



9 March 2011

Stadium Group plc (AIM : SDM)

Unaudited preliminary results for the year ended 31 December 2010

Stadium Group plc (or "the Company"), the AIM listed provider of electronic design and build solutions, announces results for the year ended 31 December 2010, a period when the Company disposed of its non-core plastics business to focus on the high growth potential of its electronics markets.

Financial highlights

- Revenues* up by 27% to £44.81m (2009: £35.30m)
- Profit before taxation* up by 95% to £2.87m (2009: £1.47m)
- Underlying earnings per share* up by 60% to 6.7 pence (2009: 4.2 pence)
- Balance sheet net cash of £1.67m (2009: £0.40m)
- Sale of surplus freehold property (NBV £2.04m) progressing well
- Total dividends (paid and proposed) up 11% to 2.50 pence per share (2009: 2.25 pence)

** all figures from continuing activities only*

Other highlights

- Disposal of non-core plastics business in June 2010 is the final stage of group reorganisation started in 2001
- New focus on core provision of electronic design and build solutions
- Chief Executive, Nigel Rogers, will not stand for re-election at AGM in April
- Nick Brayshaw to become Executive Chairman and acting CEO until appointment of new Chief Executive
- New Chief Executive to be appointed to drive growth in the business

Commenting on outlook, Chairman Nick Brayshaw OBE said,

"We remain optimistic that continued growth will be achieved from existing products and customers, and will continue to win new business to increase our market share as the key to future success.

The company now has a clear focus on core electronics activities, and a strategy has been set out to continue to deliver strong organic growth. This is driven by the delivery of premium manufacturing and engineering services to a base of long term business partners.

The goal is now to become acknowledged as the leading UK owned provider of electronic design and build solutions, by continuing to target new customers across the world in high growth industry sectors. The company has the financial resources available to invest in the people, processes and technology required to deliver further progress towards this goal during 2011 and beyond."

For further information please contact:

Stadium Group plc
Nick Brayshaw, Chairman

Tel: 01429 852 500
Mob: 07990 531 454

Walbrook PR
Paul McManus
Paul Cornelius

Tel: 020 7933 8780
Mob: 07980 541 893 or paul.mcmanus@walbrookpr.com
Mob: 07827 879 460 or paul.cornelius@walbrookir.com

Brewin Dolphin Limited
Mark Brady

Tel: 0845 213 4729
Mob: 07711 659 861

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

About Stadium Group plc (<http://www.stadium-plc.com>)

Stadium Group Plc is a leading UK-owned provider of electronic design and build solutions.

Stadium Electronics provides high quality, cost-effective Electronic Manufacturing Services (“EMS”) through a partnership approach with key customers. We aim to deliver sustained growth through market development, design and engineering support, technology investment and strategic acquisitions. Our manufacturing operations in the UK offer flexible solutions for new product development and lower volume high mix production, whilst our facility in Asia is able to deliver cost effective manufacturing services for customers with higher volume requirements. Stadium Electronics employs approximately 1,100 people across three manufacturing operations in Hartlepool, Rugby and Dongguan, PRC.

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

Stadium Group plc

Chairman's statement

Covering the year ended 31 December 2010

Introduction

I am pleased to report healthy trading results for the year, which mark a sustained recovery from the effects of the downturn of the previous year. Having disposed of the non-core branded plastics business during the year to focus on our electronics business, we recorded revenues from continuing activities up 27% to £44.8m and operating profits from continuing activities up by 72% to a record £3.34m (2009: £1.94m). The detail relating to the disposal is set out in note 11, and other financial information (including comparative amounts) is presented on the basis of continuing activities only.

The Company has entered its centenary year in robust condition and, with a clear focus on our electronic design and build solutions, we now have the opportunity to establish a stable platform for future growth. This new focus follows a 10 year period of considerable change and reorganisation for the business. This process began in 2000 when we acquired our manufacturing facilities in Dongguan, China, and was followed in 2001 by a strategic review which identified the need to focus on the Electronic Manufacturing Services ("EMS") and Power supply businesses. Since 2001, when Nigel Rogers was promoted to the role of Chief Executive, Stadium has completed a number of disposals, including the most recent disposal of the branded plastics division, and restructured the business from nine sites to our current three manufacturing operations. Also during this time we have grown our Power Supply business through a number of acquisitions, namely KRP Power in 2006, Ferrus Power in 2007 and Fox Industries in 2008, and we complemented our EMS business through the acquisition of Zirkon at the end of 2008.

Board changes to reflect new focus of business

The sale of branded plastics was the last step in this process of refocusing the business and with that completed, we have a secure platform from which to drive growth in the business. Given that Stadium has reached this new stage it has been agreed that now is an appropriate time for Nigel Rogers to step down as Chief Executive and for the Company to seek to appoint a new Chief Executive whose role will be to take the company to the next level of its development.

Nigel, who joined Stadium Group as Group Finance Director in October 1993, before becoming Managing Director (UK Electronics) in July 1998 and Chief Executive in March 2001, will not stand for re-election at the forthcoming AGM in April and will provide Stadium with the assistance necessary to manage an orderly transition to a successor.

The Board would like to place on record its recognition and thanks to Nigel and his team for their considerable efforts in steering the business through this restructuring stage, for their hard work in returning the business to profitability and maintaining earnings, and the establishment of a company that is well positioned to take advantage of the high growth potential of its core electronics markets.

During the interim period, before the appointment of a new Chief Executive, I will become Executive Chairman and acting Chief Executive of Stadium Group plc. For those who are not familiar with my background I began my career with Rio Tinto plc and Caradon plc, before becoming Group Chief Executive of Wagon plc until March 2004.

I was an independent member of the Business and Innovation Group Board of the Department of Trade and Industry, and until recently, Chairman UK manufacturing, Barclays Bank plc. I was also Chairman of the CBI Manufacturing Council 2002 – 2007. I am currently Chairman of global manufacturing business Worldmark International Limited, which was recently named as one of Britain's top private equity-backed companies with the fastest growth over the last two years, operating in the global electronics industry, predominantly in China.

Our newly focused approach will allow us to invest strategically in the people, processes and technology required to drive sustained and considerable growth in the business and I look forward to updating shareholders in the coming months as we progress in our appointment of a new Chief Executive.

Business Strategy

Stadium aims to excel in meeting the needs of a broad range of customers requiring:

- stable, long term commitment - Manufacturing Partnerships
- close involvement in product development, support and lifecycle management - Engineering Solutions, and
- the flexibility of an offshore alternative at mid to high volume - Sourcing Opportunities.

In last year's Annual Report, our target market sectors in which this combination of skills and capabilities are currently in most demand were set out. These included general industrials, green technology, smart metering, low energy lighting, transport infrastructure, and medical (including mobility and cosmetics). During 2010 we have won significant new business in each of these fields, and the pipeline of enquiries and opportunities continues to build.

Manufacturing Partnerships

Our business approach is critically dependent upon building and retaining the trust of our customers over a sustained period. As a strategic design and manufacturing partner, we truly have their business continuity and intellectual property rights in our hands. Accordingly, we have an unfailing commitment to transacting with integrity and transparency. We also place the highest possible emphasis on providing service and quality levels which exceed the expectations of our partners.

Engineering Solutions

Throughout our organisation, we recognise the importance of providing proactive design and engineering support to our customers and not simply "building to print". Compared with our peer group, we have a much greater proportion of revenue from products which are full box build – often drop shipping directly to our customers' customer. Where customers require assemblies at a less advanced stage of completion, we invariably offer advice on improving design for ease of manufacture ("DFM") to improve reliability, reduce material cost, and preferably to do both.

Furthermore, our capabilities in the design and production of power supplies, customised for the specific application of the customers own products, is a valuable element of our service. Every electronic product requires power to function, and the safe and reliable conversion of mains current to direct current at a different voltage is enabled through the design of a power supply. Our engineers have considerable experience across a wide range of industry applications, and are expert at providing reliable, cost effective solutions.

Sourcing Opportunities

Whilst building a value proposition based on well developed localised capabilities is vitally important, it is not enough. Globalisation demands that OEM's of all sizes must optimise their supply chain to derive the lowest possible total cost of ownership.

We facilitate this process by offering access to our wholly owned subsidiary, Stadium Asia. As a stand alone business, Stadium Asia deals directly with customers on a worldwide basis offering design and build solutions from a low cost location. With its own manufacturing base in China, the business has excellent access to locally sourced materials, components and sub-assemblies at globally competitive prices. The China plant has a high degree of vertical integration, with in-house capabilities including plastic injection moulding of engineering parts and enclosures. This enables us to build finished products in China, and ship to customers' worldwide destinations.

Crucially, however, our UK manufacturing sites can also benefit from our Asian supply chain to be more competitive for UK design and build projects. Customers therefore benefit from competitively priced components, whilst enjoying the security and engineering support of a local UK manufacturing presence for more complex products.

Dividends

The Board proposes a final dividend of 1.55 pence per share (2009: 1.45 pence) to be paid on 5 May 2011 to shareholders on the register on 1 April 2011. This brings the total dividends for the year to 2.50 pence per share, (2009: 2.25 pence per share), which is covered by earnings from continuing operations 2.7 times (2009: 1.9 times).

Current trading

Throughout 2010 we experienced a sustained recovery from the effects of the downturn of the prior year, although the underlying level of demand has yet to return fully to previous levels. Demand from non-UK customers represents almost half of total revenues, and this has continued to build steadily. The UK picture provides less

clarity, as the after effects of the credit crisis continue to influence the spending and investment patterns of consumers, companies and indeed the public sector.

Outlook and prospects

We remain optimistic that continued growth will be achieved from existing products and customers, and will continue to win new business to increase our market share as the key to future success.

The company now has a clear focus on core electronics activities, and a strategy has been set out to continue to deliver strong organic growth. This is driven by the delivery of premium manufacturing and engineering services to a base of long term business partners.

The goal is now to become acknowledged as the leading UK owned provider of electronic design and build solutions, by continuing to target new customers across the world in high growth industry sectors. The company has the financial resources available to invest in the people, processes and technology required to deliver further progress towards this goal during 2011 and beyond.

Nick Brayshaw
Chairman
9 March 2011

Stadium Group plc
Chief Executive's review
Covering the year ended 31 December 2010

Overview

The financial results for the year demonstrate substantial growth compared with the prior year, with revenues up by 27% and core operating profits up by over 70%. These rates of growth are, of course, somewhat flattered by comparison with those of 2009, which were adversely affected in the first half by the impact of the sudden global downturn. It is perhaps, therefore, more meaningful to draw comparison with the 2008 outcome, before the effects of the economic downturn were evident.

