

engineering partnerships, manufacturing solutions.

Interim Report 2009



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

Our goal is to achieve sustained growth through market development, technology investment and strategic acquisitions. With over 1,000 employees. Stadium has manufacturing facilities in the UK and China, and sales and engineering offices in key global markets.

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Highlights

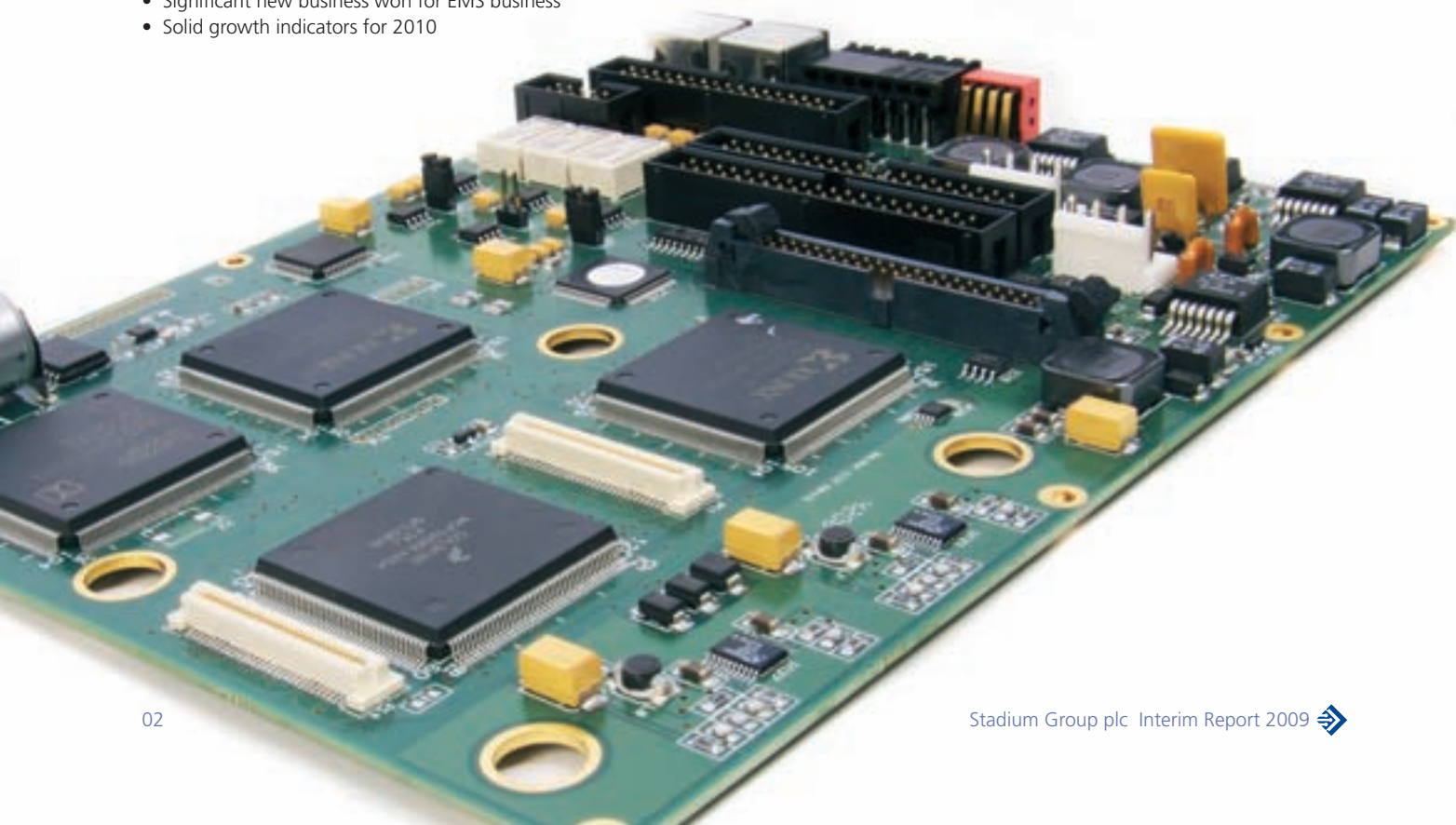
	30 June 2009	30 June 2008
Revenue	£22.34m	£23.06m
Profit before taxation*	£0.88m	£1.40m
Net cash flow from operations	£1.45m	£1.39m
Net bank borrowings	£0.65m	£2.09m * ²
Interim dividend	0.8p	1.25p

