,300)		0.42
Options exercised	–	–	(7,500)		0.59
At 31 December	1,354,800	0.58	1,388,800		0.59
Out of which exercisable	1,354,800	0.35	1,388,800		0.38
Performance Share Plan					
At 1 January	462,500	0.05	260,000		0.05
Granted in year	–	–	232,500		0.05
Options lapsed	(230,000)	0.05	(15,000)		0.05
Options exercised	–	–	(15,000)		0.05
At 31 December	232,500	0.05	462,500		0.05
Of which exercisable	–	–	–		–

The weighted average share price of options exercised during the year was £nil (2008: £0.48).

Total share options outstanding at 31 December 2009 had a weighted average exercise price of £0.50 (2008: £0.48) and a weighted average contractual life of 6 years (2008: 5 years). There were no share options granted during the year.

The charge to income statement account during the year, based on the fair value of options using Black Scholes, was as follows:

	2009 £000's	2008 £000's
Fair value of options recognised	30	36
Credit in respect of options lapsed	(44)	(6)
(Credit)/charge to income statement	(14)	30

The charge includes a total of £5,000 (2008: £28,000) relating to the five executive directors who served during the year.

Notes to the financial statements

17. Equity share capital

continued

Managing Capital

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. Gearing is calculated as Net Debt divided by Total Equity. During 2009 the Group maintained gearing in the range between 0% and 25%, which in the opinion of the directors, is appropriate to the business activities undertaken. Details of the Group's gearing are given in note B to the Statement of Cash Flows.

18. Earnings per share

The calculation of basic earnings per share is based on the profit for the financial year of £1,803,000 (2008: £2,191,000) and the weighted average number of ordinary shares in issue during the year of 28,827,198 (2008: 28,811,399).

Diluted earnings per share reflect dilutive options granted resulting in a weighted average number of 28,908,207 ordinary shares (2008: 29,066,165), and profit for the financial year of £1,803,000 (2008: £2,191,000).

The reconciliation of basic earnings per share is as follows:

	2009		2008	
	£000's	per share	£000's	per share
Basic earnings per share	1,803	6.3p	2,191	7.6p

Share options granted to employees could potentially dilute basic earnings per share in future, but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the period presented.

19. Retirement benefit obligations

The Group pension arrangements are operated through a defined contribution scheme and a Group defined benefit scheme.

Defined contribution scheme

	2009 £000's	2008 £000's
Amount recognised as an expense	63	69

Defined benefit scheme

The Stadium Group plc 1974 Pension Scheme is a final salary pension plan operating for qualifying employees of the Group. It was closed to new entrants in 1995.

The amounts recognised in the balance sheet are as follows:

	2009 £000's	2008 £000's
Present value of funded obligations	(29,592)	(24,777)
Fair value of plan assets	21,195	19,551
Net pension liability	(8,397)	(5,226)
Related deferred tax asset	2,351	1,463
Net liability after taxation	(6,046)	(3,763)

The amounts recognised in the income statement are as follows:

	2009 £000's	2008 £000's
Current service cost	(104)	(232)
Interest on obligation	(1,586)	(1,670)
Expected return on plan assets	1,235	1,426
Past service cost	-	-
Total in income statement	(455)	(476)
Actual return on plan assets	2,693	(4,420)

Changes in the present value of the defined benefit obligation are as follows:

	2009 £000's	2008 £000's
Opening defined benefit obligation	(24,777)	(29,479)
Current service cost	(104)	(231)
Interest cost	(1,586)	(1,670)
Actuarial gains/(losses)	(52)	(371)
Changes in underlying assumptions	(4,951)	5,654
Benefits paid	1,878	1,320
Closing defined benefit obligation	(29,592)	(24,777)

Notes to the financial statements

Retirement benefit obligations continued

Changes in the fair value of plan assets are as follows:

	2009 £000's	2008 £000's
Opening fair value of plan assets	19,551	23,583
Expected return	1,235	1,426
Actuarial (losses)/gains	1,459	(5,483)
Contribution by employer	828	1,345
Benefits paid	(1,878)	(1,320)
	21,195	19,551

The Group expects to contribute £1,043,000 to its defined benefit pension plans in 2010.

Principle actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2009	2008
Discount rate at 31 December	5.8%	6.7%
Expected return on plan assets at 31 December	6.4%	6.9%
Future salary increases	3.4%	2.5%
Future pension increases	3.2%	2.5%
Proportion of employees opting for early retirement	0.0%	0.0%

Investigations have been carried out within the past three years into the mortality experience of the Group's scheme.