Such comparison provides two year revenue growth of 22%, and core operating profit growth of 24% through the cycle of downturn and partial recovery. Whilst more modest than the one year comparison, this clearly demonstrates a business model which is resilient to cyclical pressures, yet offers healthy underlying growth through increasing market share.

Revenue analysis

Such resilience is derived from the breadth and spread of revenues across wide ranging geographical and industry sectors, and the monitoring and management of individual customer quality and concentration risks.

Revenue by source

	2010	2009	Increase
	£m	£m	
Asia - EMS	25.57	18.86	36%
Asia - Power	1.71	1.08	58%
UK - EMS	14.91	13.31	12%
UK - Power	2.62	2.05	28%
Total	<u>44.81</u>	<u>35.30</u>	27%

Revenue growth has been delivered in both EMS and Power, and also in both Asia and the UK manufacturing locations. In each case, the total revenue is close to, or substantially in excess of, the level generated prior to the downturn.

Revenue by destination

	2010	2009	Increase
	£m	£m	
UK	25.03	20.77	21%
Europe	6.69	5.07	32%
Americas	5.07	3.96	28%
Asia Pacific	8.02	5.50	46%
Total	<u>44.81</u>	<u>35.30</u>	27%

New business wins and increases in underlying customer demand have delivered strong growth across all geographical markets. Revenues derived from customers outside the UK amounted to 44% of the total (2009: 41%) reflecting the continuing shift in emphasis towards growth from global markets.

Revenue by industry sector

	2010	2009	Increase
	£m	£m	
Industrial, automotive & ventilation	19.37	14.80	31%
Medical & personal care	7.53	5.83	29%
Security, safety & lighting	7.49	3.98	88%
Green energy and environment	5.08	4.40	15%
Consumer & communications	5.34	6.29	-15%
Total	<u>44.81</u>	<u>35.30</u>	27%

Revenue growth exceeded 15% in each of our primary target market sectors, and showed substantially greater rates of growth in most areas. The reduction in revenues derived from the Consumer sector is attributable to the controlled withdrawal from one specific customer in the high volume satellite TV sector. Price erosion in this specific end user market resulted in a profile which no longer met our preferred business model and we agreed a phased exit with the customer.

We continue to focus sales activity into market sectors which demonstrate high growth potential, increasing use of electronics as a medium, and customers whose products command premium pricing in their sector. These attributes are the keys to identifying opportunities for us to deliver a genuine value proposition.

Revenue by customer

	2010 £m	%	Cum %
Largest 3 combined (Top 3)	12.26	27%	27%
Next 7 combined (Top 10)	13.13	29%	56%
Next 10 combined (Top 20)	7.01	16%	72%
All others	12.41	28%	100%
	44.81	100%	

It is vital to measure, monitor and manage customer concentration risk in the EMS industry. It can be uncomfortable to rely on one individual customer or group of similar customers in the event of changes in the economic or technological environment.

Conversely, each individual customer and industry sector requires a degree of fixed overhead to ensure that their expectations on service, quality and engineering support are met or exceeded. It can therefore be excessively costly to maintain a customer base which is too diverse.

We consider that the current customer profile set out above meets our strategic objectives without representing an undue concentration risk.

Customer expectations

Our primary service objective is to provide our customers with an overall contribution that represents an extension of their own business. This partnership approach is intended to support customers' products throughout their lifecycle, from original design through to end of life management.

In the early stages of product development, our engineering teams are involved in the specification and design of product features, and aim to deliver the optimum design for manufacture requirements. Our partnership approach means that many of our customers give us unrestricted visibility of their new product introduction plans – secure in the knowledge that we can be trusted with their valuable intellectual property.

Throughout the manufacturing life cycle of products, our key performance indicators are measures of on-time-in-full delivery, and the ability to consistently meet quality objectives. We monitor and manage these measures closely at all locations. As products become more mature, it is often appropriate to consider transferring manufacture offshore through Best Fit Manufacturing, in which we operate parallel engineering and control procedures to facilitate secure transfer from the UK to China.

We operate lean manufacturing techniques to manage production costs, and anticipate benefits in future periods from rolling out similar initiatives into the logistics and administrative functions of the business.

Sustainability and social responsibility

We aim to understand the impact of our operations on local communities, and put in place action plans to improve performance on a continuous basis. Our facilities in Asia and Rugby are approved to ISO 14001 and we expect to earn accreditation to this standard at the Hartlepool site during 2011.

We pay special attention to the safety and long term health of all of our employees. Ethical employment standards across the marketplace in China are improving at a rapid rate, but we have always set out to ensure that our own facilities meet international standards, regardless of the existence of any less onerous local practices.

We value the long term importance of openness and transparency in all of our dealings with employees, customers, suppliers, regulatory authorities and other stakeholders.

People

In August 2010 we reported the tragic deaths of Ken Leung and his two daughters. Ken was Managing Director of Stadium Asia and a main board director of the company. The management team in Asia has responded tremendously well to the challenge of maintaining the momentum despite their grief at his loss. They have been guided most ably by Peter O'Keeffe, who has now taken up the role of General Manager based in Hong Kong following his initial secondment from our UK operations.

The Future

The centenary year of trading for the company coincides with the tenth anniversary of my appointment as Chief Executive in March 2001. During that period, the Board and management team have transformed Stadium from a highly geared industrial conglomerate into an integrated electronics business with valuable engineering capabilities and emphasis on growing market sectors.

The sale of Stadium Branded Plastics in 2010 marked the final milestone in this transformation; both in terms of strategic focus and financial resources for future investment. This represents a fresh start, and an opportunity to introduce a change in leadership.

Accordingly, I have indicated to the Board that I do not intend to stand for re-election at the forthcoming AGM in April in order to pursue other opportunities. In doing so, I have confirmed my willingness to provide any assistance that may be required to manage an orderly transition to a suitable successor.

I take this opportunity to express my gratitude to the Board, and all of the committed and talented people in our organisation who serve our customers and shareholders so well. Working for Stadium has given me immense enjoyment over the years, and I wish the company and its people every success for the future.

Nigel Rogers
Chief Executive
9 March 2011

Financial review

Covering the year ended 31 December 2010

Results

Trading performance showed a significant improvement over the prior year. Revenues increased by 27% to £44.81m (2009: £35.30m). Underlying sales, after allowing for the relative strengthening of the average US dollar exchange rate, were up by 25%. It was pleasing to note that the improvement was global in its nature and covered all areas of core operations. Gross margin was sustained at 20.6% (2009:20.7%) reflecting the fact that the growth in revenues was achieved without dilution in the quality of the business. Operating margin showed an improvement of 2.0% to 7.5% (2009: 5.5%); though after allowing for one-off severance costs of £0.21m incurred during 2009 the improvement was 1.4%. The growth in the business allowed the Group to undertake recruitment to further improve the capability of its commercial and operating management teams.

Profit before taxation increased by 95% to £2.87m (2009: £1.47m). Earnings per share from continuing operations of 6.7p (2009: 4.2p) were up by 60% on the prior year. The headline rate of earnings per share increased by 8% to 6.8p (2009: 6.3p).

The sale of the non-core Branded Plastics business was completed during June 2010. This business generated an operating profit of £0.25m during the first half of the year. The divestment generated proceeds of £2.42m and was completed at loss against net book value of £0.30m after all costs relating to the transaction were taken into account. The business contributed £0.02m after tax to the Group result.

Statement of financial position and cash flow

Net cash flow from trading activities amounted to £2.66m (2009: £4.83m) which represents 74% of operating profit (2009: 175%). After payment of pension deficit contributions and tax amounting to £2.34m (2009: £1.51m), operating cash flow was £0.32m (2009: 3.32m). Pension deficit contributions paid during 2010 were inflated above the normal level of deficit funding by £0.89m in satisfaction of the statutory debt which arose upon the divestment of the Branded Plastics business.

Net cash at 31 December 2010 stood at £1.67m (2009: £0.40m) and gearing at nil% (2009: nil%). The Company has marketed for sale a property at Chingford which was occupied by the Branded Plastics business prior to its relocation by the purchaser. This property has a book value of £2.04m and is expected to realise a profit on completion of its disposal.

The multi-currency revolving credit facility of £3.00m which was drawn down in US dollars during 2008 was maintained during 2010. The balance at 31 December 2010 of £2.11m, translated at closing exchange rates, is repayable in equal six monthly installments over the next three years.

The net loss of £0.05m (2009: £0.25m gain) on the retranslation of the outstanding balance on the US dollar loan at year end exchange rates was dealt with in reserves. This offsets the net translation gain of £0.10m (2009: £0.62m loss) arising on the net investment in Asia operations.

Bank facilities

At the end of the year, the Group had aggregate banking facilities of £5.78m, of which £3.49m are committed for a period of greater than one year and £2.29m are repayable on demand. Of these facilities, an amount of £2.39m was utilised. Group companies have complied with all financial covenants relating to these facilities. There were aggregate net credit balances of £4.06m held in accounts in respect of which facilities of £2.29m were available and a further £0.90m of the facilities extending beyond one year was unutilised.

Taxation

The effective rate of taxation represented 32% of profit before taxation (2009: 17%). The underlying rate of current tax was 18%. The remaining 14% of the effective tax rate arose on the release of the deferred tax asset as a result of payment of the pension deficit contributions. The element of the tax charge relating to deferred tax does not give rise to a cash flow. Tax on profits earned in our Asia operations are incurred at a rate of approximately 20% (2009: 20%), and paid locally.

It is anticipated that the future effective rate of taxation will be substantially dependent upon the level of pension deficit contributions relative to profits before taxation.

Dividends

During the year the Company paid the final dividend for 2009 of 1.45 pence per share, and the 2010 interim dividend of 0.95 pence per share. Aggregate cash outflow in respect of these items was £0.70m (2009: £0.61m). The board proposes to pay a final dividend for 2010 of 1.55 pence per share on 5 May 2011 at a cost of £0.45m.

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 the related deferred tax asset) was £5.64m (2009: £6.05m). Pension contributions of approximately £1.81m (2009: £0.71m) were paid to the scheme in addition to those relating to current service. This amount includes the additional sum of £0.89m related to the sale of the Branded Plastics business.

Foreign currency effects

The Group has minimal exposure to transactional currency effects, as the currency of revenue and cost streams are matched by region. Most sales originating from UK operations are denominated in sterling, so are matched with the underlying costs. Similarly, sales sourced from Asia are normally denominated in US dollars and the cost streams in US dollars or local currencies which are 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 exchange rate against sterling, compared to the previous year, contributed approximately £0.56m to revenues and £0.06m to operating profit. Trading in our Asia operations is also adversely affected by the appreciation of the Chinese Yuan against the US dollar, as this has the effect of increasing operating costs in China. Exchange losses of approximately £0.05m (2009: £nil) have been recognised in current year earnings in respect of movements during 2010.