*after reorganisation costs of £0.16m

*² at 31 Dec 2008

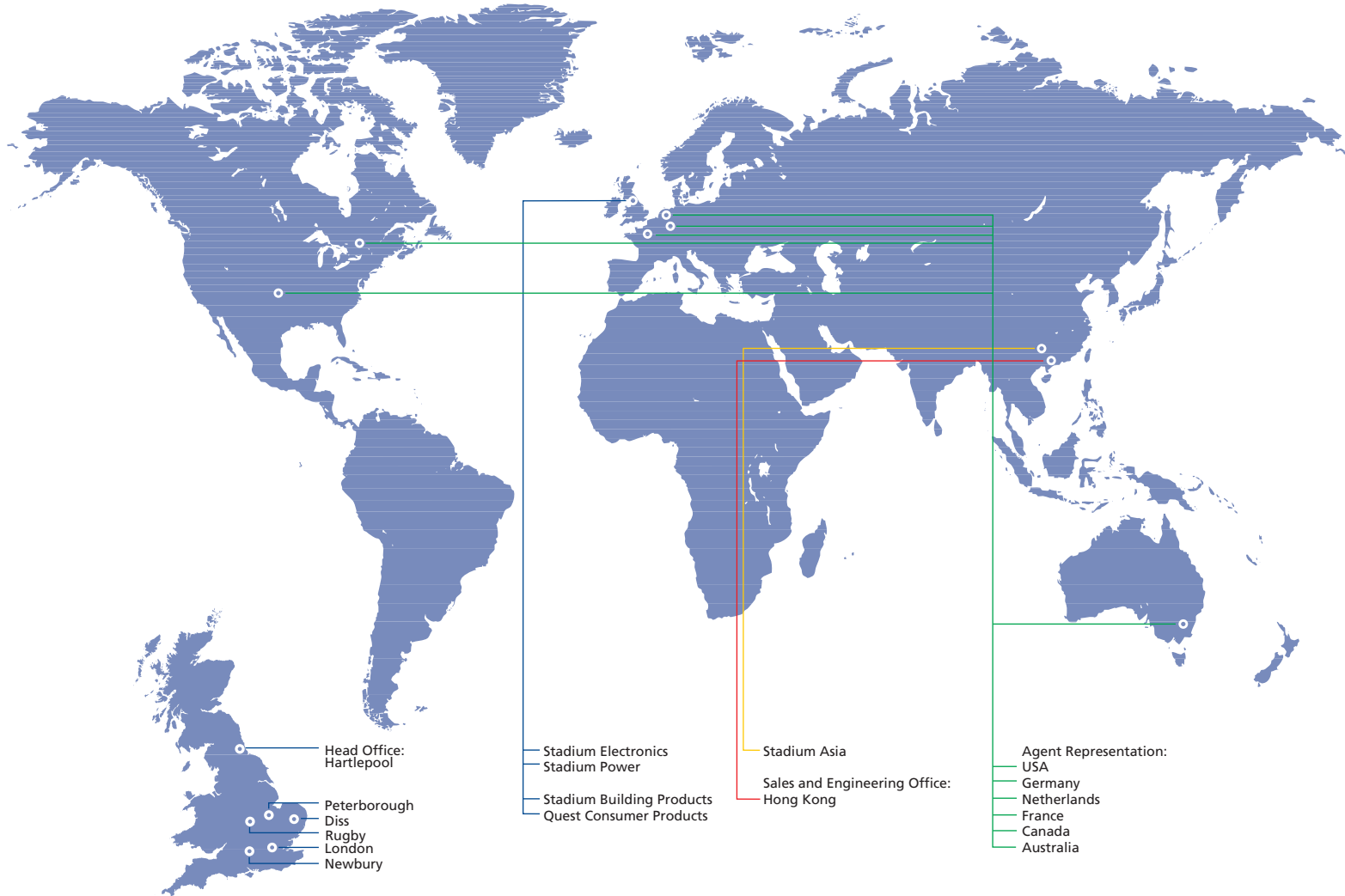
Summary

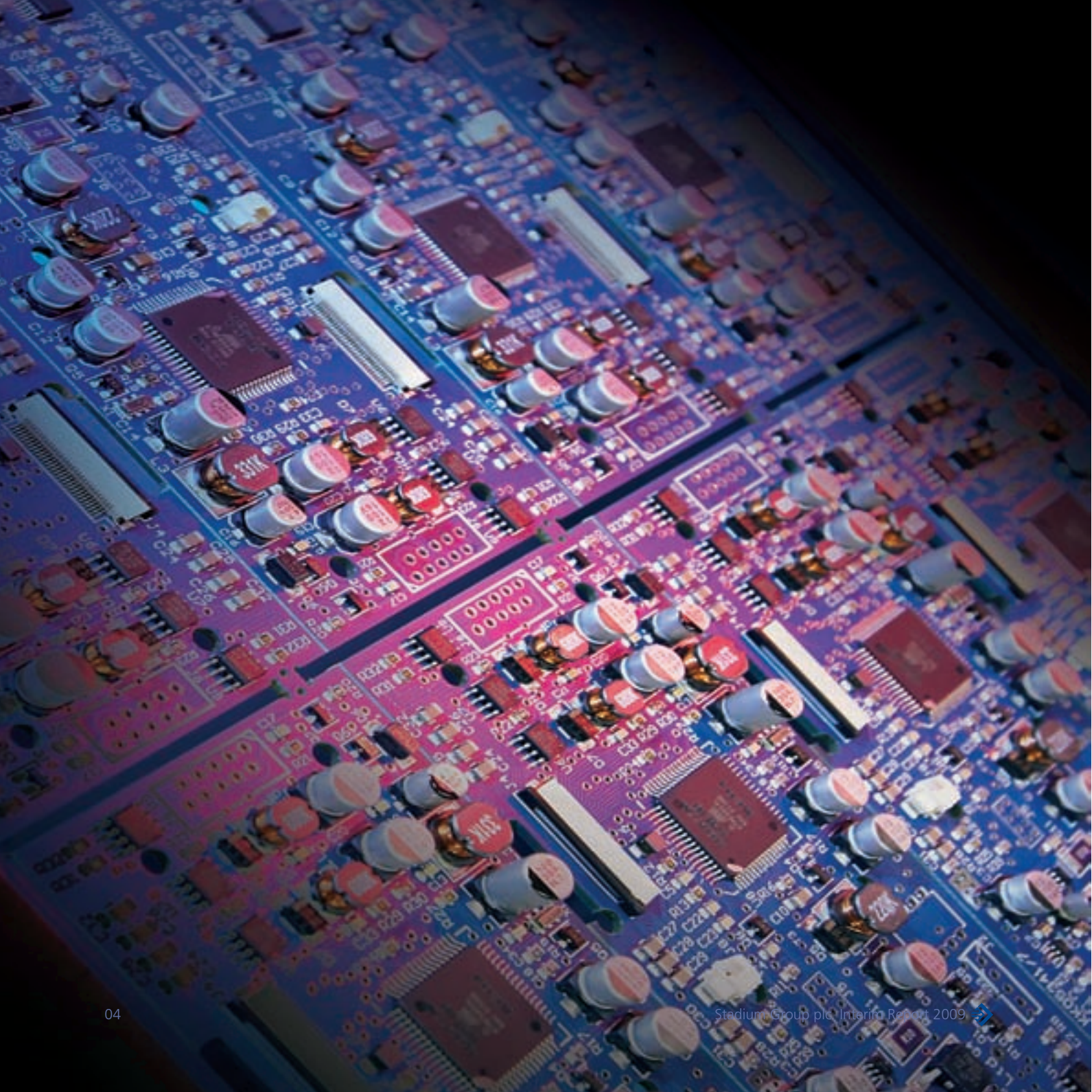
- Revenues virtually unchanged despite challenging market conditions
- Strong operating cash flow and balance sheets
- Net bank borrowings reduced
- Zirkon acquisition integration
- Enhanced market profile
- Significant new business won for EMS business
- Solid growth indicators for 2010



Group Structure

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





Operations

Stadium Electronics

Stadium Electronics provides high quality electronic manufacturing services (ems) to original equipment manufacturers in the consumer, industrial, medical and personal care and automotive markets through a partnership approach and responsive flexible working. Providing full turnkey project management from PCB assembly to complete product build and packaging solutions, Stadium Electronics ensures cost effectiveness through a project managed solution incorporating NPI, supply chain management and global logistics.

UK ems manufacturing operations are strategically sited in the North (Hartlepool) and Midlands (Rugby), offering six surface mount production lines, final product assembly and test and inspection facilities for low to medium volume, high technology mix products. Zircon, a U.K. ems provider, was acquired in 2008 and is integrated fully within Stadium Electronics business operations.

Stadium Power

Stadium Power provides power supply design and manufacturing solutions to original equipment manufacturers in the instrumentation, medical, security, lighting, industrial, datacom and defence markets.

Products include switch mode power supplies, programmable power supplies, AC-DC and DC-DC converters, inverters, battery chargers and EMC filters manufactured to international standards EN, IEC, CSA and UL as well as power supplies designed to medical, defence and fire & security standards.

Acquisitions:

Fox Industries, acquired in 2008, is a niche manufacturer of specialist power supplies including emc filter products.

Ferrus Power, acquired in 2007, a manufacturer of custom power supplies.

KRP Power Source, acquired in 2006, a leading power supply distribution company.

Stadium Power acquisitions were integrated fully in 2009, amalgamating design, engineering, manufacturing and sales and marketing operations.

Stadium Asia

Stadium Asia, a wholly owned Stadium Group operation in China, provides Stadium Electronics and Stadium Power with competitive offshore manufacturing solutions. Global competitiveness is offered through local design and engineering, alternative manufacturing location to suit volume and technology requirements and extended resource to manage increase in demand or disaster recovery planning and global component procurement.