These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2009	2008
Retiring today:		
Males	23.3	23.3
Females	25.7	25.7
Retiring in 20 years:		
Males	24.5	24.5
Females	26.7	26.7

	2009 £000's	2008 £000's	2007 £000's	2006 £000's	2005 £000's
Actuarial gains and losses recognised in the SOCI	(2,567)	(287)	(444)	(298)	(331)
The cumulative actuarial gains and losses recognised in the SOCI	(8,519)	(5,952)	(5,665)	(5,223)	(4,925)
Experience adjustments on plan liabilities	(52)	(371)	336	100	(210)
Experience adjustments on plan assets	1,459	(5,483)	(259)	792	1,884

Retirement benefit obligations
continued

Pension plan assets are made up as follows:

	2009		2008	
	£000's	%	£000's	%
Insured pensions in payment	13,894	66	12,111	62
Equity	3,943	19	3,379	17
Debt	1,765	8	1,678	9
Other	1,593	7	2,383	12
	21,195	100	19,551	100

Pension plan assets do not include any of the Group's own shares or any property occupied by, or other assets used by the Group.

The overall expected rate of return on assets is the weighted average expected rate of return on each asset class, based upon long term historical rates adjusted to take account of current market conditions.

Defined benefit pension plans

	2009 £000's	2008 £000's	2007 £000's	2006 £000's	2005 £000's
Defined benefit obligation	(29,592)	(24,777)	(29,479)	(28,737)	(27,085)
Plan assets	21,195	19,551	23,583	22,381	20,145
Net pension liability	(8,397)	(5,226)	(5,896)	(6,356)	(6,940)
Related deferred tax asset	2,351	1,463	1,769	1,907	2,082
Net liability (after taxation)	(6,046)	(3,763)	(4,127)	(4,449)	(4,858)

20. Operating lease commitments

	2009 £000's	2008 £000's
Future minimum lease payments under non-cancellable operating leases:		
Within one year	212	198
From one to five years	715	743
After five years	168	–
	1,095	941

The Group does not sub-lease any of its leased premises.

Lease payments recognised in profit for the period amounted to £223,000 (2008: £59,000).

Independent Auditors' Report to the members of Stadium Group plc

We have audited the parent company financial statements of Stadium Group plc for the year ended 31 December 2009 which comprise the parent company balance sheet, and the related notes. The financial accounting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the director's responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Stadium Group plc for the year ended 31 December 2009.

Robert F McNaughton (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors

Leeds
3 March 2010

Company balance sheet

At 31 December 2009

Company Number 00236394

	Note	2009 £000's	2008 £000's
Fixed assets			
Tangible assets	3	3,790	3,790
Investments	4	10,345	10,345
		14,135	14,135
Current assets			
Stocks	5	2,114	1,701
Debtors due after more one year	6	–	489
Debtors due within one year	6	5,221	4,530
Cash at bank and in hand		2	3
		7,337	6,723
Creditors: amounts falling due within one year			
Bank overdrafts		(989)	(528)
Creditors	7	(7,486)	(9,780)
		(8,475)	(10,308)
Net current liabilities		(1,138)	(3,585)
Total assets less current liabilities		12,997	10,550
Creditors: amounts falling due after more than one year	8	(2,057)	(3,046)
Net assets		10,940	7,504
Capital and reserves			
Called up equity share capital	10	1,441	1,441
Share premium account	11	4,237	4,237
Capital redemption reserve	12	88	88
Profit and loss account	13	5,174	1,738
Equity shareholders' funds	14	10,940	7,504

The accounts were approved and authorised for issue by the Board on 3 March 2010 and signed on its behalf by:

Nigel Rogers

Director

Statement of accounting policies

1. Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write down the cost of assets (excluding freehold land) over their estimated useful lives by equal annual instalments at the following rates:

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

Investments in subsidiary undertakings in the accounts of the Company are stated at cost less provision for impairment.

Stocks and work in progress

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

Deferred taxation

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

Pension costs

Defined benefit scheme

The multi-employer scheme for which the net pension liability cannot be split between entities is accounted for in the Group accounts only.

Defined contribution schemes

Contributions payable are charged to the profit and loss account 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 year end. Gains and losses arising on the translation of foreign currencies are dealt with as part of operating profit.

Turnover

Turnover represents the value of invoiced sales of goods and services during the year, net of value added tax and discounts. Invoices are raised when goods are despatched to customers and title to the goods passes.