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. Where a customer is deemed to represent an unacceptable level of credit risk, terms of trade are modified to limit the Group's exposure.

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 US 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, US 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. 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 Group also has an exposure to the limitation of the availability of component supplies which could inhibit its ability to satisfy customer demand. The main suppliers of raw materials in the Group's market are distributors, not original component manufacturers. The current global economic environment has seen component manufacturers only slowly reintroducing capacity which was cut during 2009, so being unable to meet demand from resellers. The Group has taken steps to address this risk by seeking to build direct relationships with component manufacturers on the basis of consolidated global spend. It has also taken steps with customers to approve alternatives to critical components and so increase flexibility.

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. 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 a downturn in activity levels. The directors consider that the current level of market risk is higher than normal.

Other principal risks

The remaining main risks faced by the Group are its exposure to pension funding and the risk to its reputation of a significant failure to comply with accepted standards of ethical and environmental behaviour.

Pension funding risk arises from the Group's operation of a defined benefit pension scheme which at present has an actuarial deficit between the value of its projected liabilities and the value of the assets the scheme holds in order to discharge those liabilities. The amount of the deficit may be adversely affected by such factors as lower than expected investment returns, changes in long term interest rates and inflation expectations and increases in the forecast longevity of members. The directors regularly review the performance of the pension scheme and the deficit recovery plan. Proactive steps are taken to identify and implement cost effective activities to mitigate the pension scheme deficit.

The risk to the Group's reputation of failure to comply with ethical and environmental regulations arises mainly from the operation of a production facility in Asia. The directors have taken steps to ensure that all of the Group's global operations are conducted to the highest ethical and environmental standards. Regulatory requirements are kept under review and where appropriate production facilities seek to achieve BS, ISO and FDA accreditations. Suppliers are vetted in order to minimise the risk of the Group being associated with a company that commits a significant breach of the regulations.

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
9 March 2011

STADIUM GROUP PLC
Consolidated income statement (unaudited)
for the year ended 31 December 2010

	31 Dec 2010	31 Dec 2009
	Note £000's	£000's
Continuing operations		
Revenue	2 44,811	35,295
Cost of sales	<u>(35,585)</u>	<u>(27,991)</u>
Gross profit	9,226	7,304
Operating expenses	<u>(5,883)</u>	<u>(5,361)</u>
Operating profit	2 3,343	1,943
Finance costs	3 <u>(470)</u>	<u>(473)</u>
Profit before tax	2,873	1,470
Taxation	<u>(924)</u>	<u>(256)</u>
Profit from continuing operations	1,949	1,214
Profit from discontinued operations	<u>20</u>	<u>589</u>
Profit for the year	2 1,969	1,803
Continuing operations		
Basic earnings per share (p)	5 6.7	4.2
Diluted earnings per share (p)	5 6.7	4.2
Continuing and discontinued operations		
Basic earnings per share (p)	5 6.8	6.3
Diluted earnings per share (p)	5 6.8	6.3

STADIUM GROUP PLC
Consolidated statement of comprehensive income (unaudited)
for the year ended 31 December 2010

	31 Dec 2010 £000's	31 Dec 2009 £000's
	Note	
Profit for the year	<u>1,969</u>	<u>1,803</u>
Other comprehensive income		
Exchange differences on translating foreign operations	44	(339)
Actuarial loss in pension scheme net of deferred tax	<u>(609)</u>	<u>(2,567)</u>
Other comprehensive income for the year	<u>(565)</u>	<u>(2,906)</u>
Total comprehensive income for the year	<u><u>1,404</u></u>	<u><u>(1,103)</u></u>

STADIUM GROUP PLC
Consolidated statement of financial position (unaudited)
at 31 December 2010

	Note	31 Dec 2010 £000's	31 Dec 2009 £000's
Assets			
Non-current assets			
Property, plant and equipment		3,987	6,951
Goodwill		2,589	2,589
Other intangible assets		118	152
Deferred tax assets		2,194	2,351
Other receivables		441	-
		9,329	12,043
Current assets			
Inventories		6,176	5,737
Trade and other receivables		8,369	9,466
Cash and cash equivalents		4,061	3,468
		18,606	18,671
Non-current assets classified as held for sale		2,041	-
		20,647	18,671
Total assets		29,976	30,714
Equity			
Equity share capital		1,460	1,441
Share premium		4,348	4,237
Capital redemption reserve		88	88
Translation reserve		(153)	(197)
Retained earnings	7	4,038	3,315
Total equity		9,781	8,884
Non-current liabilities			
Long-term borrowings	6	1,639	2,335
Deferred tax		30	23
Gross pension liability		7,835	8,397
Total non-current liabilities		9,504	10,755
Current liabilities			
Current portion of long-term borrowings		755	731
Trade payables		6,526	7,392
Current tax payable		124	240
Other payables		3,072	2,555
Provisions		214	157
Total current liabilities		10,691	11,075
Total liabilities		20,195	21,830
Total equity and liabilities		29,976	30,714

STADIUM GROUP PLC
Consolidated cash flow statement (unaudited)
for the year ended 31 December 2010

	Note	31 Dec 2010 £000's	31 Dec 2009 £000's
Net cash flow from operating activities	8	315	3,316
Investing activities			
Purchase of property, plant and equipment		(339)	(475)
Sale of property, plant and equipment		5	4
Proceeds from divestment of operation		2,001	-
Cash flows from investing activities		1,667	(471)
Financing activities			
Equity share capital subscribed		130	-
Interest paid		(62)	(122)
Decrease in bank loans		(758)	(388)
Dividends paid on ordinary shares		(699)	(605)
Cash flows from financing activities		(1,389)	(1,115)
Net increase in cash and cash equivalents	9	593	1,730
Cash and cash equivalents at start of period		3,468	1,738
Cash and cash equivalents at end of period		4,061	3,468

STADIUM GROUP PLC

NOTES:

1. Basis of preparation

The consolidated financial statements of Stadium Group plc for the year ending 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted for use by the European Union (EU) effective at 31 December 2010 and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare its parent company accounts under UK Generally Accepted Accounting Principles (UK GAAP).

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

The comparative figures for the year ended 31 December 2009 do not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2009, has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s495 of the Companies Act 2006.

Basis of consolidation

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

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

Goodwill

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

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

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

Revenue recognition

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

Property, plant and equipment

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

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

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

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

Inventories

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

Deferred taxation

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

Other intangible assets

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

Share based payments

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

Pension costs

Defined benefit scheme

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

Defined contribution schemes

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

Foreign currencies

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

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

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

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

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A warranty provision is recognised when the related goods are sold. The provision is based upon historical customer claims data relative to levels of sales activity.

Discontinued operations and non-current assets classified as held for resale

A discontinued operation is an element of the Group that represents a separate operating or geographical segment that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation satisfies the criteria to be classified as held for sale if this is earlier. When an operation is classified as discontinued, the comparative statement of income and the statement of cash flows are restated as if the operation had been discontinued from the start of the comparative period.

Non-current assets and liabilities classified as held for sale are recognised at the lower of their book value and fair value less selling costs. Non-current assets held for sale are not depreciated, but reviewed for impairment and any impairment losses are recognised in the statement of income.

Financial Instruments

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

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

Trade receivables:

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

Bank borrowings:

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

Trade payables:

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

Equity instruments:

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

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

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and these policies are set out in Note 10.

Accounting estimates and judgements

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

Key sources of estimation uncertainty

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

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

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

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

2. Segmental analysis

By operating segment

	December 2010		
	Stadium Electronics £000's	Stadium Power £000's	Total £000's
Revenue - external customers	<u>40,474</u>	<u>4,337</u>	<u>44,811</u>
Operating profit	<u>2,525</u>	<u>818</u>	3,343
Interest payable			(470)
Taxation			(924)
(Loss)/profit from discontinued operations			20
Profit for the period			<u>1,969</u>

	December 2009		
	Stadium Electronics £000's	Stadium Power £000's	Total £000's
Revenue - external customers	<u>32,165</u>	<u>3,130</u>	<u>35,295</u>
Operating profit	<u>1,669</u>	<u>274</u>	1,943
Interest payable			(473)
Taxation			(256)
(Loss)/profit from discontinued operations			589
Profit for the period			<u>1,803</u>

By geographic location

	December 2010				
	Stadium Electronics £000's	Stadium Power £000's	Unallocated & Adjustments £000's	Branded Plastics £000's	Total £000's
Segment assets	17,815	1,652	10,509	-	29,976
Segment liabilities	<u>(9,710)</u>	<u>(535)</u>	<u>(9,950)</u>	<u>-</u>	<u>(20,195)</u>
Segment net assets	<u>8,105</u>	<u>1,117</u>	<u>559</u>	<u>-</u>	<u>9,781</u>
Expenditure on property, plant and equipment	251	2	-	86	339
Depreciation and amortisation	<u>603</u>	<u>76</u>	<u>25</u>	<u>90</u>	<u>794</u>

	December 2009				
	Stadium Electronics £000's	Stadium Power £000's	Unallocated & Adjustments £000's	Branded Plastics £000's	Total £000's
Segment assets	16,043	1,196	8,128	5,347	30,714
Segment liabilities	<u>(9,033)</u>	<u>(325)</u>	<u>(11,075)</u>	<u>(1,397)</u>	<u>(21,830)</u>
Segment net assets	<u>7,010</u>	<u>871</u>	<u>(2,947)</u>	<u>3,950</u>	<u>8,884</u>
Expenditure on property, plant and equipment	351	1	-	123	475
Depreciation and amortisation	<u>632</u>	<u>60</u>	<u>81</u>	<u>200</u>	<u>973</u>

By geographic location

	December 2010		
	Revenue - external customers by location of customer £000's	Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	25,035	6,140	182
Europe	6,690	-	-
Asia Pacific	8,018	3,641	157
Americas	5,068	-	-
	<u>44,811</u>	<u>9,781</u>	<u>339</u>

	December 2009		
	Revenue - external customers by location of customer £000's	Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	20,765	5,790	379
Europe	5,072	-	-
Asia Pacific	5,505	3,094	96
Americas	3,953	-	-
	<u>35,295</u>	<u>8,884</u>	<u>475</u>

3. Finance costs comprises:

	Year ended 31 December 2010	Year ended 31 December 2009
	£000's	£000's
Interest payable on bank loan and overdrafts	(62)	(122)
Other finance costs	(408)	(351)
	<u>(470)</u>	<u>(473)</u>

4. Dividends

	Year ended 31 December 2010	Year ended 31 December 2009
	£000's	£000's
Ordinary dividends:		
2009 final dividend at 1.45p (2008 : 1.30p)	421	374
2010 interim dividend at 0.95p (2009 : 0.80p)	278	231
	<u>699</u>	<u>605</u>

A final dividend of 1.55 pence per share amounting to £453,000 will be paid on 5 May 2011, to shareholders on the register on 1 April 2011.