Comprising of a 15,000m² production facility in the Guangdong Province of China which includes 5 surface mount production lines, and a design and commercial centre in Hong Kong, Stadium Asia operates to UL ISO 9000:2001, ISO14001, CE, SEMKO and is TS16949 approved for the supply of automotive assemblies. ISO13485 for the manufacture of medical devices is also in place with class 10K clean room facilities.

Branded Plastics

Branded Plastics comprises Stadium Building Products and Quest Consumer Products.

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

Quest Consumer Products specialises in the design and manufacture of plastic injection moulded products for the baby care market. As one of the leading UK manufacturers in this sector, Quest is an established provider of branded products to high street retailers.

Chairman's Statement



Nick Brayshaw

Chairman, Stadium Group plc

Introduction

I am pleased to report satisfactory trading results for the six month period ended 30 June 2009. Despite most challenging economic conditions, the group has delivered profits before taxation and reorganisation costs in excess of £1 million, significantly reduced its underlying cost base, generated strong operating cash flows, and closed the period in robust financial condition with bank gearing of just 6.5%.

During the first quarter of the year, a sharp reduction in customer demand was experienced due to global economic uncertainty. The impact was exaggerated by the effects of de-stocking, resulting in a dramatic reduction in the activity level required to support sales. Swift counter measures were required in order to reduce costs, working capital and increase liquidity during this transitional period.

Customer demand was more stable during the second quarter, albeit at a reduced level compared with that prevailing throughout 2008, hence cost reduction and cash generation remained key areas of focus. These actions, although difficult to manage, have resulted in a leaner organisation with the operational and financial strength to exploit future growth opportunities.

Throughout the period, substantial progress has been made on the integration of Stadium Zirkon Limited (acquired in October 2008) into our UK EMS business. In addition to operational benefits, the enhanced profile of our business and the co-ordination of all sales and marketing activities under new leadership are delivering major new business for the second half of the year and into 2010.

Financial results and dividend

Revenues reduced by 3% to £22.34m (six months to 30 June 2008: £23.06m). This reflected the underlying reduction in activity level, adjusted for currency movements and the effect of acquisition, of approximately 24%.

In these challenging circumstances, gross margin reduction was limited to 1.2% (from 22.7% to 21.5%). This was achieved against a backdrop of relatively stable pricing of inputs and outputs, and hence required efficiency gains and factory cost savings to offset reduced production recoveries. Similarly, operating expenses were virtually unchanged at £3.74m, reflecting underlying cost savings of approximately 20% after adjusting for currency movements, acquisition, and the settlement of employee redundancy payments.

Operating profits of £1.07m were reported after payment of redundancy settlements of £0.16m, and compare with £1.49m in the corresponding period last year. Operating margin (adjusted for redundancy costs) was 5.5% (2008: 6.4%).

Profit before taxation was £0.88m (or £1.04m before redundancy costs), compared with £1.40m in the corresponding period last year. Reported earnings per share reduced by 38% to 2.4 pence (2008: 3.9 pence).

Cash flow from trading activities was 226% of operating profit at £2.43m (2008: 135% at £2.00m), as a result of managed reductions in inventories and capital expenditure. Consequently, net bank borrowings reduced by £1.40m to £0.69m and gearing fell to 6.5% (31 December 2008: 19.7%).

The board proposes an interim dividend of 0.80 pence (2008: 1.25 pence) per share to be paid on 16 October 2009 to shareholders on the register on 18 September 2009.

Stadium Electronics	2009	2008
Revenue by source	£m	£m
Asia	9.02	11.88
UK	6.34	3.32
Total	15.36	15.20
operating profit	0.97	1.16
operating margin	6.3%	7.6%

Revenue increased by 1% as reported, based on an underlying reduction in activity level of approximately 30% after adjusting for currency movements and acquisition. The reduction in demand was typical of levels reported across the EMS sector, especially in China where inventory levels required by extended supply chain logistics are more sensitive to changes in underlying end user demand.

Measures taken to reduce operating costs were implemented early and effectively, and accordingly the impact on operating margin was restricted to a reduction of 1.3% to 6.3%.

In the UK, integration of Stadium Zirkon Limited (acquired in October 2008) is progressing well. Our two UK plants at Hartlepool and Rugby are of similar size and have complementary capabilities. Operational management under common leadership is facilitating benefits in material sourcing, engineering, new product introduction and the sharing of manufacturing best practice. We aim to offer market leading skills in customer service, including the introduction of complex box build assemblies, whilst retaining competitive pricing through global sourcing and manufacturing excellence.

Our financial and operational strength provides assurance to customers in more uncertain times, and have led us to benefit from the implementation of vendor rationalisation programmes carried out by some key customers.

Furthermore, we have experienced some significant new contract wins which will enter production in the second half of the year, and ramp up to full volume into 2010. These are of sufficient magnitude to warrant increased capacity in our UK manufacturing operations, and we anticipate capital expenditure in the second half to be broadly equivalent to depreciation to facilitate this expansion.