Financial Instruments

The Company'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 Company's operations.

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

Trade debtors:

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

Notes to the Company financial statements

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 profit and loss account 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 creditors:

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

Equity instruments:

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

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

The main risks arising from the Company'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 15 to the Group financial statements.

Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carry 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 – Refer to note 19 of the group financial statements for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Goodwill – Goodwill is estimated 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.

Notes to the Company financial statements

2. Profit on ordinary activities before taxation

The directors have taken advantage of the exemption under Section 408 of the Companies Act 2006 and have not presented a profit and loss account of the Company alone.

The profit for the year dealt with in the accounts of the holding company amounted to £4,055,000 (2008: £597,000).

Auditors' fees during the year: for the audit of the Company were £32,000 (2008: £28,000). Other fees paid to the auditors during 2009 are detailed in note 2 to the Group accounts.

The average number of employees (including executive directors) employed by the Company was 132 (2008: 148).

The cost of these employees was £3,093,000 (2008: £3,849,000).

3. Tangible fixed assets

	Freehold land & buildings £000's	Plant & machinery £000's	Fixtures & equipment £000's	Total £000's
Cost				
At 1 January 2009	4,615	4,231	1,052	9,898
Additions	14	281	–	295
Transfers	–	(14)	–	(14)
Disposals	–	(47)	–	(47)
At 31 December 2009	4,629	4,451	1,052	10,132
Depreciation				
At 1 January 2009	1,320	3,805	983	6,108
Charge in year	91	164	32	287
Transfers	–	(9)	–	(9)
Disposals	–	(44)	–	(44)
At 31 December 2009	1,411	3,916	1,015	6,342
NBV				
NBV at 31 December 2009	3,218	535	37	3,790
NBV at 1 January 2009	3,295	426	69	3,790

There were no outstanding commitments in respect of capital expenditure.

4. Investments

Investments in subsidiary companies at net book amount:

	2009 £000's	2008 £000's
At 1 January	10,345	7,044
Acquired during the year	–	3,301
At 31 December	10,345	10,345

At 31 December 2009 the principal subsidiaries of the Company included on consolidation, all of which were wholly owned, were as follows:

Name	Nature of business	Registration	Operation
Stadium Asia Limited	Electronic Manufacturing Services	British Virgin Islands	China/Hong Kong
STMC Limited	Electronic Manufacturing Services	Hong Kong	China
Stadium Power Limited	Custom power supplies	England & Wales	UK
Quest Consumer Products Limited	Babycare and nursery goods	England & Wales	UK
KRP Power Source (UK) Limited	Power supply distribution	England & Wales	UK
Ferrus Power Limited	Custom power supplies	England & Wales	UK
Fox Industries Limited	Filters and power supplies	England & Wales	UK
Stadium Zirkon (UK) Limited	Electronic manufacturing services	England & Wales	UK

5. Stocks

	2009 £000's	2008 £000's
Raw materials and consumables	647	393
Work in progress	398	201
Finished goods and goods for resale	1,069	1,107
	2,114	1,701

6. Debtors

	2009 £000's	2008 £000's
Amounts due after more than one year:		
Other debtors	–	489
Amounts due within one year:		
Trade debtors	2,739	2,030
Amounts due from Group companies	1,876	2,383
Other debtors	490	2
Prepayments and accrued income	116	115
	5,221	4,530
	5,221	5,019

Other debtors includes deferred consideration on a property sale made during 2007 (note 12 of the Group accounts). The deferred amount is receivable on flexible terms across three years from the date of sale, attracts interest at 3% above base rate and is secured by a fixed charge over the property.

Notes to the Company financial statements

7. Creditors: amounts falling due within one year

	2009 £000's	2008 £000's
Current portion of bank loans (secured)	686	338
Trade creditors	1,766	910
Amounts owed to Group companies	4,196	7,262
Tax and social security	302	316
Other creditors	64	49
Accruals and deferred income	472	905
	7,486	9,780

8. Creditors: amounts falling due after more than one year

	2009 £000's	2008 £000's
Bank loans (secured)	2,057	3,046

The net bank borrowings, including overdrafts, of Group companies are secured by fixed and floating charges over the assets of the Group. There is a guarantee relating to indebtedness of all Stadium Group companies in the UK to Barclays Bank Plc, which is secured by a fixed and floating charge over the assets of all UK group companies.

9. Financial instruments

Information on financial instruments is provided in note 15 to the Group accounts.