5. Earnings per share

	Year ended 31 December			
	2010 Earnings	2010 EPS	2009 Earnings	2009 EPS
	£000's	Pence	£000's	Pence
From continuing operations				
Basic earnings per ordinary share	<u>1,949</u>	<u>6.7</u>	1,214	4.2
Fully diluted earnings per ordinary share	<u>1,949</u>	<u>6.7</u>	1,214	4.2
From discontinued operations				
Basic earnings per ordinary share	<u>20</u>	<u>0.1</u>	589	2.1
Fully diluted earnings per ordinary share	<u>20</u>	<u>0.1</u>	589	2.1
From total operations				
Basic earnings per ordinary share	<u>1,969</u>	<u>6.8</u>	1,803	6.3
Fully diluted earnings per ordinary share	<u>1,969</u>	<u>6.8</u>	1,803	6.3

The calculation of basic earnings per share is based on the profit for the financial year of £1,969,000 (2009: £1,803,000) and the weighted average number of ordinary shares in issue during the year of 29,114,859 (2009: 28,827,198).

Fully diluted earnings per share reflect dilutive options granted resulting in weighted average number of shares of 29,255,026 ordinary shares (2009: 29,908,207) and profit for the financial year of £1,969,000 (2009: £1,803,000).

6. Payables : amounts due after more than one year

	31 December 2010	31 December 2009
	£000's	£000's
Long term borrowings	1,639	2,335

7. Retained earnings

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

	Year ended 31 December 2010	Year ended 31 December 2009
	£000's	£000's
Balance at beginning of year	3,315	4,698
Profit for the period	1,969	1,803
Net actuarial loss in pension scheme	(609)	(2,567)
Share option costs recognised	62	(14)
Dividends	(699)	(605)
Balance at end of year	4,038	3,315

8. Net cash inflow from operating activities

	Year ended 31 December 2010	Year ended 31 December 2009
	£000's	£000's
Operating profit – continuing activities	3,343	1,943
Operating profit – discontinued activities	247	818
Share option costs	62	(14)
Depreciation – continuing operations	661	753
Depreciation – discontinued operations	99	200
Amortisation of development costs	34	20
Loss of sale on fixed assets	81	-
Increase on inventories	(1,610)	(190)
(Increase)/decrease in trade and other receivables	(2,960)	273
Increase in trade and other payables	2,699	1,024
Net cash inflow from trading activities	2,656	4,827
Difference between pension charge and cash contributions	(1,815)	(745)
Tax paid	(526)	(766)
Net cash inflow from operating activities	315	3,316

9. Analysis of changes in net debt

	31 Dec 2009	Cashflow	Foreign Exchange	31 Dec 2010
	£000's	£000's	£000's	£000's
Cash	3,468	593	-	4,061
Loans due within one year	(731)	4	(28)	(755)
Loans due after one year	(2,335)	754	(58)	(1,639)
Net debt	402	1,351	(86)	1,667
Total equity	8,884	-	-	9,781
Gearing	(5%)	-	-	(17%)

10. Financial instruments

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

Financial instruments:

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

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

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

Credit risk:

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

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

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

Trade receivables at 31 December 2010 comprised:

	31 December 2010	31 December 2009
	£000's	£000's
<i>Gross amount:</i>		
Neither impaired nor past due	7,650	8,438
Past due and impaired	359	349
<i>Past due but not impaired:</i>		
31-60 days	26	40
61-90 days	126	13
91-120 days	70	3
More than 121 days	78	99
	8,309	8,942
Less: provisions held	(494)	(497)
Carrying amount	7,815	8,445

	31 December 2010	31 December 2009
	£000's	£000's
The movement in the provision for doubtful debts is as follows:		
Provision for doubtful debts:		
Opening balance	497	389
Bad debts previously provided for now written off or released	(128)	(183)
New and increased doubtful debts provided for	125	291
Closing balance	494	497

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 200 balances. None of the individual balances is considered to represent a significant portion of the total balance; the largest individual balance was 11% 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 64 days.

Balances past due and impaired includes an amount of approximately £359,000 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 45%.

Interest rate risk:

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

- Bank borrowings in HK\$ that bear interest at bank base rate less 2.25%.
- Loans in US\$ that bear interest at rates based on LIBOR plus 1.5%.
- Overdraft in Sterling that bears interest at rates based on bank base rates plus 2.5%.

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

	Interest rate %	2010 £000's	2009 £000's
<i>Assets</i>			
Sterling	3.5%	489	489
<i>Liabilities</i>			
Sterling	-%	-	-
US dollar	1.8%	2,111	2,743
HK dollar	2.8%	283	323
		2,394	3,066

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 2010 was as follows:

	2010		2009	
	Liabilities £000's	Undrawn £000's	Liabilities £000's	Undrawn £000's
In 1 year or less, or on demand	755	2,288	731	2,280
In more than 1 year but not more than 2 years	756	-	734	-
In more than 2 years but not more than 5 years	879	889	1,532	257
In more than 5 years	4	211	69	-
	2,394	3,388	3,066	2,537

It is estimated that a 1% change in relevant base rates would have an annual impact of £24,000 (2009: £31,000) 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 £2,288,000 (2009: £2,280,000) of which £nil was being used (2009: £nil).

Foreign currency risk:

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

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

The Group foreign currency risk exposure from recognised assets and liabilities arises primarily from its investment in Stadium Asia Limited denominated in Hong Kong Dollars. During the year, the Group has continued to hedge part of this exposure by maintaining long term borrowings denominated in US dollars.

There is no significant impact on the income statement from foreign currency movements associated with these assets and liabilities as the effective portion of foreign currency gains and losses arising are recorded through the translation reserve. The net gain of £44,000 (2009: loss of £339,000) 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 2010 the Group had net borrowings denominated in US\$ of £2,111,000 (2009: £2,743,000) and in Hong Kong Dollars of £283,000 (2009: £323,000).

It is estimated that a 1% movement in the exchange rate would have an impact of £27,000 (2009: £14,000) on the Group's operating profit and £35,000 (2009: £31,000) 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 2010.

	2010		2009	
	Book value £000's	Fair value £000's	Book value £000's	Fair value £000's
Cash at bank	4,061	4,061	3,468	3,468
Loans receivable	489	489	489	489
Trade receivables	7,815	7,815	8,445	8,445
Other receivables	162	162	124	124
	12,527	12,527	12,526	12,526
Bank loans and overdrafts repayable within one year	(755)	(755)	(731)	(731)
Bank loans repayable after more than one year	(1,639)	(1,639)	(2,335)	(2,335)
Trade payables	(6,526)	(6,526)	(7,392)	(7,392)
Other payables	(3,410)	(3,410)	(2,952)	(2,952)
	(12,330)	(12,330)	(13,410)	(13,410)

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.

11. Business disposal

On 14 June 2010 the Group completed the disposal of the Branded Plastics division.

The results of Branded Plastics up to the date of disposal are as follows:

	2010	2009
	£000's	£000's
Revenue	6,527	11,282
Cost of sales	(5,295)	(8,394)
Gross profit	1,232	2,888
Operating expenses	(985)	(2,070)
Operating profit	247	818
Finance costs	-	-
Profit before tax	247	818
Taxation	76	(229)
Profit after tax	323	589
Loss on disposal of operation	(303)	-
Profit for the period	20	589

Details of the disposed net assets, consideration and the loss on disposal are set out below:

	2010 £000's	2010 £000's
Gross consideration (satisfied by cash)		2,417
Net assets disposed of:		
Property plant and equipment	(483)	
Inventories	(1,171)	
Receivables and other assets	(3,616)	
Current liabilities	<u>2,966</u>	
Net assets of disposal operation		(2,304)
Costs directly attributable to the disposal		(416)
Loss on disposal of operation		<u><u>(303)</u></u>

Cash flows relating to the discontinued operations were as follows:

	2010 £000's
Net cash flows from operating activities	(247)
Proceeds from disposal of discontinued operations	2,417
Disposal costs of discontinued operations	<u>(416)</u>
	<u><u>1,754</u></u>

12. Non-current assets classified as held for sale

Following the sales of the Branded Plastics business, the property which was occupied by that division was marketed for sale. The property, which is at Chingford in London, consists of manufacturing, warehouse and office facilities and has a cost of £2,804,000 and accumulated depreciation of £763,000. This property is disclosed in the Statement of Financial Position as a non-current asset classified as held for sale at its net book value of £2,041,000. The directors expect to complete the disposal of this asset at a profit during 2011.

13. Going concern and liquidity

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

14. Five year financial summary

	2006 £000's	2007 £000's	2008 £000's	2009 £000's	2010 £000's
Revenue *1	27,955	29,408	36,752	35,295	44,811
Operating profit *1	1,575	2,157	2,689	1,943	3,343
Discontinued activities	848	800	427	818	247
Exceptional items	340	97	-	-	(303)
Interest payable	(262)	(294)	(334)	(473)	(470)
Profit before taxation	2,501	2,760	2,782	2,288	2,817
Earnings per share *1	3.6p	4.9p	6.2p	4.2p	6.7p
Ordinary dividend per share	3.60p	3.75p	2.55p	2.25p	2.50p
Interest cover *1	6.0x	7.3x	8.1x	4.1x	7.1x
Dividend cover *1	1.0x	1.31x	2.4x	1.9x	2.7x
Property, plant and equipment and goodwill	11,122	8,178	10,394	9,605	6,625
Working capital	5,632	4,615	5,571	4,457	4,630
Bank borrowings (net)	(4,383)	(498)	(2,056)	402	1,667
Other assets/(liabilities)	-	524	460	466	2,500
Net assets (before net pension liability)	12,371	12,819	14,369	14,930	15,422
Net assets per share (before net pension liability)	43p	43p	50p	51p	53p
Bank gearing (before net pension liability)	36%	4%	14%	(3%)	(11%)
Net pension liability	(4,449)	(4,127)	(3,763)	(6,046)	(5,641)

All amounts are stated on an IFRS basis.