We are reaping the benefits of an enhanced market presence following the acquisition of a second UK operation, and the consolidation of our UK sales and marketing under a single management structure for handling new enquiries is generating some success.

We believe that this will deliver a healthy rate of organic growth, and provide a platform for further acquisitions should suitable opportunities arise.

Stadium Power	2009	2008
Revenue by source	£m	£m
UK	1.12	1.62
Asia	0.35	0.55
Total	1.47	2.17
operating profit	0.05	0.36
operating margin	3.4%	16.6%

Revenue in Stadium Power was disappointing after a strong period of growth in 2008, reducing by more than 30%. Many of our key customers in this segment of the group are manufacturers of capital equipment, mostly for the industrial, medical and communications sectors. It is perhaps therefore less surprising that revenues have declined in view of the widespread reductions in capital expenditure across the UK economy as a whole during the first half of the year.

Management have reacted by reducing costs and working capital, whilst maintaining critical customer facing activities at previous levels.

Whilst we anticipate improved performance in the second half of the year, this is likely to be gradual as market conditions remain quite sluggish. New enquiry levels and product development activity continue to be positive, and we are confident of recovery and a return to growth in the medium term.

Branded Plastics	2009	2008
Revenue	£m	£m
Babycare	2.39	2.49
Building Products	3.12	3.20
Total	5.51	5.69
operating profit	0.38	0.25
operating margin	6.9%	4.4%

Despite generally weak market conditions, revenues were aided by new listings and export growth to reduce by only 3% in comparison to the same period last year. Operating margins recovered towards levels last achieved in 2007 as the detrimental effects of material and energy price increases suffered in 2008 abated.

There are further opportunities for new business growth in the second half, and into 2010.

Financial position and cash flow

Cash flow from trading activities was 226% of operating profit at £2.43m (2008: 135% at £2.00m), as a result of managed reductions in inventories and capital expenditure. Consequently, net bank borrowings reduced by £1.40m to £0.69m and gearing fell to 6.5% (31 December 2008: 19.7%).

In view of the current climate, a prudent stance has been taken on liquidity such that the company has continued to draw on long term committed facilities whilst retaining positive cash balances. This policy has incurred interest costs at relatively low prevailing rates, whilst maximising flexibility.

Headroom on existing bank facilities at 30 June was £5.53m (31 December 2008: £4.05m).

The net pension deficit was reduced by £0.43m as a result of cash contributions made by the company. These payments are at a reduced level (2008: £0.52m) which was agreed with the Trustees of the plan in April 2009 and is due for review no later than March 2010.

Board Changes

It was announced at the AGM in April that Kam Verma would retire on 30 June 2009. Kam made a substantial contribution to the

company during 24 years of service and we wish him a long and fulfilling retirement.

We now announce the appointment of Tony Inskip to the board as Commercial Director. Tony joined Stadium Stadium Group as Sales Director for Stadium Zirkon Limited following the acquisition of Zirkon Limited in October 2008.

Our people

Trading conditions have been especially challenging in the period, and this has placed all of our people under additional pressure. Unfortunately, we had no alternative but to make reductions in our workforce during the first quarter of the year.

During the second quarter, all of our staff recognised the need to accept temporary reductions in remuneration in order to sustain the business over the most critical period of the downturn.

These results, and the robust financial condition of the group, are due in no small part to the skills, dedication and resilience of all of our people. I take this opportunity to place on record the appreciation of the board and shareholders of the company for their tolerance.

Outlook

We anticipate that market conditions will remain challenging in the second half of the year and well into 2010. Trading with our current customers is likely to remain stable. The de-stocking phase of the downturn is complete, although we do not expect to see a further noticeable improvement in underlying trading volumes over the short term.

More encouragingly, the level of new customer contracts due to enter production by the fourth quarter is at a high level. These contracts are in key target market sectors and we expect further success next year.

Accordingly, we are optimistic regarding future prospects of recovery to previous levels of profitability, and further growth thereafter.

Nick Brayshaw OBE
Chairman
8 September 2009

Consolidated income statement (unaudited)

for the six months ended 30 June 2009

	Note	30 June 2009 £000's	30 June 2008 £000's	31 December 2008 £000's
Continuing operations				
Revenue	2	22,335	23,057	47,611
Cost of sales		(17,524)	(17,829)	(36,842)
Gross profit		4,811	5,228	10,769
Operating expenses	3	(3,737)	(3,741)	(7,653)
Operating profit		1,074	1,487	3,116
Finance costs	4	(197)	(92)	(334)
Profit before tax		877	1,395	2,782
Taxation		(197)	(275)	(591)
Profit for the period	2	680	1,120	2,191
Basic earnings per share	6	2.4p	3.9p	7.6p
Diluted earnings per share	6	2.4p	3.8p	7.6p

Consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2009

	Note	30 June 2009 £000's	30 June 2008 £000's	31 December 2008 £000's
Profit for the period	2,8	680	1,120	2,191
Other comprehensive income				
Exchange differences on translating foreign operations		(285)	8	1,070
Actuarial loss in pension scheme net of deferred tax		-	-	(287)
Other comprehensive income for the period		(285)	1,128	783
Total comprehensive income for the period		395	1,128	2,974

Consolidated statement of financial position (unaudited)

at 30 June 2009

	Note	30 June 2009 £000's	30 June 2008 £000's	31 December 2008 £000's
Assets				
Non-current assets				
Property, plant and equipment		6,940	6,483	7,723
Goodwill		2,589	1,524	2,589
Other intangible assets		172	-	172
Deferred tax assets		1,463	1,769	1,463
Other receivables		489	511	489
		11,653	10,287	12,436
Current assets				
Inventories		4,720	5,430	5,547
Trade and other receivables		9,010	8,577	9,286
Cash and cash equivalents		2,656	805	1,738
		16,386	14,812	16,571
Total assets		28,039	25,099	29,007
Equity				
Equity share capital		1,441	1,440	1,441
Share premium		4,237	4,237	4,237
Capital redemption reserve		88	88	88
Translation reserve		(143)	(920)	142
Retained earnings	8	5,018	4,259	4,698
Total equity		10,641	9,104	10,606
Non-current liabilities				
Long-term borrowings	7	2,706	703	3,437
Gross pension liability		4,800	5,316	5,226
Total non-current liabilities		7,506	6,019	8,663
Current liabilities				
Current portion of long-term borrowings		637	239	386
Trade payables		5,395	6,063	5,617
Current tax payable		354	557	647
Other payables		3,506	3,117	3,088
Total current liabilities		9,892	9,976	9,738
Total liabilities		17,398	15,995	18,401
Total equity and liabilities		28,039	25,099	29,007

Consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2009

	Share capital £000's	Share premium £000's	Capital Redemption Reserve £000's	Translation reserve £000's	P&L account £000's	Total £000's
At 31 December 2007	1,440	4,233	88	(928)	3,859	8,692
Shares issued to satisfy options exercised	-	4	-	-	-	4
Exchange differences on overseas subsidiary	-	-	-	8	-	8
Retained profit to 30 June 2008	-	-	-	-	400	400
At 30 June 2008	1,440	4,237	88	(920)	4,259	9,104
Shares issued to satisfy options exercised	1	-	-	-	-	1
Exchange differences on overseas subsidiary	-	-	-	1,062	-	1,062
Retained profit to 31 December 2008	-	-	-	-	439	439
At 31 December 2008	1,441	4,237	88	142	4,698	10,606
Exchange differences on overseas subsidiary	-	-	-	(285)	-	(285)
Retained profit to 30 June 2009	-	-	-	-	320	320
At 30 June 2009	1,441	4,237	88	(143)	5,018	10,641

Consolidated statement of cash flows (unaudited)

for the six months ended 30 June 2009

	Note	30 June 2009 £000's	30 June 2008 £000's	31 December 2008 £000's
Net cash flow from operating activities	9	1,446	1,388	2,752
Investing activities				
Purchase of property, plant and equipment		(42)	(213)	(654)
Sale of property, plant and equipment		-	9	26
Acquisition of subsidiary net of cash acquired		-	-	(2,502)
Cash flows from investing activities		(42)	(204)	(3,130)
Financing activities				
Equity share capital subscribed		-	4	5
Interest paid		(86)	(92)	(90)
(Decrease)/increase in bank loans		(25)	(17)	2,835
Dividends paid on ordinary shares	5	(375)	(735)	(1,095)
Cash flows from financing activities		(486)	(840)	1,655
Net increase in cash and cash equivalents		918	344	1,277
Cash and cash equivalents at start of period		1,738	461	461
Cash and cash equivalents at end of period		2,656	805	1,738

Notes

1. Basis of preparation

The annual financial statements of Stadium Group plc for the year ending 31 December 2009 will be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the EU. Accordingly, the interim financial report has been prepared using accounting policies consistent with those which will be adopted by the Group in the financial statements and in compliance with IAS 34 "Interim financial reporting".

The Group's IFRS accounting policies, set out below, have been consistently applied to all the periods presented. The information has been prepared under the historical cost basis.

The comparative figures for the year ended 31 December 2008 do not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2008 has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s235 of the Companies Act 1985.

Basis of consolidation

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

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

Goodwill

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

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

Revenue recognition

Revenue is measured at the fair value of goods and services 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 period end 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 period end 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.

Notes

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 statement of comprehensive income.

Defined contribution schemes

Contributions payable are charged to the Income Statement in the accounting period in which they are incurred.

Foreign currencies

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

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

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

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.

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 summarised below.

Notes

Credit risk:

The Group 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. Credit risk is actively managed. Remedial actions are taken, including the variation of terms of trade under guidance from senior management, where credit risk is deemed to have risen to an unacceptable level.