10. Equity share capital

	2009 £000's	2008 £000's
Authorised:		
40,140,000 ordinary shares of 5p each	2,007	2,007
Allotted, called up and fully paid:		
1 January 2009: 28,827,198 ordinary shares of 5p each	1,441	1,440
Issued during the year: nil (2008: 22,500) ordinary shares of 5p each	–	1
31 December 2009: 28,827,198 ordinary shares of 5p each	1,441	1,441

Option agreements existed at 31 December 2009 to purchase ordinary shares of 5p each as follows:

Date granted	Number of options	Exercisable between:	Price
31 December 2002	705,300	31 December 2007 & 31 December 2012	35.0p
17 March 2004	290,000	17 March 2007 & 17 March 2014	78.5p
4 April 2005	359,500	4 April 2008 & 4 April 2015	85.5p
4 April 2008	232,500	4 April 2011 & 4 October 2011	5.0p

Details of the schemes offering share based incentives to employees are given in note 17 to the Group accounts.

11. Share premium account

	2009 £000's	2008 £000's
Balance at 1 January:	4,237	4,233
Nil shares issued (2008: 22,500 shares at between 5 pence and 59 pence each)	–	4
Balance at 31 December	4,237	4,237

12. Capital redemption reserve

	2009 £000's
Balance at 1 January 2009 and 31 December 2009	88

13. Profit and loss account

	2009 £000's
Retained profits at 1 January 2009	1,738
Total net gains for the year	4,055
Share option costs recognised	(14)
Dividends paid	(605)
Retained profits at 31 December 2009	5,174

14. Reconciliation of movements in equity shareholders' funds

	2009 £000's	2008 £000's
Profit for the financial year	4,055	597
Dividends paid	(605)	(1,095)
Equity share capital subscribed	–	5
Share option costs recognised	(14)	30
Net movement	3,436	(463)
Equity shareholders' funds at beginning of year	7,504	7,967
Equity shareholders' funds at end of year	10,940	7,504

15. Directors' remuneration

Details of the remuneration for directors who served during the year are disclosed in note 4 to the Group accounts.

Five year financial summary

This summary does not form part of the notes to the financial statements

	UK GAAP		IFRS		
	2005 £000's	2006 £000's	2007 £000's	2008 £000's	2009 £000's
Revenue* ¹	36,515	38,552	40,756	47,611	46,577
Operating profit* ¹	2,894	2,423	2,957	3,116	2,974
Discontinued activities	–	–	–	–	–
Exceptional items	169	340	97	–	(213)
Goodwill amortisation and impairment	(132)	–	–	–	–
Interest payable	(294)	(262)	(294)	(334)	(473)
Profit before taxation	2,637	2,501	2,760	2,782	2,288
Earnings per share* ¹	7.6p	6.3p	7.4p	7.6p	6.8p
Ordinary dividend per share	3.5p	3.6p	3.75p	2.55p	2.25p
Interest cover* ¹	10.2x	9.2x	10.1x	9.3x	6.3x
Dividend cover* ¹	2.2x	1.8x	2.0x	3.0x	3.0x
Property, plant and equipment and goodwill	10,369	11,122	8,178	10,394	9,605
Working capital	4,421	5,632	4,615	5,571	4,457
Bank borrowings (net)	(2,064)	(4,383)	(498)	(2,056)	402
Other assets/(liabilities)	(28)	–	524	460	466
Net assets (before net pension liability)	12,698	12,371	12,819	14,369	14,930
Net assets per share (before net pension liability)	44p	43p	43p	50p	51p
Bank gearing (before net pension liability)	16%	36%	4%	14%	(3%)
Net pension liability	(4,858)	(4,449)	(4,127)	(3,763)	(6,046)

The amounts disclosed for 2005 are stated on the basis of UK GAAP. The main adjustment that would have to be made to make the data compliant with IFRSs is the elimination of the amortisation of goodwill. The amounts are described under IFRS headings.