*1 From continuing activities, pre-exceptional items.



9 March 2011

Stadium Group plc (AIM : SDM)

Unaudited preliminary results for the year ended 31 December 2010

Stadium Group plc (or "the Company"), the AIM listed provider of electronic design and build solutions, announces results for the year ended 31 December 2010, a period when the Company disposed of its non-core plastics business to focus on the high growth potential of its electronics markets.

Financial highlights

- Revenues* up by 27% to £44.81m (2009: £35.30m)
- Profit before taxation* up by 95% to £2.87m (2009: £1.47m)
- Underlying earnings per share* up by 60% to 6.7 pence (2009: 4.2 pence)
- Balance sheet net cash of £1.67m (2009: £0.40m)
- Sale of surplus freehold property (NBV £2.04m) progressing well
- Total dividends (paid and proposed) up 11% to 2.50 pence per share (2009: 2.25 pence)

** all figures from continuing activities only*

Other highlights

- Disposal of non-core plastics business in June 2010 is the final stage of group reorganisation started in 2001
- New focus on core provision of electronic design and build solutions
- Chief Executive, Nigel Rogers, will not stand for re-election at AGM in April
- Nick Brayshaw to become Executive Chairman and acting CEO until appointment of new Chief Executive
- New Chief Executive to be appointed to drive growth in the business

Commenting on outlook, Chairman Nick Brayshaw OBE said,

"We remain optimistic that continued growth will be achieved from existing products and customers, and will continue to win new business to increase our market share as the key to future success.

The company now has a clear focus on core electronics activities, and a strategy has been set out to continue to deliver strong organic growth. This is driven by the delivery of premium manufacturing and engineering services to a base of long term business partners.

The goal is now to become acknowledged as the leading UK owned provider of electronic design and build solutions, by continuing to target new customers across the world in high growth industry sectors. The company has the financial resources available to invest in the people, processes and technology required to deliver further progress towards this goal during 2011 and beyond."

For further information please contact:

Stadium Group plc
Nick Brayshaw, Chairman

Tel: 01429 852 500
Mob: 07990 531 454

Walbrook PR
Paul McManus
Paul Cornelius

Tel: 020 7933 8780
Mob: 07980 541 893 or paul.mcmanus@walbrookpr.com
Mob: 07827 879 460 or paul.cornelius@walbrookir.com

Brewin Dolphin Limited
Mark Brady

Tel: 0845 213 4729
Mob: 07711 659 861

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

About Stadium Group plc (<http://www.stadium-plc.com>)

Stadium Group Plc is a leading UK-owned provider of electronic design and build solutions.

Stadium Electronics provides high quality, cost-effective Electronic Manufacturing Services (“EMS”) through a partnership approach with key customers. We aim to deliver sustained growth through market development, design and engineering support, technology investment and strategic acquisitions. Our manufacturing operations in the UK offer flexible solutions for new product development and lower volume high mix production, whilst our facility in Asia is able to deliver cost effective manufacturing services for customers with higher volume requirements. Stadium Electronics employs approximately 1,100 people across three manufacturing operations in Hartlepool, Rugby and Dongguan, PRC.

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

Stadium Group plc

Chairman's statement

Covering the year ended 31 December 2010

Introduction

I am pleased to report healthy trading results for the year, which mark a sustained recovery from the effects of the downturn of the previous year. Having disposed of the non-core branded plastics business during the year to focus on our electronics business, we recorded revenues from continuing activities up 27% to £44.8m and operating profits from continuing activities up by 72% to a record £3.34m (2009: £1.94m). The detail relating to the disposal is set out in note 11, and other financial information (including comparative amounts) is presented on the basis of continuing activities only.

The Company has entered its centenary year in robust condition and, with a clear focus on our electronic design and build solutions, we now have the opportunity to establish a stable platform for future growth. This new focus follows a 10 year period of considerable change and reorganisation for the business. This process began in 2000 when we acquired our manufacturing facilities in Dongguan, China, and was followed in 2001 by a strategic review which identified the need to focus on the Electronic Manufacturing Services ("EMS") and Power supply businesses. Since 2001, when Nigel Rogers was promoted to the role of Chief Executive, Stadium has completed a number of disposals, including the most recent disposal of the branded plastics division, and restructured the business from nine sites to our current three manufacturing operations. Also during this time we have grown our Power Supply business through a number of acquisitions, namely KRP Power in 2006, Ferrus Power in 2007 and Fox Industries in 2008, and we complemented our EMS business through the acquisition of Zirkon at the end of 2008.

Board changes to reflect new focus of business

The sale of branded plastics was the last step in this process of refocusing the business and with that completed, we have a secure platform from which to drive growth in the business. Given that Stadium has reached this new stage it has been agreed that now is an appropriate time for Nigel Rogers to step down as Chief Executive and for the Company to seek to appoint a new Chief Executive whose role will be to take the company to the next level of its development.

Nigel, who joined Stadium Group as Group Finance Director in October 1993, before becoming Managing Director (UK Electronics) in July 1998 and Chief Executive in March 2001, will not stand for re-election at the forthcoming AGM in April and will provide Stadium with the assistance necessary to manage an orderly transition to a successor.

The Board would like to place on record its recognition and thanks to Nigel and his team for their considerable efforts in steering the business through this restructuring stage, for their hard work in returning the business to profitability and maintaining earnings, and the establishment of a company that is well positioned to take advantage of the high growth potential of its core electronics markets.

During the interim period, before the appointment of a new Chief Executive, I will become Executive Chairman and acting Chief Executive of Stadium Group plc. For those who are not familiar with my background I began my career with Rio Tinto plc and Caradon plc, before becoming Group Chief Executive of Wagon plc until March 2004.

I was an independent member of the Business and Innovation Group Board of the Department of Trade and Industry, and until recently, Chairman UK manufacturing, Barclays Bank plc. I was also Chairman of the CBI Manufacturing Council 2002 – 2007. I am currently Chairman of global manufacturing business Worldmark International Limited, which was recently named as one of Britain's top private equity-backed companies with the fastest growth over the last two years, operating in the global electronics industry, predominantly in China.

Our newly focused approach will allow us to invest strategically in the people, processes and technology required to drive sustained and considerable growth in the business and I look forward to updating shareholders in the coming months as we progress in our appointment of a new Chief Executive.

Business Strategy

Stadium aims to excel in meeting the needs of a broad range of customers requiring:

- stable, long term commitment - Manufacturing Partnerships
- close involvement in product development, support and lifecycle management - Engineering Solutions, and
- the flexibility of an offshore alternative at mid to high volume - Sourcing Opportunities.

In last year's Annual Report, our target market sectors in which this combination of skills and capabilities are currently in most demand were set out. These included general industrials, green technology, smart metering, low energy lighting, transport infrastructure, and medical (including mobility and cosmetics). During 2010 we have won significant new business in each of these fields, and the pipeline of enquiries and opportunities continues to build.

Manufacturing Partnerships

Our business approach is critically dependent upon building and retaining the trust of our customers over a sustained period. As a strategic design and manufacturing partner, we truly have their business continuity and intellectual property rights in our hands. Accordingly, we have an unfailing commitment to transacting with integrity and transparency. We also place the highest possible emphasis on providing service and quality levels which exceed the expectations of our partners.

Engineering Solutions

Throughout our organisation, we recognise the importance of providing proactive design and engineering support to our customers and not simply "building to print". Compared with our peer group, we have a much greater proportion of revenue from products which are full box build – often drop shipping directly to our customers' customer. Where customers require assemblies at a less advanced stage of completion, we invariably offer advice on improving design for ease of manufacture ("DFM") to improve reliability, reduce material cost, and preferably to do both.

Furthermore, our capabilities in the design and production of power supplies, customised for the specific application of the customers own products, is a valuable element of our service. Every electronic product requires power to function, and the safe and reliable conversion of mains current to direct current at a different voltage is enabled through the design of a power supply. Our engineers have considerable experience across a wide range of industry applications, and are expert at providing reliable, cost effective solutions.

Sourcing Opportunities

Whilst building a value proposition based on well developed localised capabilities is vitally important, it is not enough. Globalisation demands that OEM's of all sizes must optimise their supply chain to derive the lowest possible total cost of ownership.

We facilitate this process by offering access to our wholly owned subsidiary, Stadium Asia. As a stand alone business, Stadium Asia deals directly with customers on a worldwide basis offering design and build solutions from a low cost location. With its own manufacturing base in China, the business has excellent access to locally sourced materials, components and sub-assemblies at globally competitive prices. The China plant has a high degree of vertical integration, with in-house capabilities including plastic injection moulding of engineering parts and enclosures. This enables us to build finished products in China, and ship to customers' worldwide destinations.

Crucially, however, our UK manufacturing sites can also benefit from our Asian supply chain to be more competitive for UK design and build projects. Customers therefore benefit from competitively priced components, whilst enjoying the security and engineering support of a local UK manufacturing presence for more complex products.

Dividends

The Board proposes a final dividend of 1.55 pence per share (2009: 1.45 pence) to be paid on 5 May 2011 to shareholders on the register on 1 April 2011. This brings the total dividends for the year to 2.50 pence per share, (2009: 2.25 pence per share), which is covered by earnings from continuing operations 2.7 times (2009: 1.9 times).

Current trading

Throughout 2010 we experienced a sustained recovery from the effects of the downturn of the prior year, although the underlying level of demand has yet to return fully to previous levels. Demand from non-UK customers represents almost half of total revenues, and this has continued to build steadily. The UK picture provides less

clarity, as the after effects of the credit crisis continue to influence the spending and investment patterns of consumers, companies and indeed the public sector.

Outlook and prospects

We remain optimistic that continued growth will be achieved from existing products and customers, and will continue to win new business to increase our market share as the key to future success.

The company now has a clear focus on core electronics activities, and a strategy has been set out to continue to deliver strong organic growth. This is driven by the delivery of premium manufacturing and engineering services to a base of long term business partners.

The goal is now to become acknowledged as the leading UK owned provider of electronic design and build solutions, by continuing to target new customers across the world in high growth industry sectors. The company has the financial resources available to invest in the people, processes and technology required to deliver further progress towards this goal during 2011 and beyond.

Nick Brayshaw
Chairman
9 March 2011

Stadium Group plc
Chief Executive's review
Covering the year ended 31 December 2010

Overview

The financial results for the year demonstrate substantial growth compared with the prior year, with revenues up by 27% and core operating profits up by over 70%. These rates of growth are, of course, somewhat flattered by comparison with those of 2009, which were adversely affected in the first half by the impact of the sudden global downturn. It is perhaps, therefore, more meaningful to draw comparison with the 2008 outcome, before the effects of the economic downturn were evident.