Interest rate risk:

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group holds cash and borrowings in various currencies at floating rates of interest.

Liquidity risk:

As regards liquidity, the Group's policy is to maintain undrawn overdraft borrowing facilities in order to provide flexibility in the management of the Group's liquidity.

Foreign currency risk:

The Group has transactional and translational currency exposures. Transactional exposures arise from sales or purchases by operating units in currencies other than sterling, being the Group's functional currency. The Group matches payments and receipts to minimise exposure, and buys the currency when the liability falls due. Translational exposure arises when the results of Stadium Asia, which are reported in Hong Kong dollars, are translated into sterling for inclusion in the Group results. Part of this exposure is hedged by entering into loan facilities denominated in United States dollars.

Notes

2. Segmental analysis

By operation

	June 2009				Consolidated £000's
	Electronics £000's	Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Revenue - external customers	15,357	1,473	5,505	-	22,335
Operating profit	972	45	383	(326)	1,074
Interest payable					(197)
Taxation					(197)
Profit for the period					680

	June 2008				Consolidated £000's
	Electronics £000's	Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Revenue - external customers	15,200	2,169	5,688	-	23,057
Operating profit	1,162	363	253	(291)	1,487
Interest payable					(92)
Taxation					(275)
Profit for the period					1,120

Notes

	June 2009				Consolidated £000's
	Electronics £000's	Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	
Segment assets	14,028	1,040	5,778	7,193	28,039
Segment liabilities	(6,662)	(216)	(1,629)	(8,891)	(17,398)
Segment net assets	<u>7,366</u>	<u>824</u>	<u>4,149</u>	<u>(1,698)</u>	<u>10,641</u>
Expenditure on property, plant and equipment	20	-	8	14	42
Depreciation and amortisation	<u>326</u>	<u>30</u>	<u>99</u>	<u>33</u>	<u>488</u>

	June 2008				Consolidated £000's
	Electronics £000's	Branded Power £000's	Unallocated & Plastics £000's	Adjustments £000's	
Segment assets	12,996	1,397	6,154	4,552	25,099
Segment liabilities	(6,942)	(455)	(1,379)	(7,219)	(15,995)
Segment net assets	<u>6,054</u>	<u>942</u>	<u>4,775</u>	<u>(2,667)</u>	<u>9,104</u>
Expenditure on property, plant and equipment	141	55	17	-	213
Depreciation and amortisation	<u>201</u>	<u>33</u>	<u>112</u>	<u>33</u>	<u>379</u>

Notes

By geographic location

	Revenue - external customers by location of customer £000's	June 2009 Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	15,672	7,033	22
Europe	2,537	-	-
Asia	239	3,608	20
Americas	1,994	-	-
Other	1,893	-	-
	<u>22,335</u>	<u>10,641</u>	<u>42</u>

	Revenue - external customers by location of customer £000's	June 2008 Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	13,113	5,509	187
Europe	4,308	-	-
Asia	1,281	3,595	26
Americas	2,822	-	-
Other	1,533	-	-
	<u>23,057</u>	<u>9,104</u>	<u>213</u>

3. Operating expenses

Operating expenses include one-off reorganisation costs as follows

	Six months 30 June 2009 £000's	Six months 30 June 2008 £000's	Year ended 31 December 2008 £000's
Redundancy costs	<u>161</u>	-	-

Notes

4. Finance costs comprises:

	Six months 30 June 2009 £000's	Six months 30 June 2008 £000's	Year ended 31 December 2008 £000's
Interest payable on bank loan and overdrafts	(86)	(42)	(90)
Other finance costs	(111)	(50)	(244)
	<u>(197)</u>	<u>(92)</u>	<u>(334)</u>

5. Dividends

	Six months 30 June 2009 £000's	Six months 30 June 2008 £000's	Year ended 31 December 2008 £000's
Ordinary dividends:			
Final dividend 2008 of 1.30p (2007 : 2.55p)	(375)	(735)	(735)
Interim dividend 2008 of 1.25p	-	-	(360)
	<u>(375)</u>	<u>(735)</u>	<u>(1,095)</u>

An interim dividend of 0.8 pence per share amounting to £231,000 will be paid on 16 October 2009, to shareholders on the register on 18 September 2009.

6. Earnings per share

	2009 Earnings £000's	Six months ended 30 June		2008
		2009 EPS Pence	2008 Earnings £000's	2008 EPS Pence`
Basic earnings per share	680	2.4	1,120	3.9
Share option costs	15	0.0	15	(0.1)
Fully diluted earnings per share	<u>695</u>	<u>2.4</u>	<u>1,135</u>	<u>3.8</u>

The calculation of basic earnings per share is based on the profit for the financial period and the weighted average number of ordinary shares in issue (June 2009: 28,827,198 shares, June 2008: 28,808,366 shares, December 2008: 28,811,399 shares).