*¹ Pre-exceptional items and goodwill amortisation, from continuing activities.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Stadium Group plc (the "Company") will be held at Brewin Dolphin's offices at 12 Smithfield Street, London, EC1A 4BD on 20 April 2010 at 11am for the following purposes:-

1. To receive and adopt the accounts and the reports of the directors and the auditors for the financial year ended on 31 December 2009.
2. To approve the directors' remuneration report for the financial year ended on 31 December 2009.
3. To declare a final dividend for the financial year ended on 31 December 2009 of 1.45 pence per ordinary share payable on 4 May 2010 to shareholders on the register of members at the close of business on 26 March 2010.
4. To re-elect as a director Mr N P Brayshaw who retires by rotation in accordance with the Company's articles of association.
5. To re-elect as a director Mr A Inskip who retires following his appointment by the board during the year in accordance with the Company's articles of association.
6. To re-appoint PKF (UK) LLP as auditors of the Company from the conclusion of this meeting to hold office until the conclusion of the next general meeting at which accounts are laid before the shareholders and to authorise the directors to fix the auditors' remuneration.

To consider and, if thought fit, to pass the following resolutions of which resolution 7 will be proposed as an ordinary resolution and resolutions 8 and 9 will be proposed as special resolutions:-

7. That the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £480,453.30, for the period expiring on 21 July 2011 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever first occurs (unless previously renewed, varied or revoked by the Company in general meeting) but the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.
8. That, subject to the passing of resolution 8, the directors be and they are hereby generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution 8, as if section 89(1) of the Act did not apply to the allotment. This power is limited to:-
 - (a) the allotment of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company made in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:-
 - (i) to deal with equity securities representing fractional entitlements; and
 - (ii) to deal with legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

Notice of Annual General Meeting

(b) the allotment of equity securities for cash otherwise than pursuant to paragraph (a) up to an aggregate nominal amount of £144,136.

and will expire on 21 July 2011 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever first occurs, but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

9. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 5 pence each in the Company provided that:-

(a) the maximum number of ordinary shares which may be purchased is 4,324,080 (representing 15 per cent of the Company's issued ordinary share capital as at 3 March 2010);

(b) the minimum price (exclusive of expenses) which may be paid for each ordinary share is 5 pence;

(c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the middle market quotations of an ordinary share of the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased;

(d) this authority shall expire on 21 July 2011 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever first occurs (unless previously renewed, varied or revoked by the Company in general meeting); and

(e) the Company may, before such expiry, enter into one or more contracts to purchase ordinary shares under which such purchases may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

C Wilson
Company Secretary
3 March 2010

Registered office:
Stephen House
Brenda Road
Hartlepool
TS25 2BQ

Notes

1. A member entitled to attend and vote at the Meeting is also entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person at the Meeting.
2. To be effective at the Meeting this form of proxy duly executed (together with any power of attorney or other written authority under which it is executed or a notarially certified copy of such power or authority) must be delivered to Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Kent, BR3 4BR not less than 48 hours before the time of the meeting or adjourned meeting together with any authority under which it is agreed.
3. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 6 pm on 20 April 2009 (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.
5. A copy of the amendments proposed to be made to the Articles of Association of the Company in accordance with resolution 11 is available for inspection during normal business hours at the Company's registered office (public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to, and during, the Annual General Meeting. In addition, the following documents, which are available for inspection during normal business hours at the registered office for the Company (public holidays excluded) will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to, and during, the Annual General Meeting:-
 - (a) copies of all directors' service contracts with the Company and the letters of appointment of non-executive directors; and
 - (b) a statement of the interests of the directors and their connected persons in shares in the Company.
6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
7. Persons who are not shareholders in the Company will not be admitted to the Meeting unless prior arrangements are made with the Company.

Notice of Annual General Meeting

8. Resolution 7.
This authority will allow the directors to allot new shares up to a nominal value of £480,453.30 which is equivalent to one third of the total issued ordinary share capital as at 3 March 2010. The directors have no current intention of exercising this authority.
9. Resolution 8.
This resolution empowers the directors to allot ordinary shares for cash otherwise than pro-rata to existing shareholders. This power is limited to allotments in connection with a rights issue, and otherwise to 2,882,720 ordinary shares representing 10 per cent of the issued ordinary share capital of the Company as at 31 December 2009.
10. Resolution 9
This resolution gives the Company authority to buy back shares in the Company up to a maximum of 15 per cent of the Company's issued share capital.

Corporate Directory

Registered office	Stephen House Brenda Road Hartlepool TS25 2BQ
Registered number	236394
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield W. Yorkshire HD8 0LA
Independent auditors	PKF (UK) LLP Pannell House 6 Queen Street Leeds LS1 2TW
Bankers	Barclays Bank plc 71 Grey Street Newcastle Upon Tyne NE99 1JP
Advisors	Brewin Dolphin Securities Ltd 34 Lisbon Street Leeds LS1 4LX

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