Such comparison provides two year revenue growth of 22%, and core operating profit growth of 24% through the cycle of downturn and partial recovery. Whilst more modest than the one year comparison, this clearly demonstrates a business model which is resilient to cyclical pressures, yet offers healthy underlying growth through increasing market share.

Revenue analysis

Such resilience is derived from the breadth and spread of revenues across wide ranging geographical and industry sectors, and the monitoring and management of individual customer quality and concentration risks.

Revenue by source

	2010	2009	Increase
	£m	£m	
Asia - EMS	25.57	18.86	36%
Asia - Power	1.71	1.08	58%
UK - EMS	14.91	13.31	12%
UK - Power	2.62	2.05	28%
Total	44.81	35.30	27%

Revenue growth has been delivered in both EMS and Power, and also in both Asia and the UK manufacturing locations. In each case, the total revenue is close to, or substantially in excess of, the level generated prior to the downturn.

Revenue by destination

	2010	2009	Increase
	£m	£m	
UK	25.03	20.77	21%
Europe	6.69	5.07	32%
Americas	5.07	3.96	28%
Asia Pacific	8.02	5.50	46%
Total	44.81	35.30	27%

New business wins and increases in underlying customer demand have delivered strong growth across all geographical markets. Revenues derived from customers outside the UK amounted to 44% of the total (2009: 41%) reflecting the continuing shift in emphasis towards growth from global markets.

Revenue by industry sector

	2010	2009	Increase
	£m	£m	
Industrial, automotive & ventilation	19.37	14.80	31%
Medical & personal care	7.53	5.83	29%
Security, safety & lighting	7.49	3.98	88%
Green energy and environment	5.08	4.40	15%
Consumer & communications	5.34	6.29	-15%
Total	44.81	35.30	27%

Revenue growth exceeded 15% in each of our primary target market sectors, and showed substantially greater rates of growth in most areas. The reduction in revenues derived from the Consumer sector is attributable to the controlled withdrawal from one specific customer in the high volume satellite TV sector. Price erosion in this specific end user market resulted in a profile which no longer met our preferred business model and we agreed a phased exit with the customer.

We continue to focus sales activity into market sectors which demonstrate high growth potential, increasing use of electronics as a medium, and customers whose products command premium pricing in their sector. These attributes are the keys to identifying opportunities for us to deliver a genuine value proposition.

Revenue by customer

	2010 £m	%	Cum %
Largest 3 combined (Top 3)	12.26	27%	27%
Next 7 combined (Top 10)	13.13	29%	56%
Next 10 combined (Top 20)	7.01	16%	72%
All others	12.41	28%	100%
	44.81	100%	

It is vital to measure, monitor and manage customer concentration risk in the EMS industry. It can be uncomfortable to rely on one individual customer or group of similar customers in the event of changes in the economic or technological environment.

Conversely, each individual customer and industry sector requires a degree of fixed overhead to ensure that their expectations on service, quality and engineering support are met or exceeded. It can therefore be excessively costly to maintain a customer base which is too diverse.

We consider that the current customer profile set out above meets our strategic objectives without representing an undue concentration risk.

Customer expectations

Our primary service objective is to provide our customers with an overall contribution that represents an extension of their own business. This partnership approach is intended to support customers' products throughout their lifecycle, from original design through to end of life management.

In the early stages of product development, our engineering teams are involved in the specification and design of product features, and aim to deliver the optimum design for manufacture requirements. Our partnership approach means that many of our customers give us unrestricted visibility of their new product introduction plans – secure in the knowledge that we can be trusted with their valuable intellectual property.

Throughout the manufacturing life cycle of products, our key performance indicators are measures of on-time-in-full delivery, and the ability to consistently meet quality objectives. We monitor and manage these measures closely at all locations. As products become more mature, it is often appropriate to consider transferring manufacture offshore through Best Fit Manufacturing, in which we operate parallel engineering and control procedures to facilitate secure transfer from the UK to China.

We operate lean manufacturing techniques to manage production costs, and anticipate benefits in future periods from rolling out similar initiatives into the logistics and administrative functions of the business.

Sustainability and social responsibility

We aim to understand the impact of our operations on local communities, and put in place action plans to improve performance on a continuous basis. Our facilities in Asia and Rugby are approved to ISO 14001 and we expect to earn accreditation to this standard at the Hartlepool site during 2011.

We pay special attention to the safety and long term health of all of our employees. Ethical employment standards across the marketplace in China are improving at a rapid rate, but we have always set out to ensure that our own facilities meet international standards, regardless of the existence of any less onerous local practices.

We value the long term importance of openness and transparency in all of our dealings with employees, customers, suppliers, regulatory authorities and other stakeholders.

People

In August 2010 we reported the tragic deaths of Ken Leung and his two daughters. Ken was Managing Director of Stadium Asia and a main board director of the company. The management team in Asia has responded tremendously well to the challenge of maintaining the momentum despite their grief at his loss. They have been guided most ably by Peter O'Keeffe, who has now taken up the role of General Manager based in Hong Kong following his initial secondment from our UK operations.

The Future

The centenary year of trading for the company coincides with the tenth anniversary of my appointment as Chief Executive in March 2001. During that period, the Board and management team have transformed Stadium from a highly geared industrial conglomerate into an integrated electronics business with valuable engineering capabilities and emphasis on growing market sectors.

The sale of Stadium Branded Plastics in 2010 marked the final milestone in this transformation; both in terms of strategic focus and financial resources for future investment. This represents a fresh start, and an opportunity to introduce a change in leadership.

Accordingly, I have indicated to the Board that I do not intend to stand for re-election at the forthcoming AGM in April in order to pursue other opportunities. In doing so, I have confirmed my willingness to provide any assistance that may be required to manage an orderly transition to a suitable successor.

I take this opportunity to express my gratitude to the Board, and all of the committed and talented people in our organisation who serve our customers and shareholders so well. Working for Stadium has given me immense enjoyment over the years, and I wish the company and its people every success for the future.

Nigel Rogers
Chief Executive
9 March 2011

Financial review

Covering the year ended 31 December 2010

Results

Trading performance showed a significant improvement over the prior year. Revenues increased by 27% to £44.81m (2009: £35.30m). Underlying sales, after allowing for the relative strengthening of the average US dollar exchange rate, were up by 25%. It was pleasing to note that the improvement was global in its nature and covered all areas of core operations. Gross margin was sustained at 20.6% (2009:20.7%) reflecting the fact that the growth in revenues was achieved without dilution in the quality of the business. Operating margin showed an improvement of 2.0% to 7.5% (2009: 5.5%); though after allowing for one-off severance costs of £0.21m incurred during 2009 the improvement was 1.4%. The growth in the business allowed the Group to undertake recruitment to further improve the capability of its commercial and operating management teams.

Profit before taxation increased by 95% to £2.87m (2009: £1.47m). Earnings per share from continuing operations of 6.7p (2009: 4.2p) were up by 60% on the prior year. The headline rate of earnings per share increased by 8% to 6.8p (2009: 6.3p).

The sale of the non-core Branded Plastics business was completed during June 2010. This business generated an operating profit of £0.25m during the first half of the year. The divestment generated proceeds of £2.42m and was completed at loss against net book value of £0.30m after all costs relating to the transaction were taken into account. The business contributed £0.02m after tax to the Group result.

Statement of financial position and cash flow

Net cash flow from trading activities amounted to £2.66m (2009: £4.83m) which represents 74% of operating profit (2009: 175%). After payment of pension deficit contributions and tax amounting to £2.34m (2009: £1.51m), operating cash flow was £0.32m (2009: 3.32m). Pension deficit contributions paid during 2010 were inflated above the normal level of deficit funding by £0.89m in satisfaction of the statutory debt which arose upon the divestment of the Branded Plastics business.

Net cash at 31 December 2010 stood at £1.67m (2009: £0.40m) and gearing at nil% (2009: nil%). The Company has marketed for sale a property at Chingford which was occupied by the Branded Plastics business prior to its relocation by the purchaser. This property has a book value of £2.04m and is expected to realise a profit on completion of its disposal.

The multi-currency revolving credit facility of £3.00m which was drawn down in US dollars during 2008 was maintained during 2010. The balance at 31 December 2010 of £2.11m, translated at closing exchange rates, is repayable in equal six monthly installments over the next three years.

The net loss of £0.05m (2009: £0.25m gain) on the retranslation of the outstanding balance on the US dollar loan at year end exchange rates was dealt with in reserves. This offsets the net translation gain of £0.10m (2009: £0.62m loss) arising on the net investment in Asia operations.

Bank facilities

At the end of the year, the Group had aggregate banking facilities of £5.78m, of which £3.49m are committed for a period of greater than one year and £2.29m are repayable on demand. Of these facilities, an amount of £2.39m was utilised. Group companies have complied with all financial covenants relating to these facilities. There were aggregate net credit balances of £4.06m held in accounts in respect of which facilities of £2.29m were available and a further £0.90m of the facilities extending beyond one year was unutilised.

Taxation

The effective rate of taxation represented 32% of profit before taxation (2009: 17%). The underlying rate of current tax was 18%. The remaining 14% of the effective tax rate arose on the release of the deferred tax asset as a result of payment of the pension deficit contributions. The element of the tax charge relating to deferred tax does not give rise to a cash flow. Tax on profits earned in our Asia operations are incurred at a rate of approximately 20% (2009: 20%), and paid locally.

It is anticipated that the future effective rate of taxation will be substantially dependent upon the level of pension deficit contributions relative to profits before taxation.

Dividends

During the year the Company paid the final dividend for 2009 of 1.45 pence per share, and the 2010 interim dividend of 0.95 pence per share. Aggregate cash outflow in respect of these items was £0.70m (2009: £0.61m). The board proposes to pay a final dividend for 2010 of 1.55 pence per share on 5 May 2011 at a cost of £0.45m.

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 the related deferred tax asset) was £5.64m (2009: £6.05m). Pension contributions of approximately £1.81m (2009: £0.71m) were paid to the scheme in addition to those relating to current service. This amount includes the additional sum of £0.89m related to the sale of the Branded Plastics business.

Foreign currency effects

The Group has minimal exposure to transactional currency effects, as the currency of revenue and cost streams are matched by region. Most sales originating from UK operations are denominated in sterling, so are matched with the underlying costs. Similarly, sales sourced from Asia are normally denominated in US dollars and the cost streams in US dollars or local currencies which are 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 exchange rate against sterling, compared to the previous year, contributed approximately £0.56m to revenues and £0.06m to operating profit. Trading in our Asia operations is also adversely affected by the appreciation of the Chinese Yuan against the US dollar, as this has the effect of increasing operating costs in China. Exchange losses of approximately £0.05m (2009: £nil) have been recognised in current year earnings in respect of movements during 2010.