Fully diluted earnings per share reflect dilutive options granted resulting in weighted average number of shares of 29,898,181 ordinary shares (June 2008: 29,868,644 shares, December 2008: 29,066,165 shares).

Notes

7. Long term borrowings

	30 June 2009 £000's	30 June 2008 £000's	31 December 2008 £000's
Bank loans (secured)	2,677	703	3,408
Non-trade payables	29	-	29
	<u>2,706</u>	<u>703</u>	<u>3,437</u>

8. Profit and loss account

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

	Six months 30 June 2009 £000's	Six months 30 June 2008 £000's	Year ended 31 December 2008 £000's
Balance at beginning of period	4,698	3,859	3,859
Profit for the period	680	1,120	2,191
Net actuarial loss in pension scheme	-	-	(287)
Share option costs recognised	15	15	30
Dividends paid (Note 5)	(375)	(735)	(1,095)
Balance at end of period	<u>5,018</u>	<u>4,259</u>	<u>4,698</u>

Notes

9. Net cash inflow from operating activities

	Six months	Six Months	Year ended
	30 June	30 June	31 December
	2009	2008	2008
	£000's	£000's	£000's
Operating profit	1,074	1,487	3,116
Share option costs	15	15	30
Depreciation	488	379	898
Development costs	-	-	(90)
Decrease/(increase) in inventories	827	(254)	296
Decrease/(increase) in trade and other receivables	276	(293)	280
(Decrease)/increase in trade and other payables	(251)	670	(407)
Net cash inflow from trading activities	2,429	2,004	4,123
Difference between pension charge and cash contributions	(537)	(580)	(1,211)
Tax paid	(446)	(36)	(160)
Net cash inflow from operating activities	1,446	1,388	2,752

10. Analysis of changes in net debt

	31 Dec	Cash flow	Foreign	Reclassification	30 June
	2008	£000's	Exchange	£000's	2009
	£000's	£000's	£000's	£000's	£000's
Cash	1,738	918	-	-	2,656
Loans due within one year	(386)	25	46	(322)	(637)
Loans due after one year	(3,437)	-	409	322	(2,706)
Net debt	(2,085)	943	455	-	(687)

11. Risk management

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 of the risk management policies are set out in Note 1.

These risks have developed and been managed as follows since the last Group annual report.

Credit risk:

The Group continues to pay heightened attention to managing credit risk as the directors consider the general level of credit risk in the current economic climate to be higher than normal. An enhanced level of awareness is maintained of any changes in customers' credit requirements, payment habits and the conditions in their own market sectors.

The Group has not incurred any significant bad debts during the period except as follows. It was disclosed in the last annual report that a customer had filed for Chapter 11 Bankruptcy Protection in the United States of America, subsequent to the Group's year end. The assets of that customer have since been acquired out of Chapter 11 and the Group now trades with the new owner. An agreement was reached with the new owner which will see 80% of the pre-Chapter 11 debt recovered and the value of the inventory realised in full. A corresponding charge is anticipated, of approximately £75,000, which will be charged to operating profit in the current year subject to completion of all other elements of the relevant agreement.

Foreign currency risk:

There has been no significant change during the period in the nature of the Group's exposure to currency risk. There continues to be no significant exposure to currency risk on transactions due to the policy of matching the currency of payments and receipts.

A net loss of £285,000 (2008: gain £8,000, 2008 full year: gain £1,070,000) on the translation of the net assets of Stadium Asia, denominated in Hong Kong dollars, and long term borrowings denominated in US dollars was recorded through the translation reserve.

At 30 June 2009 the Group had net borrowings denominated in US dollars of £2,974,000 (2008: £nil) and in Hong Kong dollars of £340,000 (2008: £317,000).

Interest rate risk:

The Group holds cash and borrows in sterling and US dollars at floating rates of interest. The exposure to interest rate risk all relates to the floating rates at which the Group borrows and lends. The risk is monitored continually to ensure that the group remains able to meet its financing commitments from operational cash flows.

The Group's US dollar denominated borrowings are at a rate of US LIBOR plus 1.5% and Hong Kong dollar denominated borrowings are at a rate of base rate less 2%. The historically low rates of interest mean that the Group has been able to meet its financing commitments satisfactorily.

Liquidity risk:

The Group's policy of managing liquidity risk by maintaining sufficient headroom in its undrawn overdraft facilities was addressed through a number of actions taken during the period. These actions included a change in the dividend policy, the renegotiation of the level of the deficit funding commitment to the final salary pension scheme for the year to April 2010, the negotiation of a three month salary sacrifice by employees during quarter two and the beneficial renegotiation of terms with major suppliers.

At the end of the period the Group had overdraft facilities of £2,275,000 (2008: £2,226,000) of which £nil was being utilised (2008: £nil). The group also had loan facilities of £3,471,000 (2008: £1,013,000) of which £3,314,000 (2008: £959,000) was being used.

12. Going Concern & 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.

Shareholder notes



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