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. Where a customer is deemed to represent an unacceptable level of credit risk, terms of trade are modified to limit the Group's exposure.

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 US 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, US 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. 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 Group also has an exposure to the limitation of the availability of component supplies which could inhibit its ability to satisfy customer demand. The main suppliers of raw materials in the Group's market are distributors, not original component manufacturers. The current global economic environment has seen component manufacturers only slowly reintroducing capacity which was cut during 2009, so being unable to meet demand from resellers. The Group has taken steps to address this risk by seeking to build direct relationships with component manufacturers on the basis of consolidated global spend. It has also taken steps with customers to approve alternatives to critical components and so increase flexibility.

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. 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 a downturn in activity levels. The directors consider that the current level of market risk is higher than normal.

Other principal risks

The remaining main risks faced by the Group are its exposure to pension funding and the risk to its reputation of a significant failure to comply with accepted standards of ethical and environmental behaviour.

Pension funding risk arises from the Group's operation of a defined benefit pension scheme which at present has an actuarial deficit between the value of its projected liabilities and the value of the assets the scheme holds in order to discharge those liabilities. The amount of the deficit may be adversely affected by such factors as lower than expected investment returns, changes in long term interest rates and inflation expectations and increases in the forecast longevity of members. The directors regularly review the performance of the pension scheme and the deficit recovery plan. Proactive steps are taken to identify and implement cost effective activities to mitigate the pension scheme deficit.

The risk to the Group's reputation of failure to comply with ethical and environmental regulations arises mainly from the operation of a production facility in Asia. The directors have taken steps to ensure that all of the Group's global operations are conducted to the highest ethical and environmental standards. Regulatory requirements are kept under review and where appropriate production facilities seek to achieve BS, ISO and FDA accreditations. Suppliers are vetted in order to minimise the risk of the Group being associated with a company that commits a significant breach of the regulations.

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
9 March 2011

STADIUM GROUP PLC
Consolidated income statement (unaudited)
for the year ended 31 December 2010

	31 Dec 2010	31 Dec 2009
	Note £000's	£000's
Continuing operations		
Revenue	2 44,811	35,295
Cost of sales	<u>(35,585)</u>	<u>(27,991)</u>
Gross profit	9,226	7,304
Operating expenses	<u>(5,883)</u>	<u>(5,361)</u>
Operating profit	2 3,343	1,943
Finance costs	3 <u>(470)</u>	<u>(473)</u>
Profit before tax	2,873	1,470
Taxation	<u>(924)</u>	<u>(256)</u>
Profit from continuing operations	1,949	1,214
Profit from discontinued operations	<u>20</u>	<u>589</u>
Profit for the year	2 1,969	1,803
Continuing operations		
Basic earnings per share (p)	5 6.7	4.2
Diluted earnings per share (p)	5 6.7	4.2
Continuing and discontinued operations		
Basic earnings per share (p)	5 6.8	6.3
Diluted earnings per share (p)	5 6.8	6.3

STADIUM GROUP PLC
Consolidated statement of comprehensive income (unaudited)
for the year ended 31 December 2010

	31 Dec 2010 Note £000's	31 Dec 2009 £000's
Profit for the year	<u>1,969</u>	<u>1,803</u>
Other comprehensive income		
Exchange differences on translating foreign operations	44	(339)
Actuarial loss in pension scheme net of deferred tax	<u>(609)</u>	<u>(2,567)</u>
Other comprehensive income for the year	<u>(565)</u>	<u>(2,906)</u>
Total comprehensive income for the year	<u><u>1,404</u></u>	<u><u>(1,103)</u></u>

STADIUM GROUP PLC
Consolidated statement of financial position (unaudited)
at 31 December 2010

	Note	31 Dec 2010 £000's	31 Dec 2009 £000's
Assets			
Non-current assets			
Property, plant and equipment		3,987	6,951
Goodwill		2,589	2,589
Other intangible assets		118	152
Deferred tax assets		2,194	2,351
Other receivables		441	-
		9,329	12,043
Current assets			
Inventories		6,176	5,737
Trade and other receivables		8,369	9,466
Cash and cash equivalents		4,061	3,468
		18,606	18,671
Non-current assets classified as held for sale		2,041	-
		20,647	18,671
Total assets		29,976	30,714
Equity			
Equity share capital		1,460	1,441
Share premium		4,348	4,237
Capital redemption reserve		88	88
Translation reserve		(153)	(197)
Retained earnings	7	4,038	3,315
Total equity		9,781	8,884
Non-current liabilities			
Long-term borrowings	6	1,639	2,335
Deferred tax		30	23
Gross pension liability		7,835	8,397
Total non-current liabilities		9,504	10,755
Current liabilities			
Current portion of long-term borrowings		755	731
Trade payables		6,526	7,392
Current tax payable		124	240
Other payables		3,072	2,555
Provisions		214	157
Total current liabilities		10,691	11,075
Total liabilities		20,195	21,830
Total equity and liabilities		29,976	30,714

STADIUM GROUP PLC
Consolidated cash flow statement (unaudited)
for the year ended 31 December 2010

	Note	31 Dec 2010 £000's	31 Dec 2009 £000's
Net cash flow from operating activities	8	315	3,316
Investing activities			
Purchase of property, plant and equipment		(339)	(475)
Sale of property, plant and equipment		5	4
Proceeds from divestment of operation		2,001	-
Cash flows from investing activities		1,667	(471)
Financing activities			
Equity share capital subscribed		130	-
Interest paid		(62)	(122)
Decrease in bank loans		(758)	(388)
Dividends paid on ordinary shares		(699)	(605)
Cash flows from financing activities		(1,389)	(1,115)
Net increase in cash and cash equivalents	9	593	1,730
Cash and cash equivalents at start of period		3,468	1,738
Cash and cash equivalents at end of period		4,061	3,468

STADIUM GROUP PLC

NOTES:

1. Basis of preparation

The consolidated financial statements of Stadium Group plc for the year ending 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted for use by the European Union (EU) effective at 31 December 2010 and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare its parent company accounts under UK Generally Accepted Accounting Principles (UK GAAP).

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

The comparative figures for the year ended 31 December 2009 do not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2009, has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s495 of the Companies Act 2006.

Basis of consolidation

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

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

Goodwill

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

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

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

Revenue recognition

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

Property, plant and equipment

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

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

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

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

Inventories

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

Deferred taxation

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

Other intangible assets

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

Share based payments

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

Pension costs

Defined benefit scheme

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

Defined contribution schemes

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

Foreign currencies

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

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

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

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

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A warranty provision is recognised when the related goods are sold. The provision is based upon historical customer claims data relative to levels of sales activity.

Discontinued operations and non-current assets classified as held for resale

A discontinued operation is an element of the Group that represents a separate operating or geographical segment that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation satisfies the criteria to be classified as held for sale if this is earlier. When an operation is classified as discontinued, the comparative statement of income and the statement of cash flows are restated as if the operation had been discontinued from the start of the comparative period.

Non-current assets and liabilities classified as held for sale are recognised at the lower of their book value and fair value less selling costs. Non-current assets held for sale are not depreciated, but reviewed for impairment and any impairment losses are recognised in the statement of income.

Financial Instruments

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

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

Trade receivables:

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

Bank borrowings:

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

Trade payables:

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

Equity instruments:

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

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

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and these policies are set out in Note 10.

Accounting estimates and judgements

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

Key sources of estimation uncertainty

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

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

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

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

2. Segmental analysis

By operating segment

	December 2010		
	Stadium Electronics £000's	Stadium Power £000's	Total £000's
Revenue - external customers	<u>40,474</u>	<u>4,337</u>	<u>44,811</u>
Operating profit	<u>2,525</u>	<u>818</u>	3,343
Interest payable			(470)
Taxation			(924)
(Loss)/profit from discontinued operations			20
Profit for the period			<u>1,969</u>

	December 2009		
	Stadium Electronics £000's	Stadium Power £000's	Total £000's
Revenue - external customers	<u>32,165</u>	<u>3,130</u>	<u>35,295</u>
Operating profit	<u>1,669</u>	<u>274</u>	1,943
Interest payable			(473)
Taxation			(256)
(Loss)/profit from discontinued operations			589
Profit for the period			<u>1,803</u>

By geographic location

	December 2010				
	Stadium Electronics £000's	Stadium Power £000's	Unallocated & Adjustments £000's	Branded Plastics £000's	Total £000's
Segment assets	17,815	1,652	10,509	-	29,976
Segment liabilities	<u>(9,710)</u>	<u>(535)</u>	<u>(9,950)</u>	<u>-</u>	<u>(20,195)</u>
Segment net assets	<u>8,105</u>	<u>1,117</u>	<u>559</u>	<u>-</u>	<u>9,781</u>
Expenditure on property, plant and equipment	251	2	-	86	339
Depreciation and amortisation	<u>603</u>	<u>76</u>	<u>25</u>	<u>90</u>	<u>794</u>

	December 2009				
	Stadium Electronics £000's	Stadium Power £000's	Unallocated & Adjustments £000's	Branded Plastics £000's	Total £000's
Segment assets	16,043	1,196	8,128	5,347	30,714
Segment liabilities	<u>(9,033)</u>	<u>(325)</u>	<u>(11,075)</u>	<u>(1,397)</u>	<u>(21,830)</u>
Segment net assets	<u>7,010</u>	<u>871</u>	<u>(2,947)</u>	<u>3,950</u>	<u>8,884</u>
Expenditure on property, plant and equipment	351	1	-	123	475
Depreciation and amortisation	<u>632</u>	<u>60</u>	<u>81</u>	<u>200</u>	<u>973</u>

By geographic location

	December 2010		
	Revenue - external customers by location of customer £000's	Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	25,035	6,140	182
Europe	6,690	-	-
Asia Pacific	8,018	3,641	157
Americas	5,068	-	-
	<u>44,811</u>	<u>9,781</u>	<u>339</u>

	December 2009		
	Revenue - external customers by location of customer £000's	Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	20,765	5,790	379
Europe	5,072	-	-
Asia Pacific	5,505	3,094	96
Americas	3,953	-	-
	<u>35,295</u>	<u>8,884</u>	<u>475</u>

3. Finance costs comprises:

	Year ended 31 December 2010	Year ended 31 December 2009
	£000's	£000's
Interest payable on bank loan and overdrafts	(62)	(122)
Other finance costs	(408)	(351)
	<u>(470)</u>	<u>(473)</u>

4. Dividends

	Year ended 31 December 2010	Year ended 31 December 2009
	£000's	£000's
Ordinary dividends:		
2009 final dividend at 1.45p (2008 : 1.30p)	421	374
2010 interim dividend at 0.95p (2009 : 0.80p)	278	231
	<u>699</u>	<u>605</u>

A final dividend of 1.55 pence per share amounting to £453,000 will be paid on 5 May 2011, to shareholders on the register on 1 April 2011.

5. Earnings per share

	Year ended 31 December			
	2010 Earnings	2010 EPS	2009 Earnings	2009 EPS
	£000's	Pence	£000's	Pence
From continuing operations				
Basic earnings per ordinary share	<u>1,949</u>	<u>6.7</u>	1,214	4.2
Fully diluted earnings per ordinary share	<u>1,949</u>	<u>6.7</u>	1,214	4.2
From discontinued operations				
Basic earnings per ordinary share	<u>20</u>	<u>0.1</u>	589	2.1
Fully diluted earnings per ordinary share	<u>20</u>	<u>0.1</u>	589	2.1
From total operations				
Basic earnings per ordinary share	<u>1,969</u>	<u>6.8</u>	1,803	6.3
Fully diluted earnings per ordinary share	<u>1,969</u>	<u>6.8</u>	1,803	6.3

The calculation of basic earnings per share is based on the profit for the financial year of £1,969,000 (2009: £1,803,000) and the weighted average number of ordinary shares in issue during the year of 29,114,859 (2009: 28,827,198).

Fully diluted earnings per share reflect dilutive options granted resulting in weighted average number of shares of 29,255,026 ordinary shares (2009: 29,908,207) and profit for the financial year of £1,969,000 (2009: £1,803,000).

6. Payables : amounts due after more than one year

	31 December 2010	31 December 2009
	£000's	£000's
Long term borrowings	1,639	2,335

7. Retained earnings

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

	Year ended 31 December 2010	Year ended 31 December 2009
	£000's	£000's
Balance at beginning of year	3,315	4,698
Profit for the period	1,969	1,803
Net actuarial loss in pension scheme	(609)	(2,567)
Share option costs recognised	62	(14)
Dividends	(699)	(605)
Balance at end of year	4,038	3,315

8. Net cash inflow from operating activities

	Year ended 31 December 2010	Year ended 31 December 2009
	£000's	£000's
Operating profit – continuing activities	3,343	1,943
Operating profit – discontinued activities	247	818
Share option costs	62	(14)
Depreciation – continuing operations	661	753
Depreciation – discontinued operations	99	200
Amortisation of development costs	34	20
Loss of sale on fixed assets	81	-
Increase on inventories	(1,610)	(190)
(Increase)/decrease in trade and other receivables	(2,960)	273
Increase in trade and other payables	2,699	1,024
Net cash inflow from trading activities	2,656	4,827
Difference between pension charge and cash contributions	(1,815)	(745)
Tax paid	(526)	(766)
Net cash inflow from operating activities	315	3,316

9. Analysis of changes in net debt

	31 Dec 2009	Cashflow	Foreign Exchange	31 Dec 2010
	£000's	£000's	£000's	£000's
Cash	3,468	593	-	4,061
Loans due within one year	(731)	4	(28)	(755)
Loans due after one year	(2,335)	754	(58)	(1,639)
Net debt	402	1,351	(86)	1,667
Total equity	8,884	-	-	9,781
Gearing	(5%)	-	-	(17%)

10. Financial instruments

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

Financial instruments:

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

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

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

Credit risk:

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

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

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

Trade receivables at 31 December 2010 comprised:

	31 December 2010	31 December 2009
	£000's	£000's
<i>Gross amount:</i>		
Neither impaired nor past due	7,650	8,438
Past due and impaired	359	349
<i>Past due but not impaired:</i>		
31-60 days	26	40
61-90 days	126	13
91-120 days	70	3
More than 121 days	78	99
	8,309	8,942
Less: provisions held	(494)	(497)
Carrying amount	7,815	8,445

	31 December 2010	31 December 2009
	£000's	£000's
The movement in the provision for doubtful debts is as follows:		
Provision for doubtful debts:		
Opening balance	497	389
Bad debts previously provided for now written off or released	(128)	(183)
New and increased doubtful debts provided for	125	291
Closing balance	494	497

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 200 balances. None of the individual balances is considered to represent a significant portion of the total balance; the largest individual balance was 11% 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 64 days.

Balances past due and impaired includes an amount of approximately £359,000 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 45%.

Interest rate risk:

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

- Bank borrowings in HK\$ that bear interest at bank base rate less 2.25%.
- Loans in US\$ that bear interest at rates based on LIBOR plus 1.5%.
- Overdraft in Sterling that bears interest at rates based on bank base rates plus 2.5%.

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

	Interest rate %	2010 £000's	2009 £000's
<i>Assets</i>			
Sterling	3.5%	489	489
<i>Liabilities</i>			
Sterling	-%	-	-
US dollar	1.8%	2,111	2,743
HK dollar	2.8%	283	323
		2,394	3,066

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 2010 was as follows:

	2010		2009	
	Liabilities £000's	Undrawn £000's	Liabilities £000's	Undrawn £000's
In 1 year or less, or on demand	755	2,288	731	2,280
In more than 1 year but not more than 2 years	756	-	734	-
In more than 2 years but not more than 5 years	879	889	1,532	257
In more than 5 years	4	211	69	-
	2,394	3,388	3,066	2,537

It is estimated that a 1% change in relevant base rates would have an annual impact of £24,000 (2009: £31,000) 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 £2,288,000 (2009: £2,280,000) of which £nil was being used (2009: £nil).

Foreign currency risk:

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

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

The Group foreign currency risk exposure from recognised assets and liabilities arises primarily from its investment in Stadium Asia Limited denominated in Hong Kong Dollars. During the year, the Group has continued to hedge part of this exposure by maintaining long term borrowings denominated in US dollars.

There is no significant impact on the income statement from foreign currency movements associated with these assets and liabilities as the effective portion of foreign currency gains and losses arising are recorded through the translation reserve. The net gain of £44,000 (2009: loss of £339,000) 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 2010 the Group had net borrowings denominated in US\$ of £2,111,000 (2009: £2,743,000) and in Hong Kong Dollars of £283,000 (2009: £323,000).

It is estimated that a 1% movement in the exchange rate would have an impact of £27,000 (2009: £14,000) on the Group's operating profit and £35,000 (2009: £31,000) 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 2010.

	2010		2009	
	Book value £000's	Fair value £000's	Book value £000's	Fair value £000's
Cash at bank	4,061	4,061	3,468	3,468
Loans receivable	489	489	489	489
Trade receivables	7,815	7,815	8,445	8,445
Other receivables	162	162	124	124
	12,527	12,527	12,526	12,526
Bank loans and overdrafts repayable within one year	(755)	(755)	(731)	(731)
Bank loans repayable after more than one year	(1,639)	(1,639)	(2,335)	(2,335)
Trade payables	(6,526)	(6,526)	(7,392)	(7,392)
Other payables	(3,410)	(3,410)	(2,952)	(2,952)
	(12,330)	(12,330)	(13,410)	(13,410)

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.

11. Business disposal

On 14 June 2010 the Group completed the disposal of the Branded Plastics division.

The results of Branded Plastics up to the date of disposal are as follows:

	2010	2009
	£000's	£000's
Revenue	6,527	11,282
Cost of sales	(5,295)	(8,394)
Gross profit	1,232	2,888
Operating expenses	(985)	(2,070)
Operating profit	247	818
Finance costs	-	-
Profit before tax	247	818
Taxation	76	(229)
Profit after tax	323	589
Loss on disposal of operation	(303)	-
Profit for the period	20	589

Details of the disposed net assets, consideration and the loss on disposal are set out below:

	2010 £000's	2010 £000's
Gross consideration (satisfied by cash)		2,417
Net assets disposed of:		
Property plant and equipment	(483)	
Inventories	(1,171)	
Receivables and other assets	(3,616)	
Current liabilities	<u>2,966</u>	
Net assets of disposal operation		(2,304)
Costs directly attributable to the disposal		(416)
Loss on disposal of operation		<u><u>(303)</u></u>

Cash flows relating to the discontinued operations were as follows:

	2010 £000's
Net cash flows from operating activities	(247)
Proceeds from disposal of discontinued operations	2,417
Disposal costs of discontinued operations	<u>(416)</u>
	<u><u>1,754</u></u>

12. Non-current assets classified as held for sale

Following the sales of the Branded Plastics business, the property which was occupied by that division was marketed for sale. The property, which is at Chingford in London, consists of manufacturing, warehouse and office facilities and has a cost of £2,804,000 and accumulated depreciation of £763,000. This property is disclosed in the Statement of Financial Position as a non-current asset classified as held for sale at its net book value of £2,041,000. The directors expect to complete the disposal of this asset at a profit during 2011.

13. Going concern and liquidity

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

14. Five year financial summary

	2006 £000's	2007 £000's	2008 £000's	2009 £000's	2010 £000's
Revenue *1	27,955	29,408	36,752	35,295	44,811
Operating profit *1	1,575	2,157	2,689	1,943	3,343
Discontinued activities	848	800	427	818	247
Exceptional items	340	97	-	-	(303)
Interest payable	(262)	(294)	(334)	(473)	(470)
Profit before taxation	2,501	2,760	2,782	2,288	2,817
Earnings per share *1	3.6p	4.9p	6.2p	4.2p	6.7p
Ordinary dividend per share	3.60p	3.75p	2.55p	2.25p	2.50p
Interest cover *1	6.0x	7.3x	8.1x	4.1x	7.1x
Dividend cover *1	1.0x	1.31x	2.4x	1.9x	2.7x
Property, plant and equipment and goodwill	11,122	8,178	10,394	9,605	6,625
Working capital	5,632	4,615	5,571	4,457	4,630
Bank borrowings (net)	(4,383)	(498)	(2,056)	402	1,667
Other assets/(liabilities)	-	524	460	466	2,500
Net assets (before net pension liability)	12,371	12,819	14,369	14,930	15,422
Net assets per share (before net pension liability)	43p	43p	50p	51p	53p
Bank gearing (before net pension liability)	36%	4%	14%	(3%)	(11%)
Net pension liability	(4,449)	(4,127)	(3,763)	(6,046)	(5,641)

All amounts are stated on an IFRS basis.

*1 From continuing activities, pre-exceptional items.